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## The Effect of Ineffective Monitoring, Change in Director, Financial Stability, and Good Corporate Governance on Financial Statement Fraud

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**Abstract:** This study originated from the phenomenon of differences in interests between principals and agents. Fraud occurs due to opportunities, justifications, and pressures, as indicated by the large number of financial statement manipulations that turn companies' losses into profits (window dressing). This study aims to analyze the influence of Ineffective Monitoring, Change in Directors, Financial Stability, and Good Corporate Governance on Financial Statement Fraud in State-Owned Enterprises listed in the period 2018-2023. The method used is a descriptive-verbatim method with a quantitative approach, where data is obtained through the collection of secondary data in the form of company annual reports and analyzed using multiple linear regression with the help of the SPSS application. The research sample consists of 29 SOEs over 6 years of observation, resulting in a total of 174 panel data observations. The results of the study indicate that Ineffective Monitoring does not have a positive effect on Financial Statement Fraud. Change in Director has a positive effect on Financial Statement Fraud. Financial Stability does not have a negative effect on Financial Statement Fraud. Good Corporate Governance does not have a negative effect on Financial Statement Fraud. However, simultaneously, these four variables together have an effect on financial statement fraud.

**Keyword:** Ineffective Monitoring, Change In Director, Financial Stability, Good Corporate Governance, Financial Statement Fraud.

### INTRODUCTION

The main source of information used in corporate decision-making is financial reports involving various stakeholders, such as management, investors, and creditors. The company's financial condition can be reflected in these reports, which also serve as an important reference in assessing the company's performance and financial success (Parolli, 2023).

Cases of financial statement fraud are quite common in Indonesia, whether in private companies, state-owned enterprises, the banking sector, or government agencies. This practice

usually arises due to pressure, opportunity, and rationalization, characterized by data manipulation so that financial reports that should show a loss appear to show a profit (window dressing). Pressure, opportunity, and rationalization are the three components of the fraud triangle that often trigger fraud in the presentation of financial reports (Cressey, 1953).

The results of the 2019 ACFE Indonesia Chapter survey show three main types of fraud. First, corruption cases dominated with an incidence rate of 69.9% and caused losses amounting to Rp373,650,000,000. Second, asset misuse with a percentage of 20.9% and total losses of Rp257,520,000,000. Third, financial statement fraud, which accounted for 9.2% of cases with losses amounting to IDR 242,260,000,000.

In Statement on Auditing Standards No. 99 (SAS No. 99), ineffective monitoring refers to a situation where an organization does not have adequate internal control mechanisms in place to assess the company's performance. This situation opens the door for management to commit fraud in financial statements, mainly due to weak control by the board of directors or audit committee, as well as high managerial dominance by certain individuals or groups.

Research conducted by Sulkiah (2020), Sari (2023), Andayani et al. (2023), and Machmuddah (2024) supports this finding by revealing that ineffective controls have an impact on financial statement manipulation. This means that the weaker the internal control mechanisms implemented, the greater the opportunity for management to manipulate financial statements. Conversely, the research results of Wulandari (2023) and Putri (2024) show that ineffective controls do not have an impact on the occurrence of financial statement manipulation.

Widodo (2022) states that a change in director has the potential to affect the integrity and internal control system of a company. The lack of continuity and suboptimal management effectiveness mean that sudden or frequent changes in directorship can weaken supervisory functions, thereby increasing the risk of financial statement fraud.

Research conducted by Primastiwi et al. (2021), Nguyen and Le (2021), and Wibowo and Yuliani (2023) shows that changes in management have an impact on financial statement manipulation. Conversely, findings from Santoso (2021) and Larasati (2023) conclude that changes in management do not have an impact on the emergence of financial statement manipulation.

A company's financial stability can place significant pressure on management to maintain the organization's financial health. The pressures arising from efforts to maintain this stability have the potential to encourage actions inconsistent with accountability principles. In situations where the work environment, industry conditions, or economic factors threaten financial stability, managers facing such pressure are more likely to manipulate the presentation of financial statements.

