The Influence of Corporate Governance and Executive Compensation on the Likelihood of Financial Statement Fraud: Empirical Study on Property, Real Estate, and Construction Companies Listed on the IDX in 2019-2021

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Abstract

This study aims to obtain empirical evidence and analyze the effect of corporate governance such as the independent board of commissioner, the number of board meetings, the age of the board of commissioners, the financial and/or accounting expertise of the board of commissioners, the independent audit committee and executive compensation on financial statement fraud. The sampling method used is purposive sampling. Secondary data is obtained from annual financial reports for the 2019-2021 period with certain characteristics. Samples are obtained from Bloomberg data or obtained directly from the company's official website. The sample data that met the criteria in this study were 205 companies. The analysis technique used is logistic regression analysis and the data processing tool uses SPSS V26. The results of this study indicate that the independent board of commissioners and executive compensation have a negative effect on the possibility of fraudulent financial statements. Meanwhile, board of commissioner meetings, board of commissioners age, board of commissioners financial and/or accounting expertise, audit committee have no effect on the possibility of fraudulent financial statements.

Keywords: *Corporate Governance, Executive Compensation, Financial Statement Fraud.*

A. INTRODUCTION

Financial statements provide information about a company's financial position, performance, and cash flow to the users of these statements as a basis for decision-making (Nasir et al., 2019). Therefore, financial statements must be transparent, relevant, and credible to avoid incorrect judgments or decisions. However, the information provided is often manipulated. This action is referred to as window dressing, aimed at masking the true financial situation through financial engineering during the preparation of financial statements (Erickson et al., 2005). Consequently, the displayed information is unreliable, which could lead to financial losses, asset depletion, and damage to the company's reputation, as well as undermining the credibility of the accounting profession and negatively affecting public trust in financial statements (Martins & Júnior, 2020).

This act is commonly known as fraud. Fraud is an illegal act carried out intentionally for specific purposes (manipulating or providing false reports to others) done by individuals inside or outside the organization to gain personal or group

benefits, directly or indirectly harming others (ACFE, 2022). Fraud can involve falsification, manipulation, or modification of data in accounting records or supporting documents that serve as the source of financial reporting (Priswita & Taqwa, 2019). Financial fraud is a common phenomenon but also a hidden threat to the business world because financial fraud leads to the presentation of data that does not reflect the true condition of the organization. According to ACFE (2022), financial statement fraud is the least common but causes the most significant losses compared to corruption and asset misappropriation. Although financial statement fraud occurs in only 9% of cases, it leads to a loss of $593,000. Research by Kenny & Warbuton (2021) found that the construction sector is the most vulnerable to financial statement manipulation (altering financial reports), with 16.8% of cases.

Several cases of financial statement fraud that occurred in Indonesia can serve as real examples, such as PT Hanson Internasional Tbk, which was found guilty of manipulating its 2016 annual financial statements by inflating sales of ready-to-build plots (Kasiba) worth gross Rp 732 billion. This was done by the company's executives, including its CEO, Benny Tjokro, resulting in a sharp increase in the company's revenue, causing a loss to the state of up to Rp 27.7 trillion (Kompas, 2017). Another case involved PT Waskita Karya Tbk in 2020, where the Corruption Eradication Commission (KPK) named the finance director, Yuly Ariandi Siregar, as an executive responsible for manipulating various project data related to fictitious subcontractor finances. The Financial Audit Agency (BPK) estimated that the state's loss from financial manipulation between 2009 and 2015 amounted to at least Rp 202 billion from 41 data points involving fictitious subcontractor contracts on 14 projects.

Based on the above cases, in line with empirical data from Zhou et al. (2018), the perpetrators of fraud are predominantly insiders. This is consistent with a survey by ACFE (2022), which found that fraud is typically committed by individuals in high-level positions in the company or executives. These individuals commit fraud because they have the ability to bypass or even ignore controls that should detect fraudulent activities. Additionally, they have the authority to intimidate lower-level employees from reporting or investigating suspected violations. The resulting losses indicate weaknesses in the control system, misuse of duties and authority, and ineffective monitoring, which provide opportunities for fraud (Probohudono et al., 2022). This raises the question of why incidents still occur and what the root causes are (Laksmidewi, 2021).

