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Determinants of financial statement fraud in banking companies

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Abstract

This study aims to analyze the effect of the fraud pentagon theory components on financial statement fraud with the quality of the audit committee as a moderator. This study was conducted on banking sector companies listed on the IDX in 2012-2022. The population of this study was all banking sector companies listed on the IDX, totaling 47 banks. The sampling method used purposive sampling which resulted in 23 companies used as samples. Data analysis was carried out on secondary data using the SEM-PLS analysis technique. The results of this study indicate that financial stability and managerial ownership have a positive effect on financial statement fraud in banking companies listed on the Indonesia Stock Exchange (IDX) for the 2012-2022 period. Furthermore, the board of commissioners has a significant (real) negative effect on financial statement fraud in banking companies listed on the Indonesia Stock Exchange (IDX) for the 2012-2022 period, while changes in auditors are unable to affect the presence or absence of financial statement fraud in banking companies listed on the Indonesia Stock Exchange (IDX) for the 2012-2022 period. Furthermore, the quality of the audit committee is a moderating variable that weakens the influence of financial stability and managerial ownership on financial statement fraud in banking companies listed on the Indonesia Stock Exchange (IDX) for the period 2012-2022. Meanwhile, the quality of the audit committee is a moderating variable that strengthens the negative influence of the board of commissioners on financial statement fraud. However, the quality of the audit committee cannot moderate the effect of auditor changes on financial statement fraud. This means that the presence or absence of audit committee quality cannot weaken or strengthen the effect of auditor changes on financial statement fraud.

Keywords: Financial statement fraud; Fraud pentagon theory; Audit committee; Banking; Fraud

1. Introduction

Factors that can be used to detect financial statement fraud are from the condition of financial stability. Financial stability is a condition that shows that a company's finances are in a stable state (Wilantari & Ariyanto, 2023). Management is often under pressure to show that the company has good value through good asset management and generates high profits, so that the company will provide high returns to investors. With this goal, the company will try to present good financial reports by justifying all means including committing fraud to cover up poor financial stability conditions. The proxy used for financial stability can be measured by the rate of change in the company's total assets Putri & Lestari (2021). Research by Ibrahim et al., (2022) and Wilantari & Ariyanto (2023). obtained results that there is a positive and significant influence between financial stability and financial statement fraud. Similar research by Putri & Lestari (2021) found that financial stability has a positive effect on financial statement fraud, the results of this study found that there is a tendency for manufacturing companies in Indonesia to commit financial statement fraud, this is indicated by changes in total assets in a company caused by the increasingly unstable financial condition of the company, so that it can increase the possibility of financial statement fraud. However, if the financial condition of a company is stable, it can reduce the likelihood of financial statement fraud. Research by Oktavia et al., (2022) and Rahmawati et al., (2020) found that financial stability has an effect on financial statement fraud. Meanwhile, research (Aulia & Afiah, 2020) found that financial stability has a negative and significant effect on financial statement fraud, namely the better

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the company's financial stability, the lower the likelihood of financial statement fraud practices. This is different from research by Putri & Nugroho (2021), Calista & Arfianti (2020) and Kusumawati & Kusumaningsari (2020) which showed that financial stability had no effect on financial statement fraud. Financial stability cannot be used to assess and detect fraud in a company's financial statements, possibly due to the existence of good management supervision of assets from management. Financial statement fraud can be reduced by having a board of commissioners that meets standards. The board of commissioners has full authority and responsibility in controlling, supervising and directing the management of company resources. When a company has a board of commissioners that works effectively, the company's performance will also be good. Monitoring carried out by the board of commissioners and shareholders is an important mechanism in aligning the interests of shareholders and management. The effectiveness of company monitoring carried out by an independent board of commissioners will minimize fraud (Chandra & Suhartono, 2020). Similar research by Shaqila (2018) explains that the board of commissioners has a negative and significant effect on financial statement fraud. This is because institutional shareholders and the board of commissioners monitor the supervision of company activities and the recommendations of the board of commissioners have an effect on financial statement fraud because all research samples have a number of board of commissioners greater than the recommendations of the Financial Services Authority (OJK) so that it can prevent financial statement fraud. This is different from Syaputra's (2020) research which found that the Independent Board of Commissioners did not have a significant influence on the occurrence of financial report fraud.

