

## Early Detection of Financial Reporting Fraud in State-Owned Banks: The Role of Good Corporate Governance Mechanisms with the F- Score Model

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### **Abstract**

#### **Keywords:**

*State-Owned Bank, F-score,  
Good Corporate Governance,  
Indication of financial report  
manipulation*

*This study aims to determine the effect of Good Corporate Governance (GCG) mechanisms on indications of financial statement manipulation in the banking sector of State-Owned Enterprises (SOEs) listed on the Indonesia Stock Exchange (IDX) for the 2017–2023 period. GCG is measured by three indicators, namely external audit, audit committee effectiveness, and independent board of commissioners using the F-Score method. The sampling technique used in this study is purposive sampling with a sample of 4 SOE banks or 28 data on SOE companies listed on the Indonesia Stock Exchange in 2017–2023. The data used are secondary data obtained from the company's annual report and the official BEI website. This research method uses a quantitative method and the analysis uses logistic regression analysis using IBM SPSS 26. The results of the study indicate that GCG, namely, external audit, audit committee effectiveness, and independent board of commissioners have a simultaneous effect on indications of financial statement manipulation of SOE banks with the help of control variables, namely company size and leverage. In addition, external audit, audit committee effectiveness, and independent board of commissioners partially do not affect indications of financial statement manipulation of SOE banks. These findings indicate that the implementation of effective corporate governance collectively has an important role in reducing the potential for financial reporting manipulation in the state-owned banking sector.*

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## INTRODUCTION

Financial reports are a presentation of financial information that provides an overview of the financial position, financial performance and cash flow of an entity for a certain period. (IAS 1 Presentation of Financial Statements, nd). Companies have responsibilities towards stakeholders, including investors, creditors, regulators, and the wider community (R. Edward Freeman, 2015). However, some management still commit irregularities in financial reports by presenting the company's financial condition as if it shows a continuous increase in profits every year, thus misleading interested parties. (Rahma & Suryani, 2019). Fraudulent financial statements are defined as the act of deliberately manipulating or falsifying accounting information to deceive stakeholders. (Nyoman et al., nd). According to Cheng et al. (2021) Fraud in financial reporting

occurs when the information presented is significantly distorted, thus misleading users in making decisions. The Association of Certified Fraud Examiners (ACFE) (2024) notes that fraudulent financial reporting can cause information to become irrelevant and unreliable as a basis for decision-making. Three types of fraud are classified into three main categories: fraudulent financial statements, asset misappropriation, and corruption.(Albrecht et al., nd, 2012).

Based on the results of the Indonesian Fraud Survey (SFI) by ACFE Indonesia in 2019, it was stated that financial statement fraud ranked third out of all types of fraud with a percentage of 6.7% chosen by 16 out of 239 respondents. The distribution of losses due to this fraud occurred in various value categories, including 6.7% for cases with a loss value between Rp. ≤ 10 million to Rp. > 10 billion, most often carried out with losses below Rp. 10 million. The time required to detect financial statement fraud is 0 to more than 36 months, with the largest percentage of financial statement fraud at 93.7% (ACFE Indonesia chapter 2020). Government institutions are the most disadvantaged parties, followed by state-owned enterprises (BUMN), one of which is the financial and banking industry at 41.1% (ACFE, 2019). According to Law of the Republic of Indonesia Number 10 of 1998, Banking has the main function of collecting public funds in the form of deposits and distributing them in the form of credit or other financial instruments to improve the standard of living of the wider community. If these activities are disrupted due to financial reporting fraud, the impact can spread to various economic sectors.(Ginting and Mawardi 2021, nd)One of the most recent cases demonstrating the practice of financial statement manipulation in the banking sector occurred at IndusInd Bank, a major bank in India. In 2025, the bank was revealed to have misrepresented revenue in its financial statements. An internal audit found the recognition of derivative income of ₹1,530 crore and microfinance interest of ₹674 crore that did not comply with accounting principles, as well as fictitious fee income of ₹172.58 crore recorded for three consecutive quarters. These findings strongly indicate the involvement of senior employees in the manipulation process. Indian financial authorities, including the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), and the Institute of Chartered Accountants of India (ICAI), immediately conducted a thorough investigation of the bank's financial statements (economictimes.indiatimes.com). This case not only caused reputational and financial losses, but also reinforced the urgency of implementing Good Corporate Governance (GCG) and strict external audit oversight to prevent similar manipulation practices in the banking sector. Another case of financial reporting fraud in the state-owned banking sector also occurred at PT Bank Mandiri (Persero) Tbk, which experienced a breach by PT Tirta Amarta Bottling Company (TAB) with a total loss of Rp 1.83 trillion. This case surfaced in 2015 after the Supreme Audit Agency (BPK) discovered that PT TAB had manipulated Rp 1.4 trillion in credit data in collaboration with internal Bank Mandiri employees to illegally obtain additional credit.[www.ekonomi.kompas.com](http://www.ekonomi.kompas.com)The official audit findings from the Public Accounting Office and the Supreme Audit Agency (BPK) added that the practice of financial report manipulation remains a serious problem in Indonesia that is common and has been directly identified in the official audit process.(Suryani, Winarningsih, Avianti, Sofia, & Dewi, 2023).

*Good Corporate Governance*(GCG) is a governance system that directs and controls company activities to comply with the principles of transparency, accountability, responsibility, independence and fairness.(Effendi, 2021)Good Corporate Governance was born as a response to the increasing complexity of company management and the demand for open information that can be trusted by all stakeholders.(OECD, 2015)In financial reporting, Good Corporate

Governance (GCG) functions as a supervisory mechanism that is able to limit the opportunity for management to manipulate information. (Kanthi Herath Associate Professor in Accounting & Albarqi, 2017). One of the important indicators of Good Corporate Governance (GCG) is external audit, which acts as an independent party in evaluating the fairness of financial reports and ensuring management accountability SA 240 (SPAP IAPI, 2021). The existence of an audit committee is a crucial component in the internal oversight structure, because the auditor is required to communicate with the party responsible for governance, namely the board of commissioners or audit committee, to convey significant audit findings based on the provisions of SA 260 (SPAP IAPI, 2021). In addition, the auditor must also communicate deficiencies in internal control to governance and management in accordance with the requirements of SA 265. (SPAP IAPI, 2021) The board of commissioners or audit committee plays a crucial role in following up on audit results to balance power and ensure managerial accountability (SPAP IAPI, 2021). These three indicators mutually support each other in creating sound and trustworthy governance, particularly in the state-owned banking sector, which is heavily regulated and carries a high risk of financial reporting fraud.