Research by Riskiani and Yanto (2020), Aulia and Afiah (2020), Aprilia and Furqani (2021) found that financial stability has a negative effect on financial reporting fraud. Meanwhile, research conducted by Jao et al. (2020), Wardhani (2020), Kurniati and Sopian (2020), Indarti et al. (2022), Eriyanti et al. (2022).

Every organization or business requires the implementation of a structured governance mechanism known as Good Corporate Governance (GCG). Effective corporate governance can prevent and limit fraudulent financial reporting. Conversely, if governance is not implemented effectively, the potential for fraud increases, as has been found in several corporate cases in Indonesia (Wicaksono, 2020).

Research by Mulyadianto et al. (2020), Shaqila (2021), Isnawati et al. (2022), Rostami and Rezaei (2022) shows that the influence of good corporate governance has a negative effect on financial reporting fraud. In contrast, research by Yanti et al. (2021), Widowati and Oktoriza (2021), Kardhianti and Srimindarti (2022), Reskino and Bilkis (2022), Rizkiawan and Subagio (2022), and Tanjung and Kwarto (2022) shows that the implementation of GCG does not necessarily have an impact on preventing fraud.

## Theory and Hypothesis

### a. Theory

#### 1. Agency Theory

Agency theory is a theory about the relationship between principals (shareholders) and agents (management). Management is the party contracted by shareholders to work in the interests of the company. Within a company, there is a separation of interests between principals and agents. Principals are people who invest their capital in the company, while agents are people who work and provide information to principals.

#### 2. Signaling Theory

Signaling theory was first proposed by Spence (1973), who explained that the sender (information owner) provides a signal or signal in the form of information that reflects the condition of a company that is useful to the recipient (investor). According to Brigham and Houston (2021), signaling theory explains management's perception of a company's future growth, which influences potential investors' response to the company.

#### 3. Kecurangan Laporan Keuangan

Financial statement fraud is an act of manipulating financial statements for the purpose of obtaining personal gain related to one's position/status by deceiving users of financial statements. ACFE (Association of Certified Fraud Examiners) (2020)

#### 4. Ineffective monitoring

Ineffective monitoring according to SAS No. 99 (Consideration of Fraud in a Financial Statement Audit) is a condition in which a company does not have adequate internal control mechanisms to monitor the company's performance. The causes include management dominance by individuals or groups, ineffective oversight by the board of commissioners, board of directors, and audit committee regarding financial reporting and internal controls, creating opportunities for management to commit financial statement fraud.

#### 5. Change in Director

A change in director or board of directors is a process whereby there is a change in the composition of a company's board of directors. This change can occur for various reasons, such as resignation, retirement, new appointments, or corporate restructuring. (Agus, 2023)

#### 6. Financial Stability

Financial stability is a condition that describes the financial stability of a company. A high percentage change in total assets in a company indicates fraud in financial reporting. A high percentage change in total assets means that the company has the strength to generate income. As a result, the company's financial position will be considered stronger and more stable. Mulford and Comiskey (2020)

#### 7. Good Corporate Governance

FCGI (2020) good corporate governance is a set of rules that determine the relationship between shareholders, managers, creditors, government, employees, and other internal and external stakeholders in accordance with their rights and responsibilities.