Another variable that can affect the occurrence of financial statement fraud is the change of auditor. Change in auditor or change of auditor in a company can be considered as a form of action in eliminating traces of fraud that was committed by the previous auditor. This tendency encourages companies to replace their independent auditors in order to cover up the fraud in the company. This is because the new independent auditor still does not understand the overall condition of the company. In addition, the limited time period in the audit process can be an obstacle for new auditors to detect previous fraud (Agustiani, 2018). Referring to research (Dinata et al., 2018), it is known that changing auditors has a positive effect on detecting financial statement fraud. Changes or changes in public accounting firms carried out by companies can result in a transition period and stress period hitting the company so that to deal with this, companies often commit fraud during the transition period. Similar research by (Azizah et al., 2022) found that changing auditors has a positive effect on financial statement fraud. Meanwhile, research by Zulfa & Tanusdjaja (2022) found that the auditor change variable has a negative and significant effect on detecting fraudulent financial reporting. In contrast to the research results (Septianda et al., 2021), Octani et al., (2022) and (Oktaviany & Reskino, 2023) which show that auditor changes have no effect on the occurrence of financial statement fraud. Financial statement fraud can be influenced by other factors such as managerial ownership. Managerial ownership according to Fraud theory is a proxy for ego/arrogance, namely that the existence of management share ownership can show the amount of power held in the company. Managerial share ownership makes the management, which initially only acted as an agent, now also act as a principal. Management share ownership can overcome agency conflicts and can reduce the occurrence of fraud in financial statements. If the management (agent) who is also a principal commits financial statement fraud, this is the same as lying to themselves with fake company performance results that do not match reality (Angelita and Hasnawati, 2023). The higher the managerial share ownership compared to institutional shares, the higher the chance of fraud (Fouziah et al., 2022). Research conducted by Meidijati & Amin (2022), Fouziah et al., (2022), Lubur & Hambali (2023) and Ramadhaniyah et al., (2023) proves that managerial share ownership has an effect on fraudulent financial statements. The results of research conducted by Tarjo et al., (2021), Rahma & Sari (2023), Nurbaiti & Triani (2023) and Purnaningsih (2022) show that ego or arrogance has an effect on fraudulent financial statements. The results of other research conducted by Angelita and Hasnawati (2023) show different results that managerial ownership has no effect on financial statement fraud.

Research on Financial statement fraud influenced by financial stability, board of commissioners, changes in auditors and managerial ownership needs to be re-examined, because various previous studies have found inconsistent results. The different results of previous studies can be solved using a contingency approach (Antari & Sukartha, 2017). This is done by including other variables that can strengthen or weaken financial statement fraud, namely this study adds the variable of audit committee quality as a moderating variable. The quality of the audit committee is used as a moderating variable because financial statement fraud can be avoided if the company has a good quality audit committee. This is because the auditor is responsible for detecting material misstatements in the financial statements, material weaknesses in the company's internal control and detecting the existence of fraudulent practices in reporting financial statements (Statements on Auditing Standards (SAS) 1, AU 110). The occurrence of financial statement fraud often begins with the emergence of misstatements or chaotic profit management from quarterly financial statements that were initially ignored and considered immaterial but will eventually grow into large-scale fraud which will then result in a financial report that is materially detrimental.

2. Literature Review and Hypothesis Development

Fraud Theory explains that fraudulent financial statement actions are often followed by three elements consisting of pressure, opportunity, and rationalization. The element of pressure is related to the influence of financial stability on financial statement fraud. In the pentagon fraud theory, pressure caused by oneself or other parties is one of the reasons why perpetrators commit fraud. Referring to the Statement on Auditing Standards (SAS) No. 99, there are three general conditions of pressure that result in individuals committing fraud, one of which is financial stability. The influence of financial stability on financial statement fraud has been conveyed in various previous studies by Ibrahim et al., (2022), Wilantari & Ariyanto (2023), Putri & Lestari (2021), and Oktavia et al., (2022). The influence of financial stability on financial statement fraud is also related to behavioral accounting theory, where according to this theory, one of the important aspects in behavioral accounting is Budgeting and Planning. Furthermore, this financial stability can be achieved by the company if the company can create a good budgeting and planning process in order to achieve financial stability. Financial stability is a proxy variable for the pressure factor calculated by the ratio of total asset changes (ACHANGE) which has a positive effect on financial statement fraud. This shows that every increase in the ratio of total asset changes will increase the risk of financial statement fraud, the small amount of total assets of the company in the past can be a motivation for the company to increase its total assets. However, in achieving this goal, companies sometimes use this as pressure, so that management manipulates financial reports to show a significant increase in assets (Rahmawati et al., 2020). Research by Nurchoirunanisa et al., (2020) explains that financial stability has a significant effect in a positive direction on financial statement fraud, namely an increase in assets in a company can be caused by the motivation to increase assets because the previous year's assets tend to be small, this is pressure for the company and triggers management to commit fraud on its financial statements. Similar research by Wilantari & Ariyanto (2023) which explains that the results of the financial stability variable test are positive and significant shows that the financial stability variable has a positive effect on financial statement fraud. This can be interpreted as if financial stability as measured by changes in total assets for each period (ACHANGE) has a positive effect on financial statement fraud. The higher the change in total assets each year, the higher the potential for financial statement fraud.