In this context, Stakeholder Theory serves as a relevant theoretical foundation because it emphasizes that companies have responsibilities to all stakeholders, not just shareholders. Transparency and accountability in financial reporting demonstrate the company's fulfillment of its responsibilities to stakeholders such as investors, regulators, and the wider community (Freeman, 2015). Therefore, Good Corporate Governance mechanisms such as external audits, audit committees, and independent boards of commissioners play a crucial role in ensuring that stakeholder interests are protected from potential information misappropriation.

## Literature Study

### Stakeholder Theory

*Stakeholder Theory* is an approach to management that emphasizes that companies must consider the interests of all stakeholders, not just shareholders, this concept was first introduced by Freeman (2015) and become the basis for developing ethical and sustainable corporate governance practices. According to Bridoux & Stoelhorst (2022) Stakeholder engagement is essential for creating shared value and managing sustainability risks. This approach is also reinforced by the statement (Taylor, 2019) which emphasizes the importance of serving all stakeholders, not just shareholders. In the context of corporate governance, stakeholder theory is relevant because it encourages companies to establish fair and transparent oversight mechanisms for all management activities. (Phillips et al., nd) Companies that adopt this approach tend to be more competitive and have stronger public trust, especially in highly regulated sectors such as state-owned banking.

*Stakeholder theory* This underlies the importance of Good Corporate Governance in maintaining transparency and preventing financial reporting fraud. Recent literature supports the relevance of stakeholder theory in creating effective and sustainable governance. Harrison et al. (2019) emphasize that a stakeholder approach can strengthen transparent and responsible governance practices, while Vishwanathan & Stoelhorst (2020) state that companies that adopt stakeholder-based governance are more adaptive to risks and create long-term value for all stakeholders. Stakeholder theory is an important foundation in this research because it provides a relevant conceptual framework to explain the relationship between good corporate governance and indications of financial reporting fraud, particularly in the state-owned banking sector.

Thus, stakeholder theory not only provides a normative basis for the application of good corporate governance principles but also serves as a conceptual foundation for early detection of potential financial statement fraud. This theory assumes that all stakeholders have the right to accurate and transparent information, thus requiring companies to implement an effective oversight system. In the context of this research, stakeholder theory reinforces the argument that effective good corporate governance mechanisms such as external audits, audit committees, and independent boards of commissioners can act as early warnings of potential fraud, as measured by the f-score model approach. Therefore, stakeholder theory serves as an important framework in explaining how good corporate governance contributes to the prevention and early detection of financial manipulation practices in the state-owned banking sector.

### **Financial statements**

Financial reports are an important element in the accounting system that conveys financial information to stakeholders and forms the basis for making economic decisions.(Weygandt, Kimmel, & Kieso, 2019)In a managerial context, financial reports help management in evaluating performance and determining company strategy.(Rahma & Suryani, 2019)In the banking sector, financial reports are the primary tool for measuring the performance and health of financial institutions.(Ross, Westerfield, Jaffe, & Jordan, 2022).

According to PSAK, financial reports describe the financial position, performance and cash flow of an entity during a certain period and are useful for users who do not have the authority to request special reports.(Dzaki & Suryani, 2020)According to the Indonesian Institute of Accountants (2022), financial statements must meet the qualitative characteristics of relevance, reliability, comparability, and understandability. Furthermore, financial statements consist of several key components, such as the statement of financial position, profit and loss, cash flow, changes in equity, and notes to the financial statements.(Indonesian Institute of Accountants, 2022)Transparent financial reporting is an important component in maintaining public trust and supporting financial system stability, as monitored periodically by the Basel Committee on Banking Supervision.(Basel Committee on Banking Supervision, 2021).However, financial reports are also vulnerable to manipulation through various techniques such as earnings management, fraudulent reporting, and creative accounting, which aim to provide a more favorable picture of the actual condition (Dechow et al., 2010; Wells, 2017).

With the increasing complexity of financial reporting, early detection of potential fraud becomes increasingly important. One approach used in this study is the f-score model developed by Dechow et al. (2011), which evaluates the risk of manipulation through abnormal patterns in financial reporting. This model is relevant for application in the state-owned banking sector as a tool to aid in early identification of fraud indications.

### **Fraud**

Fraud is a deliberate act to obtain an unlawful advantage by breaking the rules, in a business, financial or accounting context.(Jacobs & Cressey, 1954)In practice, financial reporting fraud is carried out through the presentation of inaccurate information with the aim of misleading stakeholders such as investors, regulators, and creditors.(Association of Certified Fraud Examiners, 2022).Wolfe & Hermanson, (2004)adding that forms of fraud also include

manipulation of financial reports, misuse of assets and corruption, all of which can significantly harm an organization.

The fraud triangle model proposed by Cressey explains that fraudulent acts are triggered by pressure, opportunity and rationalization. (Jacobs & Cressey, 1954) This model was then developed into a fraud diamond by adding a capability element, which highlights the role of individuals who have access, skills, and authority to commit fraud (Dorminey et al., 2012). Amarakamini & Suryani (2019) states that fraud can be committed by management, employees, or third parties who have access to the company's internal systems.

Financial reporting fraud is a deliberate manipulative act to present financial information that does not correspond to the actual conditions. (Wells, 2017) This type of fraud can take the form of manipulation of income, concealment of liabilities, or inflation of assets. Albrecht et al., (2015). Beasley et al., (2000) stated that external pressure, such as investor or creditor expectations, is the main motivation for report manipulation.

Financial reporting fraud is regulated by regulations such as Law Number 8 of 1995 concerning Capital Markets and Financial Services Authority Regulation Number 29/POJK.04/2016, which require issuers to prepare transparent and accurate financial reports. Other provisions, such as IFRS and PSAK, regulate the principles of reliability and accountability of financial reports (IASB, 2021). These regulations require strict internal controls to minimize the risk of manipulation.

Recent empirical studies support the relevance of the F-Score model in detecting financial statement fraud. Putra & Dinarjito (2021) found that the F-Score is effective in identifying indications of fraud in public companies in Indonesia. A widely used fraud detection model is the Fraud Score (F-Score), developed by Dechow et al., (2011). In addition to the F-Score, other approaches such as financial ratios, high leverage, abnormal fluctuations in receivables, and significant differences between net income and operating cash flow are also used in fraud detection. (Beneish, 1999; Dechow et al., 2011).