### b. Hipotesis

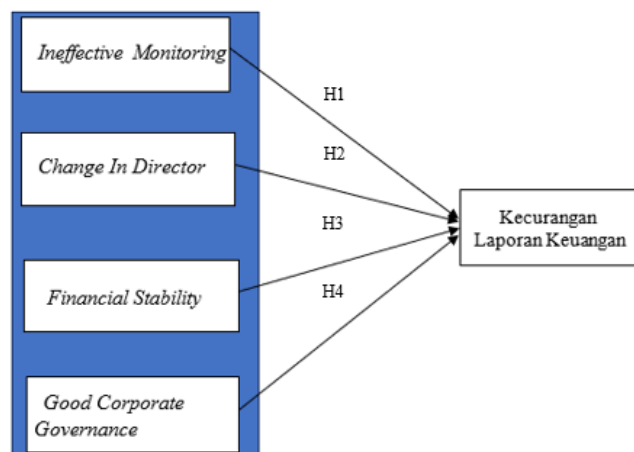
According to Sari (2023), ineffective monitoring has a positive impact on financial statement fraud, meaning that the looser the internal controls, the greater the likelihood of financial statement manipulation. Research by Andayani et al. (2023) and Machmuddah (2024) supports this conclusion, showing a positive correlation between fraudulent activity and inefficient oversight. Consequently, companies with a large number of independent commissioners are often able to monitor management more closely, which reduces the likelihood of fraud. However, research by Wulandari (2023) and Putri (2024) shows conflicting findings, suggesting that ineffective monitoring is less influential on financial statement fraud.

Primastiwi et al. (2021) explain that companies typically replace directors to improve performance if a director is deemed incompetent. Furthermore, director replacement can also be carried out to eliminate individuals who are aware of indications of fraud within the

company. Research by Primastiwi et al. (2021), Nguyen and Le (2021), and Wibowo and Yuliani (2023) shows that director replacement has the potential to increase the risk of fraud in financial reporting. However, Santoso (2021) and Larasati (2023) presented different findings, concluding that director replacement has no significant impact on financial reporting fraud practices.

Based on findings from Riskiani and Yanto (2020), Aulia and Afiah (2020), Jao et al. (2020), Wardhani (2020), Kurniati and Sopian (2020), Aprilia and Furqani (2021), Indarti et al. (2022), and Eriyanti et al. (2022), financial stability tends to have a negative influence on fraud in financial reporting. Management tends to make various efforts to maintain the company's financial stability when facing pressure from economic conditions, industry, or company operations. To maintain a positive image and attract investor interest, management can manipulate financial data to make it look better. The level of fraudulent financial reporting tends to increase along with the growth of the company's total assets compared to the previous period. On the other hand, studies conducted by Kusumawati and Khoir (2020), Achmad et al. (2022), and Kharisma and Chairina (2023) reached a different conclusion, namely that financial stability does not show a significant influence on the practice of fraudulent financial reporting.

Based on studies by Shaqila (2021), Isnawati et al. (2022), Rostami and Rezaei (2022), and Mulyadianto et al. (2020), the existence of fraud in financial statements is influenced by the implementation of good corporate governance. Effective corporate governance plays a crucial role in preventing or limiting fraudulent practices by management in the preparation of financial statements. Conversely, weaknesses in governance implementation can open up opportunities for fraud, as has been experienced by several companies in Indonesia. Meanwhile, different studies conducted by Yanti et al. (2021), Widowati and Oktoriza (2021), and Kardhianti and Srimindarti (2022) produced different findings, but concluded that there is no clear relationship between good corporate governance and fraud in financial statements. Based on the theoretical analysis and research results, the research concept is shown in the figure below:



**H1: Ineffective monitoring has a positive effect on financial statement fraud.**

**H2: Change in directors has a positive effect on financial statement fraud.**

**H3: Financial stability has a negative effect on financial statement fraud.**

**H4: Good corporate governance has a negative effect on financial statement fraud.**

## METHOD

Researchers use quantitative methods in causal research. Causal research aims to test the influence, relationship, or impact of independent variables on dependent variables

(Chandarin, 2020:98). By studying the relationship model between the variables concerned, it is possible to predict the effect that will occur on the dependent variable if the independent variable changes

**Tabel 1. Independent Variable**

Independent variable		Measurement
Ineffective monitoring (BDOU)		$\frac{\text{Number of independent commissioners}}{\text{Total number of board members}}$
Change in director (DCHAGE)		The dummy variable is coded as 1 for companies that changed their directors during the 2018–2023 research period, and coded as 0 if they did not change their directors during the 2018–2023 research period.
Financial stability (ACHANGE)		$\frac{[\text{Total asset } t - \text{total asset } t - 1]}{\text{Total asset } t - 1}$
Good Corporate Governance (GCG)	Score	Self Assessment Good Corporate Governance