This is different from the research of Putri & Nugroho (2021) which shows that financial stability pressure has no effect on detecting fraudulent financial reporting. This is because the company has been able to manage its assets effectively and efficiently through good supervision from the board of commissioners to control and monitor management performance so that when management experiences great financial instability by competing companies in similar industrial sectors and the company's economic conditions can minimize fraudulent financial reporting in the company's annual report in each accounting period. Furthermore, research by Oktavia et al., (2022) obtained the results that financial stability has an effect on financial statement fraud. Referring to the research of Abdulrahman & Deliana (2019), namely in their research they found that financial stability proxied by changes in assets (ACHANGE) has an effect on financial statement fraud. Companies with high financial instability have a higher potential for committing financial statement fraud as proxied by the fraud score. Thus, the condition of companies with stable finances has a negative effect on financial statement fraud. Furthermore, research by Septianda et al., (2021) found that financial stability pressure proxied by ACHANGE has a negative effect on financial statement fraud. This means that the higher the Financial Stability Pressure, the lower the potential for financial statement fraud.

- H1: Financial stability has a negative effect on financial statement fraud.

Furthermore, the second element of the Fraud Pentagon Theory is opportunity, which is related to the variable of the board of commissioners. This theory explains that Opportunity is a situation when someone sees an opportunity to cheat or commit fraud. Opportunity is a situation when someone sees an opportunity to cheat or commit fraud. Referring to the Statement on Auditing Standards (SAS) No. 99, the opportunity for fraudulent financial statements can occur if there is ineffective monitoring. Ineffective monitoring can be measured by the ratio of the independent board of commissioners. Referring to various studies such as research by Chandra & Suhartono (2020), Shaqila (2018) stated that an independent board of commissioners has a negative and significant effect on financial statement fraud. Shaqila (2018) in her research explained that this board of commissioners itself was formed to be responsible for supervising the quality of information contained in the financial statements and to ensure that the company has implemented and implemented corporate governance properly and correctly in accordance with existing provisions. With the supervision carried out by the board of commissioners, managers will act carefully and transparently in carrying out their duties to encourage the realization of good governance and minimize managers from committing fraudulent financial reporting. Thus, the Board of Commissioners has a negative effect on financial statement fraud.

- H2: The board of commissioners has a negative effect on financial statement fraud.

The third element in the Fraud pentagon theory is rationalization. This theory explains that rationalization is the reason that a manager shifts his subjective decisions to social and universal significance in justifying his mistakes or abuses. Referring to SAS No. 99, the situation that often occurs as a benchmark for rationalization is the change of auditors (auditor switch). Furthermore, the variable of auditor change (Change in Auditor) has a positive effect on financial statement fraud, this result is reinforced by previous research by (Agustiani, 2018), (Dinata et al., 2018), (Azizah et al., 2022). Abbas & Laksito's (2022) research explains that Auditor Change has a positive effect on Financial Statement Fraud, namely the more frequent the auditor changes, the greater the occurrence of financial statement fraud. In the perspective of agency theory, auditors run companies with the hope that they will receive a return commensurate with their abilities. So if they do not get a commensurate reward, they will use their position and knowledge to commit fraud. Meanwhile, the principal changes auditors and appoints competent auditors so that their company can run well and provide returns on the investments they have made. Based on this reason, auditors will try to present good and attractive figures in the financial statements so that they get a good assessment from the principal so that the salaries and bonuses they receive will be high. However, if the fraud is detected, there will be a change of auditors. In the process of changing the old auditor to the new auditor, an adjustment period will emerge that will trigger financial statement fraud, because during this period there is usually instability in the company's condition so that the new auditor has not been able to meet the expectations of the principal, so they will commit financial statement fraud.

- H3: Auditor changes have a positive effect on financial statement fraud.

Ownership of company shares by management certainly gives more power to management. This power and discretion certainly causes the emergence of ego in management so that it is not impossible for management to commit fraud. This condition indicates that the higher the managerial share ownership compared to institutional shares, the higher the opportunity for fraud (Fouziah et al., 2022). Research conducted by Meidijati & Amin (2022), Fouziah et al., (2022), Lubur & Hambali (2023) and Ramadhaniyah et al., (2023) proves that managerial share ownership has an effect on fraudulent financial statements. The results of research conducted by Tarjo et al., (2021), Rahma & Sari (2023), Nurbaiti & Triani (2023) and Purnaningsih (2022) show that ego or arrogance has an effect on fraudulent financial statements. Other research results conducted by Setiawan & Achyani (2022), Iswantari & Sasongko (2023) and Sukmadilaga et al., (2022) show that ego or arrogance has an effect on fraudulent financial statements.

The implication of the results of previous studies is that management who are the highest shareholders in the company tend to be arrogant, where they feel they are above the law and cannot be touched by the law. This condition causes indications and opportunities for fraudulent financial statements.