Financial reporting fraud not only causes financial losses, but also has the potential to reduce investor confidence, complicate access to funding, and even cause a crisis of public confidence. (Wells, 2017) Therefore, it is crucial for companies to implement robust internal control systems and integrate effective governance-based oversight mechanisms to systematically and sustainably reduce the risk of fraud.

## **F-Score Method**

F-Score is a predictive method used to detect the possibility of financial statement manipulation through a combination of financial ratio analysis. This model was developed by Dechow et al. (2011) in response to the limitations of fraud detection methods based on numerical patterns such as Benford's Law. The F-Score assesses the probability of material deviations in financial statements using quantitative accounting indicators based on the company's historical behavior.

F-Score Built on the fraud triangle theory, the model is based on three main components reflecting pressure, opportunity, and rationalization that can encourage management to engage in accounting manipulation (Cressey, 1953). This model consists of seven indicators that have been empirically proven to contribute to the detection of indications of manipulation.

Research conducted by Ratmono, Darsono, and Cahyonowati (2020) showed that the F-Score model significantly differentiates companies suspected of financial reporting fraud from those

without. This finding indicates that the F-Score can be used as an early detection tool for potential irregularities in financial reporting presentation.

The formula and indicators for the F-Score model are as follows:

**Table 1.**F-Score Indicator

<p><b>RSST_ACC (Return on net operating assets-Based total accruals)</b></p> $RSST\_ACC_t = \frac{\Delta WC + \Delta NCO + \Delta FIN}{Average\ Total\ Assets}$ <p>Information:</p> <p>WC (Working Capital) (Current Assets – Cash and short-term investments) - (Current Liabilities – Debt in Current Liabilities)</p> <p>NCO (Non-Current Operating Assets) (Total Assets – Current Assets – Investments and Advances) – (Total Liabilities – Current Liabilities – Long-Term Debt)</p> <p>FIN (Financial Assets) (Short-term Investments + Long-term Investment) – (Long-term Debt + Debt in Current Liabilities + Preferred Stock)</p> <p><i>Average Total Assets</i>= Average total assets between year t and t-1</p>
<p><b>ΔREC (Change in Receivables to Sales)</b></p> $\Delta REC = \frac{Accounts\ Receivable}{Average\ Total\ Assets}$ <p>Information:</p> <p>Accounts Receivable = Value of the company's receivables</p> <p>Average Total Assets = Average total assets in year t and t–1</p>
<p><b>ΔINV (Change in Inventory to Total Assets)</b></p> $\Delta INV = \frac{Inventory}{Average\ Total\ Assets}$ <p>Information:</p> <p>Inventory = Value of company inventory</p> <p>Average Total Assets = (Total Assets + Total Assets–1) ÷ 2</p>
<p><b>SOFT_ASSETS (Soft Assets to Total Assets Ratio)</b></p> $SOFT_{ASSETS} = \frac{Total\ Assets - PPE - Cash\ and\ Cash\ Equivalents}{Total\ Asset}$ <p>Information:</p> <p>PPE = Property, Plant, and Equipment (Tangible fixed assets)</p> <p>Cash and Cash Equivalents = Cash and cash equivalents</p> <p>Total Assets = Total assets of the company</p>
<p><b>ΔCASH_SALES (Change in cash sales to sales)</b></p> $\Delta CASH_{SALES} = (Sales - \Delta Accounts\ Receivable)$ <p>Information:</p> <p>Sales = Sales</p> <p>ΔAccounts Receivables = Accounts receivable t – Accounts receivable t-1</p>
<p><b>ΔROA (Change in Return on Assets)</b></p>

$\Delta ROA = \frac{\text{Earnings}_t}{\text{Average Total Assets}_t} - \frac{\text{Earnings}_{t-1}}{\text{Average Total Assets}_{t-1}}$ <p>Information:  Earnings t = Net profit in year t  Average Total Assets t = Average total assets in year t  Earnings t-1 = Net profit in the previous year  Average Total Asset t-1 = Average total assets of the previous year</p>
<p><b>ISSUE (Equity or Debt Issuance Indicator)</b>  Dummy variables:  1 = the company issued shares or increased debt in the current year  0 = did not issue shares or increase debt in the current year.</p>

The initial prediction model is calculated using the following formula:

*Predicted value*

$$= -7,893 + (0,790 \times RSST) + (2,518 \times \Delta REC) + (1,191 \times \Delta INV) \\ + (1,979 \times SOFT\ ASSETS) + (0,171 \times \Delta CASH\ SALES) - (0,932 \times \Delta ROA) \\ + (1,029 \times ISSUES)$$

Next, the prediction results are converted into probability form using the logistic formula:

$$Probability = \frac{e^{\text{Predicted value}}}{1 + e^{\text{Predicted value}}}$$

Where:

$$e = 2.71828183$$

After obtaining the probability value, the final F-score is calculated by comparing the value to the unconditional probability, namely:

$$F - Score = \frac{Probability}{0,0037}$$

F-Score Interpretation:

- F-Score > 1 indicates an indication of financial report manipulation.
- F-Score < 1 indicates no indication of manipulation.
- F-Score=1 indicates the probability of manipulation is equal to the probability without the condition.

This model excels because it integrates specific financial indicators and can be applied precisely to annual banking financial data (Saleh et al., 2021). This is particularly relevant for the state-owned banking sector, which has a complex financial structure and is subject to strict regulations. The use of the F-Score can help systematically detect financial anomalies and support transparency and accountability in financial reporting.(Dechow et al., 2011)In a regulatory context, the use of predictive methods such as the F-Score is crucial for assessing compliance with transparency principles as stipulated in Law Number 8 of 1995 concerning Capital Markets and POJK Number 75/POJK.04/2017, as well as international standards such as IFRS and GAAP (IASB, 2021).

### Good Corporate Governance (GCG)

*Good Corporate Governance*(GCG) is a set of principles, systems, and mechanisms aimed at directing and controlling companies so that they operate efficiently, transparently, and accountably in accordance with the interests of stakeholders. In the context of accounting and financial

management, GCG functions as a supervisory system to maintain the integrity of financial reports and prevent fraudulent practices in their reporting. Theoretically, GCG is based on agency theory proposed by Jensen and Meckling (1976), which explains the existence of conflicts of interest between owners (principals) and managers (agents) due to information asymmetry. In such situations, GCG aims to reduce agency costs through appropriate control mechanisms. The National Committee on Governance Policy (KNKG) has put forward five main principles of GCG: transparency, accountability, responsibility, independence, and fairness. (Sabrina, 2021).