**Tabel 2. Dependent Variable**

Dependent Variable	Measurement
Financial Statement Fraud M - Benesih Ratio	$\text{Days Sales in Receivables Index (DSRI)} = \frac{\text{Current Accounts Receivable} / \text{Current Sales}}{\text{Previous Year's Receivables} / \text{Previous Year's Sales}}$ $\text{Gross Margin Index (GMI)} = \frac{(\text{Previous Year Sales} - \text{Previous Year COGS}) / \text{Previous Year Sales}}{(\text{Current Year Sales} - \text{Current Year COGS}) / \text{Current Year Sales}}$ $\text{Asset Quality Index (AQI)} = \frac{(1 - \text{Current Assets of the Previous Year} + \text{Net Fixed Assets of the Previous Year}) / \text{Total Assets of the Previous Year}}{(1 - \text{Current Assets for the Current Year} + \text{Net Fixed Assets for the Current Year}) / \text{Total Assets for the Current Year}}$ $\text{Sales Growth Index (SGI)} = \frac{\text{Current Year Sales}}{\text{Previous Year Sales}}$

Previous Year Sales

**Depreciation Index (DEPI) =**

$$\frac{\text{Depreciation}}{(\text{Depreciation} + \text{Fixed Assets}) \text{ Previous Year}}$$

$$\frac{\text{Depreciation}}{(\text{Depreciation} + \text{Fixed Assets}) \text{ Current Year}}$$

**Sales General and Administrative Expenses Index (SGAI) =**

$$\frac{(\text{General and Administrative Expenses} / \text{Sales}) \text{ Current Year}}$$

$$\frac{(\text{General and Administrative Expenses} / \text{Sales}) \text{ Previous Year}}$$

**Leverage Index (LVGI) =**

$$\frac{(\text{Long-term debt} + \text{Current debt}) / \text{Total assets of the previous year}}$$

$$\frac{(\text{Long-term debt} + \text{Current debt}) / \text{Total assets for the current year}}$$

**Total Accruals to Total Assets =**

$$\frac{\Delta \text{Working Capital} - \Delta \text{Cash} - \Delta \text{Current Tax Liabilities} - \text{Depreciation and Amortization}}$$

Total Asset

a) Population and Research Sample

The population consists of state-owned enterprises from 2018 to 2023. The sample was taken using purposive sampling, with certain criteria such as companies that consistently publish annual reports.

b) Data Collection Techniques

Data were collected through documentation and content analysis of annual reports. Data were processed in the form of ratios and indices according to the operational definitions of the research variables.

c) Data Analysis Methods

Descriptive statistical analysis was conducted to determine the level of ineffective supervision, board turnover, financial stability, and corporate governance. The statistical method used was multiple linear regression analysis using SPSS 29 software, which included classical assumption testing, normality testing, multicollinearity testing, heteroscedasticity testing, and autocorrelation testing.

d) Hypothesis Testing

Hypothesis testing was conducted using the coefficient of determination (R<sup>2</sup>) to measure how well the regression model performed, the F test for the combined effect of independent variables, and the T test for the individual effect of independent variables. The data were analyzed using multiple linear regression to test the effect of independent variables on company value..

$$y=a+bX_1+bX_2+bX_3+bX_4+e$$

Keterangan:

- Y : Financial statement fraud
- a : Konstanta
- b : Koefisien Regresi
- X1 : Ineffective Monitoring
- X2 : Change in Director
- X3 : Financial Stability
- X4 : Good Corporate Governance
- e : Error.