- H4: Managerial ownership has a positive effect on financial statement fraud

The fraud pentagon theory explains that fraudulent financial statements are often followed by three elements consisting of pressure, opportunity, and rationalization. The element of pressure is related to the influence of financial stability on and financial statement fraud. In the fraud pentagon theory, pressure caused by oneself, or other parties is one of the reasons for perpetrators to commit fraud. Referring to the Statement on Auditing Standards (SAS) No. 99, there are three general conditions of pressure that result in individuals committing fraud, one of which is financial stability. The influence of financial stability on financial statement fraud has been conveyed in various previous studies by Ibrahim et al., (2022), Wilantari & Ariyanto (2023), Putri & Lestari (2021), and Oktavia et al., (2022). Research by Nurchoirunanisa et al., (2020) and Abdulrahman & Deliana (2019) explains that financial stability has a significant positive effect on financial statement fraud, namely an increase in assets in a company can be caused by the motivation to increase assets because the previous year's assets tended to be small, this becomes pressure for the company and triggers management to commit fraud on its financial statements. Furthermore, research by Oktavia et al., (2022) obtained the results that financial stability has an effect on financial statement fraud. Furthermore, research (Rahayuningsih & Sukirman, 2021) found that audit quality has a negative effect on fraudulent financial statements. Thus, the quality of the audit committee can weaken the positive effect of financial stability on financial statement fraud. This is in line with the results of research (Indriyani & Suryandari, 2021) and (Zulfa & Tanusdjaja, 2022) which state that the audit committee can significantly weaken the effect of financial stability in detecting fraudulent financial statements.

- H5: The quality of the audit committee can moderate the effect of financial stability on financial statement fraud.

The second element of the Fraud Pentagon Theory is opportunity, which is related to the variable of the board of commissioners. This theory explains that Opportunity is a situation when someone sees an opportunity to cheat or commit fraud. Opportunity is a situation when someone sees an opportunity to cheat or commit fraud. Referring to the Statement on Auditing Standards (SAS) No. 99, the opportunity for fraudulent financial statements can occur if there is ineffective monitoring. Ineffective monitoring can be measured by the ratio of the independent board of commissioners. Referring to various studies such as research by Chandra & Suhartono (2020), Shaqila (2018) stated that an independent board of commissioners has a negative and significant effect on financial statement fraud. Shaqila (2018) in her research explained that this board of commissioners itself was formed to be responsible for supervising the quality of information contained in the financial statements and to ensure that the company has implemented and implemented corporate governance properly and correctly in accordance with existing provisions . With the supervision carried out by the board of commissioners, managers will act carefully and transparently in carrying out their duties to encourage the realization of good governance and minimize managers from committing fraudulent financial reporting. Furthermore, research by Oktavia et al., (2022) found that financial stability has an effect on fraudulent financial statements. Furthermore, research (Rahayuningsih & Sukirman, 2021) found that audit quality has a negative effect on fraudulent financial statements. Thus, the quality of the audit committee can strengthen the negative influence of the board of commissioners on financial statement fraud. In this case, the formation of an audit committee by the company can help to oversee the company's operations, especially in the context of preparing financial statements. This audit committee itself has the task and responsibility to review and provide advice to the board of commissioners regarding the potential for a conflict of interest of the issuer or public company (Sugita and Mardiani et all, 2018). Then, with the existence of an audit committee in a company, it is hoped that it can further assist in detecting fraudulent financial statements. Thus, the relationship between ineffective monitoring to detect fraudulent financial statements will be stronger with the existence of an audit committee that can assist the board of commissioners in supervising the company's operations. The results of this study are in line with the results of the study by Ayem & Mas'adah (2023) which states that the audit committee can strengthen the negative influence of opportunity on fraudulent financial statements.

- H6: The quality of the audit committee can moderate the effect of the board of commissioners on financial statement fraud

The third element in the Fraud pentagon theory is rationalization. This theory explains that rationalization is the reason that a manager shifts his subjective decisions to social and universal significance in justifying his mistakes or abuses. Referring to SAS No. 99, the situation that often occurs as a benchmark for rationalization is the change of auditors (auditor switch). Furthermore, the variable of auditor change (Change in Auditor) has a positive effect on financial statement fraud, this result is reinforced by previous research by (Agustiani, 2018), (Dinata et al., 2018), (Azizah et al., 2022). Abbas & Laksito's (2022) research explains that Auditor Change has a positive effect on Financial Statement Fraud, namely the more frequent the change of auditors, the greater the occurrence of financial statement fraud. In the perspective of agency theory, auditors run the company with the hope that they will receive a return commensurate with their abilities. So if they do not get a commensurate reward, they will use their position and knowledge to commit fraud. Meanwhile, the principal changes auditors and appoints competent auditors so that the company can run well and provide returns on the investments they have made. Based on this reason, auditors will try to present good and attractive figures in the financial statements so that they get a good assessment from the principal so that the salaries and bonuses they receive will be high. However, if the fraud is detected, there will be a change of auditors. In the process of changing from the old auditor to the new auditor, an adjustment period will arise that will trigger financial statement fraud, because during this period there is usually instability in the company's condition so that the new auditor has not been able to meet the expectations of the principal, so they will commit financial statement fraud. Furthermore, research (Rahayuningsih & Sukirman, 2021) found that audit quality had a negative effect on fraudulent financial statements. Thus, the quality of the audit committee can weaken the positive effect of auditor changes on financial statement fraud. This is in line with the results of research (Zulfa & Tanusdjaja, 2022) which states that the audit committee makes a fairly good contribution to auditor changes because the audit committee knows best how the auditor's performance is in order to minimize fraud. The results of this study are in line with the results of Wailan'An (2019) and Santoso (2019) studies which state that the audit committee weakens the influence of auditor turnover in detecting financial statement fraud. Based on various previous research results, the following hypothesis is formulated:

- H7: The quality of the audit committee can moderate the effect of auditor turnover on financial statement fraud

High management shares make management susceptible to arrogance, causing them to feel safe and untouchable because they have power above the law, so that they can confidently commit fraud without worry. Research conducted by Ghaisani et al., (2022); Oktaviany & Reskino (2023); Fouziah et al., (2022) and Kamila & Parinduri (2023) proves that the audit committee is able to moderate the influence of management ownership on indications of fraudulent financial statements. Other research results by Lauwrens & Yanti (2022), Handayani & Evana (2022), and Riyanti & Trisanti (2021) show that the audit committee can be a reinforcement of factors that influence fraudulent financial statements. Other research results conducted by Sari et al., (2022), Sari & Herawaty (2022), Nurhasanah et al., (2022) and Lastanti (2020) show that the audit committee can be a moderator in fraud detection.

- H8: The audit committee can moderate the effect of management ownership on financial statement fraud

3. Methods

Associative research method that is causal (cause and effect) to determine the influence of financial stability variables, board of commissioners, auditor changes and managerial ownership on financial statement fraud with the quality of the audit committee as a moderating variable. This study uses the indicator approach - the indicators of each variable refer to several previous research sources that have been modified to adjust the subject of this study. The observation method used in this study was carried out by observing financial reports, annual reports of banking companies through the Indonesia Stock Exchange and also the websites of each company.

The population in this study is all banking companies that have gone public in Indonesia. The total number of banking companies that have gone public until December 31, 2023, is 47 banks. The sample used in this study is a company that is consistently listed on the Indonesia Stock Exchange during the research period, namely from 2012 to 2022. The sample collection method used in this study is the purposive sampling method. Sampling with this method is based on certain characteristics that are considered to have a relationship with the characteristics of the population that have been previously known with certain considerations (Sugiyono, 2019). The criteria are as follows:

- Banking companies that have gone public on the Indonesia Stock Exchange until 2023
- Banking companies that have gone public or IPO on the Indonesia Stock Exchange since 2011
- Banking companies that display complete data and information used to analyze factors that influence financial performance and financial statement fraud during the period 2012-2022.

In this study, the inferential statistics used is Partial Least Square (PLS) analysis. PLS is a Structural Equation Modeling (SEM) equation model based on components or variance. To test the hypothesis and produce a feasible model, this study uses Structural Equation Modeling (SEM) with a variance-based or component-based approach with Partial Least Square (PLS).

4. Result and Discussion

4.1. Measurement Model Evaluation Results (Outer Model)

In the outer model measurement, convergent validity, discriminant validity and unidimensionality tests were carried out. Convergent validity consists of outer loading and Average Variance Extracted (AVE). Discriminant Validity consists of comparing the outer loading value with the cross-loading value and the AVE root is greater than the correlation between variables. For the Reliability test, composite reliability, rho-A and Alpha Cronbach were used (Cohen et al., 2010; Henseler et al., 2015; Utama, 2018:237). The statistical validity of the instruments used in this study was assessed using convergent and discriminant validity (Adelekan et al., 2018)

4.2. R-Square

The R-square value of endogenous constructs is considered as the main criterion for assessing the quality of a structural model (Henseler et al., 2015; Jena, 2020). However, due to the unavailability of an agreed-upon R-square value capability, this study follows Cohen's guidelines. The Godness of Fit value is symbolized by the R-square value with a range of 0.10, 0.25, and 0.36 defined as small, medium, and large (Cohen et al., 2010; Jena, 2020). The results of the R-square test are presented in table 5.2

Table 1 R-square Test Results

	R Square	R Square Adjusted
Y (Financial_statement fraud)	0.950	0.948

Primary Data, 2024

Based on Table 1, the R-square value of 0.950 is large, indicating that it has an influence of 0.950 x 100% = 95%. This result means that 95 percent of the variation in the Financial Statement Fraud variable can be explained by the variables of financial stability, board of commissioners, auditor changes, managerial ownership, audit committee quality and the interaction of moderation effect 1 to interaction of moderation effect 4.

4.3. F-Square

F-square analysis is used to determine the strength or weakness (effect size) of the exogenous substantive effect on the endogenous construct. Determination of the magnitude of the substantive effect on the endogenous latent is classified into 3 categories: 0.02 small effect, 0.15 medium effect, and 0.35 big effect. Less than 0.02 indicates no effect (no effect). The results of the F Square Test can be seen in Table 2.