This study operationalizes GCG as an independent variable represented by three main indicators, namely, external audit quality, audit committee effectiveness, and the proportion of independent commissioners, which are selected based on theoretical and contextual relevance in the state-owned banking sector. (Rahayu, 2023; (Rudiyanto & Fatimah, 2023).

External Audit Quality describes the independent auditor's ability to detect financial statement irregularities. This quality is assessed based on the reputation of the Public Accounting Firm (KAP), the length of the audit relationship, and the auditor's international affiliations. Audit Committee Effectiveness refers to the audit committee's performance in overseeing the financial reporting process and compliance with accounting standards. Effectiveness is measured by the frequency of meetings, the educational background of members, and the proportion of committee independence. The proportion of Independent Commissioners refers to the percentage of board members who have no internal relationships with the company. This composition is considered capable of providing objective oversight and reducing the opportunity for financial statement manipulation. These three indicators are considered capable of providing a comprehensive picture of GCG implementation in detecting potential financial statement fraud.

This approach aligns with the demands of the state-owned banking sector, which has a strict regulatory structure and high transparency requirements. Therefore, GCG serves not only as a theoretical foundation but also as a strategic instrument for empirically testing indications of fraud using the F-Score model.

## **Framework**

### **External Audit**

External audits are part of the corporate governance mechanism that serves to provide an independent assessment of the fairness of financial statements. External audit quality is influenced by the reputation of the Public Accounting Firm (KAP), international affiliation, and the duration of the relationship with the client. Auditors from reputable KAPs are considered to have higher competence and integrity in detecting financial statement irregularities. Krismiaji and Sumayyah (2022) found that external audit quality significantly reduces accrual management practices and strengthens the auditor's opinion signal against earnings manipulation. This finding is supported by Loso Judijanto and Iskandar (2024), who explain that auditors not only verify financial statements but also signal the market regarding the quality of corporate governance. Lubis et al. (2024) show that independent internal auditors, through comprehensive evaluations of internal control systems, have a significant effect on preventing fraud in the Indonesian public sector. A study by Nurleni, Darmawati, and Mediaty (2024) showed that auditors with high professionalism and strong skepticism are more likely to take decisive action when detecting potential fraud. Therefore, external audits are seen as playing a strategic role in reducing financial reporting fraud.

From the perspective of Stakeholder Theory, external audits are a form of corporate accountability towards external stakeholders such as investors, regulators, and the public, who



require transparent and reliable financial reports (Freeman, 2015; Bridoux & Stoelhorst, 2022).

**H1: External audit has a negative effect on financial reporting fraud.**

### **Audit Committee Effectiveness**

The audit committee is a crucial element in the Good Corporate Governance (GCG) structure, tasked with overseeing financial reporting, internal control, and relationships with external auditors. Audit committee effectiveness is influenced by member independence, meeting frequency, attendance, and competence in accounting or finance. A study by Kusumosari & Rahardjo (2023) showed that the competence and frequency of audit committee meetings significantly reduced financial statement fraud. This finding is supported by Tjiendradjaja & Aryati (2024), who revealed that meeting frequency reduces information asymmetry and is strengthened by audit quality. Furthermore, Afrilia et al. (2025) emphasized the audit committee's strategic role in interpreting accounting regulations and the influence of independence and collaboration with external auditors in improving reporting quality. Therefore, the more effective the audit committee, the lower the likelihood of fraud in financial statements.

Within the Stakeholder Theory framework, the effectiveness of the audit committee reflects management's efforts to protect stakeholder rights and interests against potential manipulation of financial information (Bridoux & Stoelhorst, 2022; Freeman, 2015).

**H2: The effectiveness of the audit committee has a negative effect on financial reporting fraud.**

### **Independent Board of Commissioners**

An independent board of commissioners is a key pillar of good corporate governance (GCG) because it is expected to provide objective oversight of management, particularly in maintaining the integrity of financial statements. Independent commissioners serve as guardians of shareholder interests by assessing management policies and the effectiveness of the company's internal controls. The effectiveness of independent board oversight depends heavily on the level of independence, competence, and intensity of involvement in strategic decision-making. The presence of a proportionate number of independent commissioners can reduce the tendency for management to manipulate financial statements (Rahayu & Priyadi, 2022). Furthermore, commissioners with accounting and financial expertise are considered more effective in detecting irregularities because they are able to understand the complexity of financial statements and ask critical questions of management (Rudiyanto & Ardiansyah, 2022). Independent board commissioners also play a crucial role in directing the internal audit function and the audit committee, thus creating strong supervisory coordination (Apriyanita et al., 2022). Thus, independent board commissioners play a significant role in reducing the risk of financial statement fraud through objective and professional oversight.

According to Stakeholder Theory, the independent board of commissioners has the responsibility to oversee management in order to protect the interests of all stakeholders, not only capital owners, but also the public, employees, and regulators (Freeman, 2015).

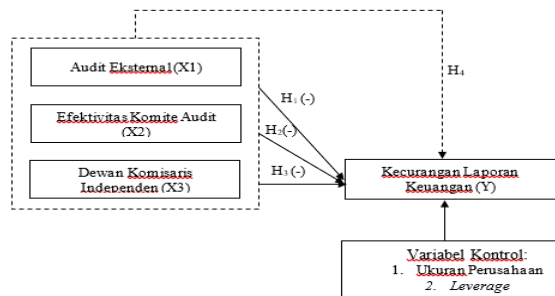
**H3: Independent board of commissioners has a negative influence on financial reporting fraud.**

# **External Audit Quality, Audit Committee Effectiveness and Independent Board of Commissioners Against Financial Reporting Fraud with Company Size and Leverage as Control Variables**

In addition to partial analysis, the relationships between independent variables in this study were also tested simultaneously. This study aimed to determine whether the three corporate governance mechanisms—external audit quality, audit committee effectiveness, and independent board effectiveness—could collectively influence the likelihood of financial statement fraud, with the aid of firm size and leverage as control variables. This approach is crucial given that each oversight component of corporate governance generally does not operate independently but rather complements each other in creating an effective and integrated control system.