**RESULTS AND DISCUSSION**

Research Object

The research objects used in this study were state-owned enterprises (BUMN) in 2018-2023 with the following sample criteria:

**Tabel 3 Sample Selection**

No.	Criteria	Total
1	The sample companies are state-owned enterprises (SOEs) during the period 2018–2023.	44
2	Companies that do not have complete annual report data (GCG scores and financial statements) for the period 2018-2023	15
Number of Samples		29
Research Period		6
<b>Total samples during the research period</b>		<b>174</b>

The limited number of samples obtained was mainly due to the small number of companies that published corporate governance reports consecutively from 2018 to 2023.

b.Descriptive Analysis

**Tabel 4 Descriptive Analysis**

**Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
BDOUT	174	-.52	1.23	.4124	.23335
DCHANGE	174	-.56	1.39	.4770	.53546
ACHANGE	174	-.92	7.26	.1478	.62987
GCG	174	.01	1.59	.9037	.19330
FFR	174	-5.47	1.25	-2.3956	.76350
Valid N (listwise)	174				

Based on Table 4, it can be seen that the BDOUT value with a data set of 174 ranges from a minimum value of -0.52 to a maximum value of 1.23, with a mean value of 0.4124 and a standard deviation of 0.23335. The lowest BDOUT value is PT Kereta Api Indonesia (Persero) at -0.52 in 2018. The company with the highest BDOUT value is PT Bank Rakyat Indonesia (Persero) Tbk, which is 1.23 in 2019.

Based on Table 4, it can be seen that the DCHANGE value with 174 data points ranges from a minimum value of -0.56 to a maximum value of 1.39, with a mean value of 0.4770 and a standard deviation of 0.53546. The lowest DCHANGE value is PT ASDP Indonesia Ferry (Persero) Tbk 2018-2021 (Persero) at -0.56 in 2018. The company with the highest BDOUT value is PT Bank Tabungan Negara (Persero) Tbk at 1.39 in 2018-2021.

Based on Table 4, it can be seen that the ACHANGE value with a data set of 174 ranges from a minimum value of -0.92 to a maximum value of 7.26, with a mean value of 0.1478 and a standard deviation of 0.62987. The lowest ACHANGE value is PT Garuda Indonesia (Persero) at -0.92 in 2021. The company with the highest ACHANGE value is PT Biro Klasifikasi Indonesia (Persero) Tbk at 7.26 in 2021.

Based on Table 4, it can be seen that the GCG value with 174 data points ranges from a minimum value of 0.01 to a maximum value of 1.59, with a mean value of 0.9037 and a standard deviation of 0.19330. The lowest GCG value is PT Rajawali Nusantara Indonesia (Persero) at 0.01 in 2020. The company with the highest ACHANGE value is PT Jasa Marga (Persero) Tbk at 1.59 in 2020.

Based on Table 4, the FFR value with a data set of 174 ranges from a minimum value of -5.47 to a maximum value of 1.25, with a mean value of -2.3956 and a standard deviation of 0.76350. The lowest FFR is PT Krakatau Steel (Persero) at -5.47, in 2022. The company with the highest FFR value is PT Biro Klasifikasi Indonesia (Persero) Tbk at 1.25 in 2022.

Figure 2 Normal P-Plot

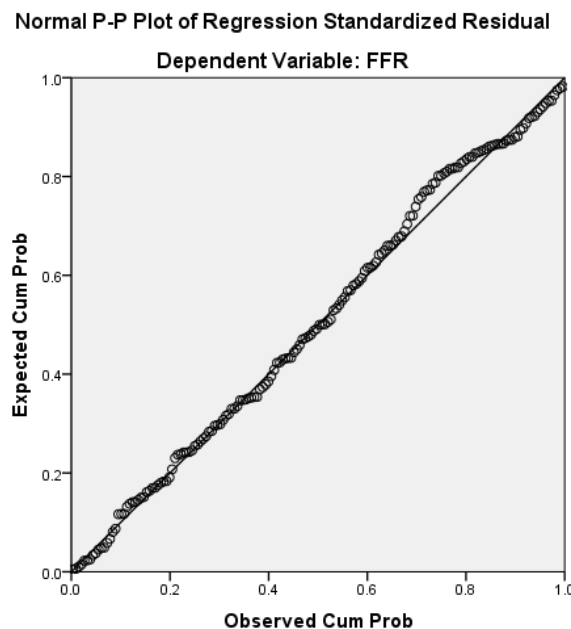


Table 5 Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		174
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	.20635683
Most Extreme Differences	Absolute	.063
	Positive	.027
	Negative	-.063
Test Statistic		.063
Asymp. Sig. (2-tailed)		.092 <sup>c</sup>
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Based on the table above, it can be seen that the significance value or Asymp. Sig. (2-tailed) is 0.092, which indicates that the significance value  $0.092 > 0.05$  and is normally distributed. Considering this, it can be concluded that this study has passed the normality test