Table 2 F-square Test Results

Variable	Y (Financial statement fraud)	Result
M (Audit Committee Quality)	2.977	Big Effect
X1 (Financial stability)	0.296	Medium Effect
X1M	0.379	Big Effect
X2 (Board of Commissioners)	1.512	Big Effect
X2M	2.304	Big Effect
X3 (Auditor Change)	0.004	No Effect
X3M	0.005	No Effect
X4 (Managerial Ownership)	0.045	Small Effect
X4M	0.058	Small Effect

Primary Data, 2024

- The quality of the audit committee has an F Square value of 2.977, which is more than 0.35, indicating a big effect. This result means that there is a substantive effect of the quality of the audit committee on financial statement fraud.
- Financial stability has an F Square value of 0.296, which is more than 0.15, indicating a medium effect. This result means that the substantive effect of financial stability on financial statement fraud is medium.
- Moderating Effect 1 (X1.M) has an F Square value of 0.379, which is more than 0.35, indicating a big effect. This result means that the substantive effect of the interaction variable of financial stability with the quality of the audit committee (X1.M) on financial statement fraud is strong.
- The board of commissioners has an F Square value of 1.512, which is more than 0.35, indicating a big effect. This result means that there is a substantive effect of the board of commissioners on financial statement fraud.
- Moderating Effect 2 (X2.M) has an F Square value of 2.304, which is more than 0.35, indicating a big effect. This result means that the substantive effect of the interaction variable of the board of commissioners with the quality of the audit committee (X2.M) on financial statement fraud is strong.
- The auditor change has an F Square value of 0.004, which is less than 0.02, indicating no effect. This result means that there is no substantive effect of the auditor change on financial statement fraud.
- Moderating Effect 3 (X3.M) has an F Square value of 0.005, which is less than 0.02, indicating no effect. This result means that there is no substantive effect of the interaction variable of the change of auditor with the quality of the audit committee (X3.M) on financial statement fraud.
- Managerial Ownership has an F Square value of 0.045, which is more than 0.02, indicating a small effect. This result means that the substantive effect of managerial ownership on financial statement fraud is weak.
- Moderating Effect 3 (X4.M) has an F Square value of 0.005, which is less than 0.02, indicating that there is a small effect. This result means that the substantive effect of the financial variable interaction of managerial ownership with the quality of the audit committee (X4.M) on financial statement fraud is weak.

4.4. Q -square

Q-square analysis is carried out to determine whether the observed values have been reconstructed properly and to determine whether the model has predictive relevance or not. The way to find the size of the Q-square is done by manual calculation, namely by referring to the R-square value. The Q-square value (Q2) > 0 indicates that the observed values have been reconstructed properly, while if the Q-square value (Q2) < 0 indicates no predictive relevance (Sarwono, 2018:347). The Q-square calculation can be seen in Table 2.

Table 2 Q-square Calculation

	SSO	SSE	Q^2 (=1-SSE/SSO)
Y (*Financial statement fraud*)	253.000	19.358	0.923

Primary Data, 2024

Based on Table 2, the SSO value is 253. The SSO value is the sum squared observation, which is the value that shows the total observation data studied in this study. Furthermore, the SSE value is 19.358, the SSE value is the sum square prediction error, which is the value that shows the total prediction value of errors or errors that occur. Based on the SSO and SSE values, the Q-square result is 0.923 more than 0, so it can be concluded that the model has an accurate predictive relevance value or the model is worthy of being said to have a relevant predictive value. Furthermore, the Effect size Q2 value shows the natural prediction value of the observation results of its contribution to the formation of endogenous variables. According to Setiaman (2023), if the Q2 value has a value of 0.02, it is said that the model has a small effect, then if the Q2 value has a value of 0.15, it is said that the model has a medium effect, and if the Q2 value has a value of 0.35, it is said that the model has a large effect. Because the Q2 value obtained a value of 0.923, which is more than 0.35, it means that the research model has a large effect.

4.5. Hypothesis Testing

Hypothesis testing aims to test the significance of the constants and independent variables contained in the equation individually, whether there is an influence on the value of the dependent variable (Sofha and Utomo, 2018). Hypothesis testing using PLS can be seen from the boothstrapping results in the t-statistic table to see if there is an influence of the independent variable on the dependent variable with a significance level of 5%. Two-tailed testing for a level of significance of 5 percent, an exogenous variable is considered to have an effect on the endogenous variable if it has a p-value of less than 0.05. The reason for hypothesis testing using alpha less than 0.05 is because this study tests company financial data so that researchers realize that it is very difficult to maintain such ideal research conditions, considering the large number of companies studied and many years of research, so that it still tolerates small errors with a tolerance level of error of 5% or 0.05. The results of the hypothesis test are presented in table 3.