To reduce fraud, it is necessary to design good corporate management to be applied within companies, aimed at improving the company's performance by implementing corporate governance systems. Corporate governance is defined as a system for regulating and managing a company to improve performance through supervision or monitoring of management performance (Dah & Frye, 2017). Corporate governance ensures reliability and transparency in financial reporting in accordance with applicable regulations and is expected to reduce fraud while also building investor trust in the company's ability to deliver returns or dividends from their investments (Sadique et al., 2019).

According to the General Guidelines for Corporate Governance based on Law No. 40 of 2007 on Limited Liability Companies, corporate governance is managed by two organs: (1) the management organ, consisting of directors who play a role in making strategic decisions for the company, and (2) the supervisory organ, consisting of the board of commissioners who supervise the management activities of the directors. The board of commissioners holds significant responsibility and role in implementing corporate governance because they have the highest level of control in the company (Fama & Jensen, 1983). In the context of financial information, the board of commissioners is responsible for the transparency and credibility of financial statements, so their role is expected to protect the interests of shareholders and other stakeholders (Wicaksono & Chariri, 2015). Girau et al. (2022) explained that the board of commissioners is responsible for overseeing the quality of financial information to ensure that the information presented complies with existing accounting standards.

Independent commissioners are part of the board of commissioners who have no ties to the company's internal affairs, allowing them to work independently (Probohudono et al., 2022). Girau et al. (2022) stated that having more independent commissioners in the company will significantly reduce the likelihood of financial fraud. Rostami & Rezaei (2022) found that corporate governance mechanisms are effective with the presence of independent commissioners in reducing the likelihood of financial reporting fraud. On the other hand, other studies found no significant relationship between board independence and corporate fraud, suggesting that the oversight by independent commissioners has no effect in reducing fraud (Kukreja et al., 2020). This is because performance does not improve even though the number of independent commissioners meets the standard, but it may be merely for regulatory compliance (Hasnan et al., 2014). Additionally, there may be interference from principals with the independent commissioners, preventing them from performing objective oversight (Probohudono et al., 2022).

An effective board of commissioners will continuously hold meetings to discuss key issues and problems related to the company's performance and business, indicating high levels of monitoring and oversight over company managers (Nasir et al., 2019). Regular board meetings can reduce fraud in companies, as evidenced by research in countries such as the United States (Owens-Jackson et al., 2009), Xie et al. (2003), and Malaysia (Nasir et al., 2019). Conversely, Maharani et al. (2022) found that the number of board meetings has no effect on financial fraud because frequent meetings could signal that the company is facing significant problems. This is consistent with research by Dewi (2019), which revealed that the board of commissioners is not a full-time body, leading to a lack of complete understanding of the company. Furthermore, the lack of effect from meeting frequency on fraud may be due to the possibility that the meeting outcomes are not thoroughly discussed or followed up by the board, allowing issues to persist unresolved (Girau et al., 2022).

The age of the board of commissioners is another issue in corporate governance, as age is an important demographic factor that can influence decision-

making (Xu et al., 2018). Older board members tend to make decisions more cautiously, seek more information, and analyze risks and benefits accurately (Huang et al., 2012). Huang et al. (2012), and Xu et al. (2018) explain that older board members are less likely to commit fraud in a company because they are more experienced, ethical, and conservative due to their familiarity with organizational culture (Xu et al., 2018; Mudrack, 1989), making them wiser in improving the company's decision-making process. In contrast, Demers & Wang (2011) argue that younger board members are more likely to engage in fraud due to their susceptibility to pressure. Meanwhile, Huang et al. (2012) argue that as the board members get older, conflicts arise, making it harder to reach a consensus. These conflicts lead to less effective oversight, leaving management vulnerable to making poor decisions. Conyon & He (2016) found no significant difference in board age between fraud and non-fraud companies in China.

An important part of the company's internal control and oversight system is the board of commissioners with relevant expertise. Without this expertise, it would be difficult to carry out the responsibility of protecting stakeholders (Fama & Jensen, 1983). Baatwah et al. (2018) explained that boards with financial expertise improve the timeliness of financial reporting, whether in financial accounting or non-accounting expertise. Kibiya et al. (2016) added that financial literacy knowledge in accounting and financial management can improve the quality of the company's financial reports. Research on the financial expertise of the board of commissioners by Victor & Edwin (2019) found that financial expertise in the board of commissioners negatively and significantly affects financial restatements in Nigerian banks. Furthermore, Mohammad et al. (2018) found similar results regarding the effect of financial expertise on financial restatements in Malaysia. Conversely, Bilal et al. (2018) added that board expertise has a positive relationship with earnings management.