**H4: External Audit Quality, Audit Committee Effectiveness and Independent Board of Commissioners with Company Size and Leverage as Control Variables have a simultaneous influence on financial statement fraud.**

Based on the results of the thinking that has been explained, the framework for this research is as follows:



**Figure 1.**Framework

*Source: Data processed by the author (2025)*

## **METHODS**

This study aims to examine the influence of Good Corporate Governance (GCG), namely, external audit, audit committee effectiveness, independent board of commissioners with control variables of company size and leverage on financial statement fraud.

**Table 2.**Operational Variables

No	Variables	Definition	Indicator	Scale
1	Financial Reporting Fraud (Y)	Financial reporting fraud is an act of manipulation carried out by management to present financial information that does not reflect the actual financial condition (Dechow et al., 2011).	1 if there is an indication of fraud in the financial report based on the F-Score value > 1, and 0 if the F-Score value ≤ 1 (Dechow et al., 2011).	Nominal
2	External Audit (X1)	An external audit is an examination of financial	Given a value of 1 if the KAP is part of	Nominal

		statements conducted by an independent auditor to provide an opinion on the fairness of the financial statements (DeAngelo, 1981).	an international network (e.g. Big Four), Given a value of 0 if the KAP is local or non-international.	
3	Audit Committee Effectiveness (X2)	The effectiveness of the audit committee reflects the extent to which the audit committee optimally carries out its supervisory function in reviewing financial reports and internal control systems (Rahayu, 2022).	Number of audit committee meetings per year.	Ratio
4	Independent Board of Commissioners (X3)	Independent commissioners are members of the board of commissioners who do not have financial, management, share ownership, or family relationships with the company's management or owners (OJK, 2021).	Proportion of the number of independent commissioners to the total number of commissioners in the company (%).	Ratio

Control Variables				
5	Company Size (X4)	Harahap (2018) states that company size can be seen from total assets, total sales, and number of employees, which reflect the extent to which the company operates its business. (Harahap, 2018)	<i>Firm Size</i> $= \ln(\text{Total Assets})$	Ratio
6	Leverage (X5)	Leverage reflects a company's level of dependence on external parties for funding, particularly through	<i>Leverage</i> $= \frac{\text{Total Liabilitas}}{\text{Total Aset}}$	Ratio

		short-term and long-term liabilities. (Harahap, 2018)		
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This research is a quantitative study using secondary data. The study population is all state-owned banks listed on the Indonesia Stock Exchange (IDX) for the 2017–2023 period, totaling 6 banks. However, based on the sample selection criteria by purposive sampling, only 4 banks met the criteria for data completeness and reporting consistency during the observation period, so they were selected as samples. The four banks are PT Bank Negara Indonesia (Persero) Tbk, PT Bank Rakyat Indonesia (Persero) Tbk, PT Bank Tabungan Negara (Persero) Tbk, and PT Bank Mandiri (Persero) Tbk. Thus, the number of observation data in this study is 28 data (4 banks x 7 years). Data were obtained from annual reports, audited financial reports, corporate governance reports (GCG reports), and the official IDX website. The data collection method was carried out using documentation techniques and literature studies. This study uses logistic regression analysis to test the influence of external audit, audit committee effectiveness, and independent board of commissioners as well as control variables of company size and leverage on indications of financial statement fraud measured using the F-score model (Dechow et al., 2011).

In this study, the logistic regression analysis equation that will be used is as follows:

$$\text{Logit}(Y) = \ln\left(\frac{P}{1-P}\right) = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 C_1 + \beta_5 C_2 + \epsilon$$

Information :

- Y :Probability of Financial Statement Fraud F-Score
- P :The probability (opportunity) of a company committing fraud
- X1 : AuditExternal
- X2 :Audit Committee Effectiveness
- X3 : CouncilIndependent Commissioner
- C1 :Firm Size Control Variable
- C2 :Leverage Control Variable
- $\alpha$  :Regression constant
- $\beta_1, \beta_2, \beta_3$  :Regression coefficient of each variable
- $\epsilon$  : Error term.

## RESULTS AND DISCUSSION

The results of this study will be described in several tests as follows:

### Descriptive Statistical Test

**Table 3.**Descriptive Analysis

	External Audit Quality	Audit Committee Effectiveness	Independent Board of Commissioners	Company Size	Leverage	Financial reporting fraud
<b>Mean</b>	0.857143	23.89286	0.449286	3422,214	0.826786	3,285714
<b>Max</b>	1,000,000	41,00000	0.700000	3478,000	0.890000	5,000,000
<b>Min</b>	0.000000	12,00000	0.250000	3339,000	0.740000	2,000,000
<b>Std. Dev.</b>	0.356348	7,360250	0.135590	42.88344	0.042779	0.762896
<b>Observations</b>	28	28	28	28	28	28

*Source: Results of SPSS 26 data processing (2025)*

Based on Table 3, the results of the descriptive statistical analysis indicate that all variables in the study have a relatively reasonable and non-extreme data distribution. The average value of external audit quality is 0.85, indicating that the majority of state-owned banks use international public accounting firms. The effectiveness of the audit committee has an average value of 23.89, reflecting a fairly active meeting frequency throughout the year. The proportion of independent commissioners shows an average value of 0.44, indicating that most banks have met the minimum requirements for supervisory independence. Company size has an average value of 34.22, which represents the large scale of the state-owned banks observed. Leverage shows an average value of 0.82, indicating that the funding structure relies more on debt. Meanwhile, the average F-Score value of 3.28 indicates that most banks have early indications of financial statement fraud because its value is above the threshold of 1. The equal number of observations across all variables supports the consistency of the analysis and increases the validity of subsequent testing results.

### Goodness of Fit Model Test

#### Hosmer and Lemeshow Test

Based on the Hosmer and Lemeshow Test output, the Chi-square value was obtained at 7.848 with degrees of freedom (df) = 7 and a significance value (Sig.) of 0.346. Because the significance value is greater than 0.05 ( $p > 0.05$ ), the logistic regression model is declared fit or appropriate to the data. This means there is no significant difference between the observed data and the data predicted by the model. Thus, the logistic regression model used in this study can be said to be statistically feasible for use in further analysis, because it is able to explain the relationship between good corporate governance mechanisms and indications of financial statement manipulation.