**Table 6 Multicollinearity Test**

Coefficients <sup>a</sup>			
Model		Colinearity Statistics	
		Tolerance	VIF
1.	BDOUT	.324	3.090
	DCHANGE	.894	1.119
	ACHANGE	.906	1.103
	GCG	.307	3.255
a. Dependent Variable: FFR			

Based on Table 4.5 above, it can be seen that the tolerance values for Ineffective Monitoring, Change in Directors, Financial Stability, and Good Corporate Governance are  $> 0.10$  and the VIF values are  $< 10$ . Thus, it can be said that there is no multicollinearity between the independent variables in the regression model used.

**Table 7 Glejser Test**

Coefficients <sup>a</sup>						
Model		Unstandardizes Coefficients		Standardizes Coefficients	T	Sig
		B	Std. Error	Beta		
1.	Constanta	.098	.055		1.774	.078
	BDOUT	.020	.068	.038	.287	.774
	DCHANGE	.007	.018	.031	.390	.697
	ACHANGE	-.013	.015	-.068	-.849	.397
	GCG	.067	.084	.109	.792	.429
a. Dependent Variable: ABS_RES						

The results in Table 4.6 above show that the BDOUT (X1) variable has a significance value of  $0.774 > 0.05$ , the DCHANGE (X2) variable has a significance value of  $0.697 > 0.05$ , and the ACHANGE (X3) variable has a significance value of  $0.397 > 0.05$ . the GCG (X4) variable has a significance value of  $0.429 > 0.05$ , which can be concluded that the regression model does not exhibit heteroskedasticity, so the regression equation can be used

**Table 8 Autocorrelation Test**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.963 <sup>a</sup>	.927	.925	.20878	.994

a. Predictors: (Constant), GCG, ACHANGE, DCHANGE, BDOU

b. Dependent Variable: FFR

From the SPSS output, the Durbin-Watson value is 0.994, which means that there is no autocorrelation because it is between -2 and 2.

**Table 9 Multiple Linear Regression Test**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig
		B	Std. Error	Beta		
1.	Constanta	1.054	.097		10.854	.000
	BDOU	-.068	.120	-.021	-.568	.571
	DCHANGE	.082	.031	.058	2.621	.010
	ACHANGE	.038	.026	.031	1.434	.153
	GCG	-3.835	.148	-.971	-25.887	.000

a. Dependent Variable: FFR

Based on Table 9 above, it can be seen that the following multiple linear regression equation is obtained:

$$Y = 1.054 - 0.068 X_1 + 0.082 X_2 + 0.038 X_3 - 3.835 X_4 + e$$

**Table 10 Results of T -test**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig
		B	Std. Error	Beta		
1.	Constanta	1.054	.097		10.854	.000
	BDOU	-.068	.120	-.021	-.568	.571
	DCHANGE	.082	.031	.058	2.621	.010
	ACHANGE	.038	.026	.031	1.434	.153
	GCG	-3.835	.148	-.971	-25.887	.000

a. Dependent Variable: FFR

Based on Table 4.9, it can be seen that:

a. Ineffective Monitoring has a calculated t-value < t-table, namely  $-0.568 < 1.654$ , with a significance level of  $0.571 > 0.05$ , which means that the hypothesis is rejected. Therefore, it can be stated that Ineffective Monitoring (X1) has no effect on Fraudulent Reporting (Y)

b. Change in Director has a calculated t-value > table t-value, namely  $2.621 > 1.654$ , with a significance level of  $0.010 < 0.05$ , which means that the hypothesis is accepted. Therefore, it can be stated that Change in Director (X2) has a significant effect on Fraudulent Reporting (Y)