Table 3 Direct Effect

Hypotheses	Variable	Original sample (O)	T statistics	P- values	Result
H1	X1 (Financial stability) -> Y (Financial_statement fraud)	0.289	3.733	0.000	Accepted
H2	X2 (Board of commisioner) -> Y (Financial_statement fraud)	-0.517	9.819	0.000	Accepted
H3	X3 (Auditor Change) -> Y (Financial_statement fraud)	0.041	0.733	0.464	Rejected
H4	X4 (Managerial Ownership) -> Y (Financial_statement fraud)	0.141	2.257	0.024	Accepted
	M (Quality of Auditor Committee) -> Y (Financial_statement fraud)	-0.474	9.444	0.000	
H5	X1M -> Y (Financial_statement fraud)	-0.454	4.223	0.000	Accepted
H6	X2M -> Y (Financial_statement fraud)	0.985	14.739	0.000	Accepted
H7	X3M -> Y (Financial_statement fraud)	-0.044	0.766	0.444	Rejected
H8	X4M -> Y (Financial_statement fraud)	-0.162	2.624	0.009	Accepted

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- Hypothesis testing on the effect of financial stability on financial statement fraud produces a correlation coefficient value (Original Sample) of 0.289. This means that there is a positive correlation between variables. The t Statistics value obtained is 3.733> t-critical 1.96 and obtains a p value of 0.000<0.05, which means there is a significant effect. This result means that the effect of financial stability on financial statement fraud is significantly positive. Thus, hypothesis 1 (H1) which states that financial stability has a positive effect on financial statement fraud in banking sector companies listed on the IDX in 2012-2022 is accepted.
- Hypothesis testing on the effect of the board of commissioners on financial statement fraud produces a correlation coefficient value (Original Sample) of -0.517. This means that there is a negative correlation between variables. The t Statistics value obtained is 9.819> t-critical 1.96 and obtains a p value of 0.000<0.050, which means there is a significant effect. This result means that the effect of the board of commissioners on financial statement fraud is significantly negative. Thus, hypothesis 2 (H2) which states that the board of commissioners has a negative effect on financial statement fraud in banking sector companies listed on the IDX in 2012-2022 is accepted
- Hypothesis testing on the effect of auditor changes on financial statement fraud produces a correlation coefficient value (Original Sample) of 0.041. This means that there is a positive correlation between variables. The t Statistics value obtained is 0.733 <t-critical 1.96 and obtains a p value of 0.464> 0.05, which means there is no significant effect. This result means that the effect of auditor changes on financial statement fraud is positive and not significant. Thus, hypothesis 3 (H3) which states that auditor changes have a positive effect on financial statement fraud in banking sector companies listed on the IDX in 2012-2022 is rejected.
- Hypothesis testing on the effect of Managerial Ownership on financial statement fraud produces a correlation coefficient value (Original Sample) of 0.141. This means that there is a positive correlation between variables. The t Statistics value obtained is 2.257> t-critical 1.96 and obtains a p value of 0.024<0.050, which means there is a significant effect. This result means that the effect of Managerial Ownership on financial statement fraud is significantly positive. Thus, hypothesis 4 (H4) which states that Managerial Ownership has a positive effect on financial statement fraud in banking sector companies listed on the IDX in 2012-2022 is accepted
- Hypothesis testing of Moderating Effect 1 (X1.M) on financial statement fraud produces a correlation coefficient value (Original Sample) of -0.454. This means that there is a negative correlation between variables. The t Statistics value obtained was 4.223> t-critical 1.96 and obtained a p value of 0.000<0.050, which means there is a significant effect. This result means that the effect of Moderating Effect 1 (X1.M) on financial statement fraud is significantly negative. Thus, hypothesis 5 (H5) which states that the quality of the audit committee can moderate the effect of financial stability on financial statement fraud, is accepted
- Testing the Moderating Effect 2 (X2.M) hypothesis on financial statement fraud produces a correlation coefficient value (Original Sample) of 0.985. This means that there is a positive correlation between variables. The t Statistics value obtained was 14.739> t-critical 1.96 and obtained a p value of 0.000<0.050, which means there is a significant effect. This result means that the effect of Moderating Effect 2 (X2.M) on financial statement fraud is significantly positive. Thus, hypothesis 6 (H6) which states that the quality of the audit committee can moderate the effect of the board of commissioners on financial statement fraud, is accepted
- Testing the Moderating Effect 3 (X3.M) hypothesis on financial statement fraud produces a correlation coefficient value (Original Sample) of -0.044. This means that there is a negative correlation between variables. The t Statistics value obtained is 0.766 <t-critical 1.96 and obtains a p value of 0.444> 0.050, which means there is no significant effect. This result means that the effect of Moderating Effect 3 (X3.M) on financial statement fraud is significantly negative. Thus, hypothesis 7 (H7) which states that the quality of the audit committee can moderate the effect of auditor changes on financial statement fraud, is rejected
- Hypothesis testing of Moderating Effect 4 (X4.M) on financial statement fraud produces a correlation coefficient value (Original Sample) of -0.162. This means that there is a negative correlation between variables. The t Statistics value obtained is 2.624> t-critical 1.96 and obtains a p value of 0.009<0.050, which means there is a significant effect. This result means that the effect of Moderating Effect 4 (X4.M) on financial statement fraud is significantly negative. Thus, hypothesis 8 (H8) which states that the quality of the audit committee can moderate the effect of managerial ownership on financial statement fraud, is accepted.

4.6. Moderation Effect Testing

Moderation effect testing is carried out in connection with the presence of moderating variables in this research model. Moderation variables are variables that strengthen or weaken the effect of explanatory variables (independent) on dependent variables. Moderation effect testing is carried out following the moderation regression analysis procedure (Solimun, 2020:37), the results of the moderation effect testing in this study are as follows.