**Table 4.**Hosmer and Lemeshow Test

<b>Hosmer and Lemeshow Test</b>			
Step	Chi-square	df	Sig.
1	7.848	7	.346

*Source: Processed results of SPSS 26 (2025)*

#### Test-2 Log Likelihood and Nagelkerke<sup>2</sup>

Based on the Model Summary output, the -2 Log Likelihood (-2LL) value in Step 1 is 19.127, indicating a measure of mismatch between the model and the data. The smaller the -2LL value, the better the model is considered to predict the dependent variable. In this context, a relatively low -2LL value indicates that the regression model has good predictive ability for indications of financial statement manipulation. Furthermore, the Cox & Snell R Square value of 0.436 and the Nagelkerke R Square of 0.610 indicate that the model is able to explain approximately 61.0% of the variability in the dependent variable, namely indications of financial statement manipulation. These values are quite high for a logistic regression model, so it can be said that the model has strong predictive power. This finding indicates that the model used in this

study is not only statistically feasible but also has significant practical relevance to be developed as an early detection tool for potential fraud in financial statements.

**Table 5.** Test-2 Log Likelihood and Nagelkerke R<sup>2</sup>

Model Summary			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	19.127 <sup>a</sup>	.436	.610

a. Estimation terminated at iteration number 20 because maximum iterations has been reached. Final solution cannot be found.

Source: Processed results of SPSS 26 (2025)

### Logistic Regression Analysis

Based on the results of the logistic regression analysis, the model including control variables (Company Size and Leverage) showed more informative results than the model without control variables. This is indicated by the 5% significance level of the leverage variable ( $p = 0.047$ ), which means that the higher the leverage, the greater the likelihood of financial statement manipulation.

Consequently, the model with controls is considered statistically and substantially stronger in explaining the factors influencing indications of financial statement manipulation in the state-owned banking sector. Control variables improve the stability and predictive power of the model and help uncover significant influences not apparent in the uncontrolled model. Therefore, the model with control variables is more appropriate for use in this study because it provides a more comprehensive understanding of the relationship between corporate governance practices and indications of financial statement manipulation.

**Table 6.** Logistic Regression Analysis Without Control Variables

Variables in the Equation		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 <sup>a</sup>	X1. Audit Eksternal(1)	20.851	19987.432	.000	1	.999	1136651956
	X2. Efektivitas Komite Audit	-.034	.071	.233	1	.630	.966
	X3. Dewan Komisaris Independent	-1.143	3.475	.108	1	.742	.319
	Constant	1.825	1.941	.885	1	.347	6.206

a. Variable(s) entered on step 1: X1. Audit Eksternal, X2. Efektivitas Komite Audit, X3. Dewan Komisaris Independent.

Source: Processed results of SPSS 26 (2025)

**Table 7.** Logistic Regression Analysis with Control Variables

Variables in the Equation		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 <sup>a</sup>	X1. Audit Eksternal(1)	13.223	19508.887	.000	1	.999	553149.339
	X2. Efektivitas Komite Audit	.098	.101	.935	1	.334	1.102
	X3. Dewan Komisaris Independent	-15.004	8.854	2.872	1	.090	.000
	X4. Ukuran Perusahaan	-3.191	2.512	1.614	1	.204	.041
	X5. Leverage	61.690	30.994	3.962	1	.047	6.186E+26
	Constant	64.979	80.038	.659	1	.417	1.659E+28

a. Variable(s) entered on step 1: X1. Audit Eksternal, X2. Efektivitas Komite Audit, X3. Dewan Komisaris Independent, X4. Ukuran Perusahaan, X5. Leverage.

*Source: Processed results of SPSS 26 (2025)*

### Overall Model Significance Test

Based on the output of the Omnibus Tests of Model Coefficients, a Chi-square value of 16.038 was obtained with degrees of freedom (df) = 5 and a significance value (Sig.) = 0.007. Because the significance value is smaller than 0.05 ( $p < 0.05$ ), it can be concluded that the simultaneous logistic regression model is statistically significant. This means that the addition of all independent variables (External Audit, Audit Committee Effectiveness, Independent Board of Commissioners, Company Size, and Leverage) statistically influences the indication of financial statement manipulation. Thus, this logistic regression model can be used as a valid basis to explain the relationship between good corporate governance and the possibility of fraud, and can be used for analysis or early detection in the context of the state-owned banking sector.

**Table 8.**Omnibus Test

		Omnibus Tests of Model Coefficients		
		Chi-square	df	Sig.
Step 1	Step	16.038	5	.007
	Block	16.038	5	.007
	Model	16.038	5	.007

*Source: Processed results of SPSS 26 (2025)*

### Partial Test (Wald Test)

Based on the Wald test results, no Good Corporate Governance (GCG) variables showed a partial significant effect on indications of financial statement manipulation at the 5% significance level. The External Audit and Audit Committee Effectiveness variables were insignificant, while the Independent Board of Commissioners was only significant at the 10% level ( $p = 0.090$ ) and showed a negative influence.

Meanwhile, of the two control variables tested, only Leverage showed a statistically significant effect at the 5% level ( $p = 0.047$ ), with a strong positive direction. This indicates that the higher the leverage, the greater the likelihood of a company manipulating its financial statements. Conversely, Company Size had no significant effect.

The implication is that, although GCG mechanisms have not been statistically proven to directly suppress financial statement manipulation, the influence of control variables such as leverage indicates that financial pressure is a significant risk factor in driving fraud. Therefore, monitoring leverage and strengthening control structures such as independent boards of commissioners remain relevant as part of efforts to mitigate the risk of manipulation in the state-owned banking sector.

**Table 9.**Wald Test

		Variables in the Equation					
		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 <sup>a</sup>	X1. Audit Eksternal(1)	13.223	19508.887	.000	1	.999	553149.339
	X2. Efektivitas Komite Audit	.098	.101	.935	1	.334	1.102
	X3. Dewan Komisaris Independent	-15.004	8.854	2.872	1	.090	.000
	X4. Ukuran Perusahaan	-3.191	2.512	1.614	1	.204	.041
	X5. Leverage	61.690	30.994	3.962	1	.047	6.186E+26
	Constant	64.979	80.038	.659	1	.417	1.659E+28

a. Variable(s) entered on step 1: X1. Audit Eksternal, X2. Efektivitas Komite Audit, X3. Dewan Komisaris Independent, X4. Ukuran Perusahaan, X5. Leverage.