c. Financial Stability has a calculated t-value < t-table, namely  $1.434 < 1.654$ , with a significance level of  $0.153 > 0.05$ , which means that the hypothesis is rejected. Therefore, it can be stated that Financial Stability (X3) has no effect on Financial Statement Fraud (Y)

d. Good Corporate Governance has a calculated t-value < t-table, namely  $-25.887 < 1.655$  with a significance level of  $0.000 < 0.05$ , which means that the hypothesis is rejected. Therefore, it can be stated that Good Corporate Governance (X4) has no effect on reporting fraud (Y).

**Table 11 F-test results**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig
1.	Regression	93.480	4	23.370	536.117	.000b
	Residual	7.367	169	.044		
	Total	100.846	173			

a. Dependent Variable: FFR  
 b. Predictors: (Constant), GCG, ACHANGE, DCHANGE, BDOUT

Sumber : Data diolah SPSS,2025

Based on the table from the ANOVA or F test, the calculated F value is greater than the table F value, namely  $536.117 > 2.43$  with a probability value of 0.000. Since the calculated F value is greater than the table F value and the probability value is below 0.05, there is a significant overall effect between Ineffective Monitoring, Change in Director, Financial Stability, and Good Corporate Governance on Financial Statement Fraud.

**Table 12 Testing the Coefficient of Determination R<sup>2</sup>**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1.	.963 <sup>a</sup>	.927	.925		.20878

a. Predictors: (Constant), BDOUT, DCHANGE, ACHANGE, GCG  
 b. Dependent Variabel : FFR

Based on the table above, it can be seen that the R Square value is 0.927, which means that Ineffective Monitoring, Change in Director, Financial Stability, and Good Corporate Governance influence fraud reporting by 92.7% ( $100\% - 92.7\% = 7.3\%$ ), while 7.3% of fraud reporting is influenced by other variables not included in this study.

## CONCLUSION

Ineffective monitoring (X1) does not significantly affect fraud reporting (Y) because the existence of an independent board of commissioners does not necessarily guarantee effective supervision, as effectiveness is determined more by competence, integrity, and the quality of supervision. Therefore, fraud prevention is not sufficient to rely solely on formal oversight structures, but must also be supported by a strong organizational culture and internal control systems.

Change in Director (X2) has a significant effect on Financial Statement Fraud (Y). Changes in directors are often made to improve corporate governance, but they can lead to a period of adjustment (stress period) that has the potential to increase the risk of financial statement fraud if oversight is not optimal. In addition, director changes can also be a strategy to remove members who are aware of fraud, thereby delaying the disclosure of fraud.

Financial Stability (X3) does not significantly affect Financial Statement Fraud (Y), meaning that financial stability, whether stable or unstable, is not related to the occurrence of financial statement fraud. This is likely because companies are aware of long-term risks such as reputational damage, legal consequences, and loss of customer trust. This finding is consistent with several previous studies that found no effect, but contradicts other studies that found a positive effect of financial stability on financial statement fraud.

Good Corporate Governance (X4) does not significantly affect Financial Statement Fraud (Y) Although the existence of an independent board of commissioners, audit committee, and institutional ownership has the potential to strengthen oversight functions and prevent financial statement fraud, its effectiveness is highly dependent on the implementation and execution of its functions. If oversight mechanisms are not optimally implemented, such as infrequent meetings, weak oversight, and ignored recommendations, then the existence of such governance structures is unable to significantly prevent fraud from occurring.

Based on the results of simultaneous testing (F-test), the ANOVA or F-test values indicate that ineffective monitoring, change director, financial stability, and good corporate governance have an impact on fraud reporting. This study has several limitations that may provide opportunities for further research. Only using data from state-owned enterprises that publish annual reports with a 6-year observation period resulted in a limited sample of 29 companies, which may have affected the research results. Due to data limitations, not all state-owned enterprises can be processed because the annual reports are incomplete.

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