Table 4 Moderation Effect

Variable	*Path coeficients Original Sampel/O)*	*p-value*	Result	f-Square
M (Audit Committee Quality) -> Y (Financial_statement fraud)	-0.474	0,000	Sig. Negative	2,977
The quality of the audit committee is able to moderate the effect of financial stability on financial statement fraud	-0,454	0,000	Sig. Weakness	0,379
The quality of the audit committee is able to moderate the effect of the board of commissioners on financial statement fraud	0,985	0,000	Sig. Strengthen	2,304
The quality of the audit committee is not able to moderate the effect of auditor changes on financial statement fraud	-0,044	0,444	Not Sig.	0,005
The quality of the audit committee is able to moderate the effect of managerial ownership on financial statement fraud	-0,162	0,009	Sig. Weakness	0,058

Primary Data, 2024

4.7. Audit Committee Quality to Moderate the Effect of Financial Stability on Financial Statement Fraud

Based on the results of the analysis of the effect of financial stability on financial statement fraud with the quality of the audit committee as a moderating variable, a significance value of 0.000 was obtained with a negative regression coefficient value of -0.454. The significance value of the moderation variable (X1) of the audit committee quality is 0.000 (significant) and the significance value of the interaction variable between financial stability and the quality of the audit committee (X1M) is significant at 0.000, this indicates that the moderation variable is a partial moderation type (quasi moderation). Quasi moderation is a variable that moderates the relationship between the predictor variable and the dependent variable where the pseudo moderation variable interacts with the predictor variable while also being a predictor variable. The results of the moderation analysis show that the coefficient value of financial stability (X1) is positive and the interaction variable (X1M) is significantly negative, indicating a non-unidirectional relationship, so the audit committee quality variable is a moderating variable that weakens the effect of financial stability on financial statement fraud.

4.8. Audit Committee Quality to Moderate the Effect of the Board of Commissioners on Financial Statement Fraud

Based on the results of the analysis of the effect of the board of commissioners on financial statement fraud with the quality of the audit committee as a moderating variable, a significance value of 0.000 was obtained with a positive regression coefficient value of 0.985. The significance value of the moderation variable (X2) of the audit committee quality is 0.000 (significant) and the significance value of the interaction variable between the board of commissioners and the quality of the audit committee (X2M) is significant at 0.000, this indicates that the moderation variable is a type of partial moderation (quasi moderation). Quasi moderation is a variable that moderates the relationship between the predictor variable and the dependent variable where the pseudo moderation variable interacts with the predictor variable while also being a predictor variable. The results of the moderation regression analysis show that the coefficient value of the board of commissioners (X2) is negative and the interaction variable (X2M) is positive and significant, so the audit committee quality variable is a moderating variable that strengthens the effect of the board of commissioners on financial statement fraud.

4.9. Audit Committee Quality in Moderating the Effect of Auditor Changes on Financial Statement Fraud

Based on the results of the analysis of the effect of auditor changes on financial statement fraud with the quality of the audit committee as a moderating variable, a significance value of 0.444 was obtained with a negative coefficient value of -0.044. Thus, because the significance value is more than 0.05, it can be stated that the quality of the audit committee is unable to moderate the effect of auditor changes on financial statement fraud.

4.10. Audit Committee Quality in Moderating the Effect of Managerial Ownership on Financial Statement Fraud

Based on the results of the analysis of the effect of Managerial Ownership on financial statement fraud with the quality of the audit committee as a moderating variable, a significance value of 0.009 was obtained with a negative coefficient value of -0.162. The significance value of the moderation variable of the quality of the audit committee is 0.000 (significant) and the significance value of the interaction variable between managerial ownership and the quality of the audit committee is significant at 0.009, this indicates that the moderation variable is a type of partial moderation (quasi moderation). Quasi moderation is a variable that moderates the relationship between predictor variables and dependent variables where the pseudo moderation variable interacts with the predictor variable while also becoming a predictor variable. The results of the moderation analysis show that the Managerial Ownership coefficient value is positive and the interaction variable is also significantly positive, indicating a unidirectional relationship, so the audit committee quality variable is a moderating variable that strengthens the effect of managerial ownership on financial statement fraud.

5. Conclusion

Financial stability, board of commissioners, managerial ownership, audit committee quality, interaction variable between financial stability and audit committee quality (X1.M), interaction variable between board of commissioners and audit committee quality (X2.M) and interaction variable between managerial ownership and audit committee quality (X3.M) have an effect on financial statement fraud. The audit committee can be a moderator between financial stability, board of commissioners, and managerial ownership on financial statement fraud.

5.1. Managerial Implication

This study provides implications for banking sector companies listed on the IDX regarding things that need to be considered to minimize financial statements, the things that must be considered are financial stability, board of commissioners, and managerial ownership and audit committee so that financial statement fraud in banking sector companies listed on the IDX will be decreasing.

Compliance with ethical standards

Disclosure of conflict of interest

No conflict of interest to be disclosed.

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