*Source: Processed results of SPSS 26 (2025)*

### Model Predictability Test

Based on the Classification Table results, the logistic regression model demonstrated fairly good predictive ability for indications of financial statement manipulation. For the category of companies not indicated for manipulation, the model was able to correctly classify 5 out of 9 cases, or 55.6%. Meanwhile, for the category of companies indicated for manipulation, the model successfully predicted 15 out of 19 cases, with an accuracy rate of 78.9%. Overall, the model's accuracy rate in classifying the entire sample reached 71.4%, indicating that the model has quite reliable classification capabilities, particularly in detecting companies indicated for financial statement manipulation.

These findings indicate that the logistic regression model used in this study has adequate predictive capability and is applicable for early detection of potential fraud. With its relatively high level of accuracy in companies suspected of manipulation, this model can be used as the basis for an early warning system for more transparent and accountable corporate governance practices, particularly in the state-owned banking sector.

**Table 10.** Model Predictability Test

Observed		Predicted		Percentage Correct
		Y. Indikasi Manipulasi LK Tidak terindikasi	Terindikasi	
Step 1	Y. Indikasi Manipulasi LK Tidak terindikasi	5	4	55.6
	Terindikasi	4	15	78.9
Overall Percentage				71.4

a. The cut value is .500

*Source: Processed results of SPSS 26 (2025)*

### Discussion

#### The Influence of External Audit Quality, Audit Committee Effectiveness and Independent Board of Commissioners on Financial Report Fraud with Company Size and Leverage as Control Variables

The analysis results show that external audit quality, audit committee effectiveness, and the presence of an independent board of commissioners simultaneously significantly influence indications of financial statement fraud. This indicates that the three main mechanisms within the Good Corporate Governance (GCG) structure, although controlled by internal factors such as size and leverage, collectively contribute to reducing the risk of reporting manipulation in state-owned banking companies (BUMN). Thus, H4 is accepted, meaning that the three independent variables simultaneously influence indications of fraud.

Theoretically, these findings reinforce the principles of agency theory, which emphasizes the importance of a monitoring system in managing potential conflicts between owners and management. GCG mechanisms such as independent external audits, an active audit committee, and an objective board of commissioners serve as control tools to suppress management's motivation to manipulate. These findings are consistent with previous studies such as Dechow et al. (1996) and Kusumawati & Syamsudin (2018), which show that effective monitoring, reflected in high levels of auditor professionalism and skepticism, can reduce the likelihood of fraud.

From a stakeholder theory perspective (Freeman, 2015), these results reflect the company's commitment to public accountability. Good governance is a form of corporate



responsibility towards all stakeholders who require transparent and reliable financial information. Therefore, strengthening GCG mechanisms is a strategic step in creating sustainable value and long-term trust.

As for control variables, leverage was found to influence financial statement fraud. External pressures resulting from high debt burdens can encourage management to manipulate to maintain positive perceptions among creditors. Conversely, company size did not show a significant effect, indicating that asset size is not directly related to fraud risk.

Overall, these results confirm that mitigating financial reporting fraud requires a comprehensive approach. As noted by Beasley et al. (2000) and Cohen et al. (2004), effective oversight cannot rely on a single element, but rather on the synergy between complementary governance structures. Therefore, simultaneous strengthening of all GCG components is necessary to create an effective oversight environment, particularly in strategic sectors such as state-owned enterprises.

### **The Influence of External Audit Quality on Financial Report Fraud**

The test results show that external audit quality does not have a significant influence on indications of financial report manipulation, so hypothesis H1 is rejected.

These findings indicate that the presence of external auditors, even from reputable public accounting firms (the Big Four), is not necessarily effective in preventing or detecting fraud in state-owned bank financial reports. These findings align with research by Primastiwi and Saeful (2020), which found that external audit quality is insufficient to prevent financial statement manipulation. Consequently, external oversight needs to be strengthened through synergy with internal oversight and regulatory assurances that protect auditor independence.

Although external auditors are often considered the last line of defense in fraud control, international studies show their effectiveness is highly dependent on their independence and the professional pressures they face. Sikka (2009) criticized that even auditors from large firms are often subject to commercial conflicts of interest, which undermine their objectivity in detecting fraud. Moreover, Lennox & Pittman (2011) found that the involvement of the Big Four does not always guarantee high audit quality if the client company has significant economic ties with the public accounting firm. Therefore, the effectiveness of external audits is not solely determined by reputation, but also by incentive structures and regulatory protections for auditor independence.

From a stakeholder theory perspective, external audits demonstrate a company's accountability to external stakeholders, such as investors, regulators, and the public. When external audit quality is ineffective, the company fails to meet stakeholder expectations for reliable information, risking a decline in public trust (Freeman, 2015).

### **The influence of the Audit Committee on financial reporting fraud**

The test results indicate that audit committee effectiveness has no significant effect on financial statement fraud. Therefore, hypothesis H2 is rejected. This finding indicates that the formal existence of an audit committee does not necessarily reflect effective oversight of potential financial statement fraud.

This research aligns with the findings of Sakinah, Meuthia, and Dwiharyadi (2023), who found that audit committee effectiveness had no significant impact on financial statement manipulation practices. Consequently, strengthening the audit committee's function must include improving

human resource quality, independence, and integration with other governance instruments to create a comprehensive oversight system.

This is further supported by research by Kamarudin, Ismail, and Alwi (2014), which found that the frequency of audit committee meetings and other structural attributes had no significant impact on fraudulent practices. Research by Sharma, Naiker, and Lee (2009) also showed that audit committee effectiveness is highly dependent on the financial background of its members and the internal oversight environment, not just the number of meetings or its formal existence. Furthermore, an international study by Mustafa & Ben Youssef (2010) highlighted that audit committees often fail to function optimally in environments with limited information, low management independence, and weak ethical commitment from top management. Therefore, the audit committee's failure to mitigate fraud risk can be caused by weak substantive qualities, such as a lack of member expertise, limited access to strategic information, and dependence on management, which render the oversight function significantly ineffective despite meeting structural requirements. Within the framework of Stakeholder Theory, the audit committee should serve as a guardian of the interests of both internal and external stakeholders through a credible and independent oversight function. However, when the effectiveness of the audit committee is low, the company fails to provide an adequate control system to protect stakeholders' rights to honest and transparent financial information (Bridoux & Stoelhorst, 2022). Therefore, the effectiveness of the audit committee cannot be measured solely from structural aspects, but needs to be supported by integrity, adequate authority, and collaboration with other supervisory units to be able to optimally carry out its role in preventing financial statement fraud.

### **The influence of the Independent Board of Commissioners on financial reporting fraud**

The test results indicate that an independent board of commissioners does not have a significant influence on financial reporting fraud. Thus, hypothesis H3 is rejected.

These findings indicate that the formal existence of an independent board of commissioners has not been fully accompanied by effective oversight of financial reporting. In practice, the position of independent commissioners often serves only to comply with regulations, rather than as active oversight in the governance process. This is in line with the results of research by Angelina and Chairi (2022), which stated that the proportion of independent commissioners on the board has no effect on financial statement fraud. The implication is that strengthening the function of independent commissioners depends not only on their structural existence but also requires increased integrity, competence, and coordination with other oversight bodies such as the audit committee and internal auditors. Empirical analysis by Ebaid (2023) in the emerging market, the Saudi Stock Exchange, shows that although board independence has a significant negative correlation with fraud, meeting frequency does not have a significant effect, indicating that formal independence is often insufficient without the support of other substantive dimensions.

According to Stakeholder Theory, an independent board of commissioners serves to represent stakeholders' interests in overseeing management. When this role is not carried out actively and substantively, the company fails to provide adequate protection for stakeholders' interests against financial statement manipulation practices (Freeman, 2015).

Therefore, the assessment of the independent board of commissioners can not only depend on the number of presence or structural proportion, but also the quality of participation and influence in the company's strategic decision-making.

### **Influence of Control Variables**

Company size did not significantly influence indications of fraudulent financial reporting in state-owned banking companies. This indicates that company size does not directly influence management's propensity to manipulate. Leverage, on the other hand, had a positive and significant effect. This means that the higher the debt ratio, the greater the likelihood of a company manipulating its financial statements. This finding supports the view that financial pressure is a key driver of fraud.

Statistically, the model incorporating control variables demonstrated better estimation stability than the model without controls and successfully identified significant effects not apparent in the previous model. This indicates that control variables such as leverage are not only theoretically relevant but also enhance the model's predictive power regarding the risk of financial statement manipulation.

The finding that company size does not have a significant effect on financial reporting fraud is consistent with international research showing that company scale is not a major determinant of accounting manipulation practices. Utomo & Mawardi, (2024) revealed that although company size correlates with ownership structure, it is not significantly related to fraud. This indicates that elements of oversight culture, managerial pressure, and internal integrity are more influential than simply asset size.

In contrast, leverage shows a positive and significant effect on fraud risk, indicating the role of financial pressure as a trigger for financial reporting fraud. Eka Resimasari et al., (2023) The 2017–2021 BEI context supports this finding, with leverage proven to drive fraudulent practices. This aligns with the fraud triangle theory, which states that internal and external pressures are the main driving factors, and leverage is one of the main indicators of these pressures. This finding is also reinforced by the study Dhingra, Singh, and Chakrabarty (2022) on European banking, which shows that high leverage ratios are significantly correlated with abnormal financial risk indicators that can lead to administrative fraud.

### **Implications of Findings**

The findings of this study provide several important implications that can serve as input for company management, regulators, and future researchers. From a theoretical perspective, the results of this study indicate that internal and external oversight systems represent a form of corporate accountability to stakeholder interests. This aligns with Stakeholder Theory, which emphasizes that companies are accountable not only to shareholders but also to the public, regulators, and other stakeholders (Freeman, 2015).

From the practical side, the research findings show that individual components of corporate governance, such as external audit, audit committee, and independent board of commissioners, are not strong enough to prevent financial statement fraud when implemented separately. This means that the oversight system will be more effective if implemented comprehensively and mutually supporting each function. Therefore, state-owned bank management needs to strengthen coordination between external auditors, internal audit, audit committees, and boards of commissioners to ensure focused and integrated oversight.

Besides Therefore, the significant influence of leverage on financial statement fraud indicates that financial pressure plays a significant role in driving management to manipulate reports. This serves as a warning for companies to be more vigilant in managing debt, particularly

by implementing internal limits on debt ratios and strict oversight of financing decisions, to avoid creating pressure that could lead to fraudulent practices.

From a policy perspective, these findings demonstrate that assessing corporate governance requires more than just looking at formal structures or the existence of compliance documents. It also requires evaluating the extent to which these oversight functions are effectively and effectively implemented. Regulators such as the Financial Services Authority (OJK) and the Ministry of State-Owned Enterprises (SOEs) can consider strengthening GCG implementation evaluation standards and establishing regulations that encourage improved implementation quality and follow-up on audit or oversight results.

Academically, this study shows that there are still many other factors outside the governance structure that can influence the occurrence of financial reporting fraud, reward or sanction systems within the organization, and internal control technology. Therefore, future research is recommended to include elements such as pressure from superiors. In addition, alternative approaches such as the Benford's Law method can also be used as an additional tool to detect possible manipulation in financial reports.

## CONCLUSION

Based on the results of the logistic regression analysis, it can be concluded that simultaneously, external audit quality, audit committee effectiveness, and independent board of commissioners significantly influence financial statement fraud in state-owned banks in Indonesia, considering company size and leverage as control variables. However, partially, each of the main variables does not show a statistically significant effect on financial statement fraud. This indicates that governance effectiveness is more visible when these mechanisms operate in an integrated manner, rather than individually.

These findings indicate that external audit quality is not optimally capable of preventing fraud, even when performed by a reputable public accounting firm. This indicates the need for increased independence, auditor rotation, and a comprehensive evaluation of external auditor performance. Similarly, the effectiveness of the audit committee did not show a significant impact, which could be due to low competence, lack of authority, or limited access to strategic information in the oversight process. An independent board of commissioners also did not significantly influence fraud, indicating that formal existence alone is insufficient without strong oversight capacity and active involvement in the governance process.

From a theoretical perspective, these findings also support the view in stakeholder theory, which states that companies have a responsibility to ensure transparency and accountability to all stakeholders through strong and integrated governance mechanisms (Freeman, 2015). Therefore, this study provides evidence that the influence of corporate governance on financial reporting fraud cannot be assessed solely from a structural perspective, but also requires consideration of the quality of implementation, effectiveness of implementation, and integration between supervisory elements. A good governance system is not only fulfilled through documents and organizational structure, but is also supported by competence, independence, and collaboration between supervisory functions.

For further research, it is recommended to develop fraud detection models that consider other variables. Furthermore, a methodological approach such as Benford's Law can also be used

to strengthen forensic analysis of possible manipulation of figures in banking sector financial reports.

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