Besides the board of commissioners, the audit committee also plays a role in overseeing the quality of financial statements. The audit committee is responsible for the accuracy and compliance of financial statements. Independence is one of the characteristics of an audit committee. The independence of the audit committee is crucial for effective oversight, enabling them to assist the board of commissioners in fulfilling their duties and responsibilities (Esmaili et al., 2019). With independent audit committees, the oversight of both internal and external audits can minimize errors and fraud in the preparation of financial statements. Dechow et al. (2011) and Dah & Frye (2017) state that independence negatively impacts financial fraud and financial restatements (Habib & Jiang, 2015). On the other hand, Siagian (2013), Agrawal (2005), and Victor & Edwin (2019) state that independence does not affect financial statement fraud.

The motivation for conducting this study is to investigate issues related to financial statement fraud, driven by concern over the high losses resulting from financial fraud cases, particularly in the property, real estate, and construction sectors, where fraud cases are still prevalent.

Another factor that can trigger someone to engage in fraudulent behavior or decide whether to commit fraud is the compensation provided. Executive compensation contracts should reflect the responsibilities and commitments of board members (Divandari et al., 2018). According to Suryana and Nuzula (2019), executive compensation in Indonesia refers to compensation given to the board of directors and commissioners. The existing executive compensation contracts can trigger opportunism. Executives seeking to optimize their compensation may take any action, particularly accounting fraud, to achieve this. Executive compensation can be a means of good corporate management and have a positive impact on the company and its stakeholders. Martins & Júnior (2020) found evidence that higher executive compensation reduces accounting fraud by company executives. Executive compensation is a form of appreciation that can be material or non-material, provided to the company's management to motivate them to achieve the organization's goals effectively. This aligns with Owens-Jackson et al. (2009), who explain how corporate compensation mechanisms can influence management's decision-making. If compensation contracts are designed to align the interests of the company's executives with shareholders, then these compensation contracts can benefit shareholders (Indiraswari, 2021), ultimately reducing accounting fraud committed by company executives.

Faccio et al. (2016) explain that if the board is not adequately compensated, they are more likely to engage in unethical behavior, making decisions that harm shareholders. However, if compensation is disproportionately high compared to their performance, it can lead to a loss of independence in decision-making (Dah & Frye, 2017) and may enable them to manipulate financial figures to receive even higher compensation (Chee et al., 2017).

Secondly, to bridge the gap in the existing literature and bring novelty by observing the phenomenon of fraud in Indonesia, providing real examples of individuals in high-level positions in companies committing fraud leading to significant losses, a debate arises in the economic world as to whether the situation would have been different if women were in charge of the company. Several studies suggest that, in general, women tend to avoid risks and behave ethically, so they are more likely to make ethical decisions and anticipate fraudulent actions within companies (Liao et al., 2019). This means that having women on the board of commissioners can contribute to a "healthier" company organization. The presence of women on the board of commissioners can influence discussions in decision-making to avoid risky actions, thus minimizing the likelihood of financial statement fraud (Liao et al., 2019). Miglani & Ahmed (2019) added that having women on the board of commissioners can influence the policies set because women tend to analyze issues before acting on them. In contrast, Israini (2020) and Setyaningrum et al. (2019) stated that women are more likely to enjoy challenges and take risks, which could lead to fraudulent practices. Therefore, the presence of women in corporate governance could mitigate the occurrence of financial statement fraud often intentionally committed for personal gain.

This study focuses on how well corporate governance is implemented, particularly concerning the presence of women on the board of commissioners in companies. This study uses Agency Theory and Gender Socialization Theory, representing the theoretical framework for predicting the influence of corporate financial statement fraud (Bosquet et al., 2014; Indiraswari, 2021).

This study uses a research gap and phenomenon gap because previous research has shown inconsistencies in findings, especially concerning the inconsistency in research outcomes. The difference between this study and previous studies is the addition of executive compensation as an independent variable, following the recommendations of earlier studies by Girau et al. (2022), with the inclusion of other independent variables that can influence the occurrence of financial statement fraud in the property, real estate, and construction sectors.

B. METHOD

This study is an empirical analysis in the form of hypothesis testing, examining the effect of corporate governance and executive compensation on the likelihood of financial statement fraud. The study object is property, real estate, and construction companies listed on the Indonesia Stock Exchange in 2019-2021. The proxy for the corporate governance variable in this study includes independent board commissioners, the number of board meetings, the age of the board of commissioners, the financial and/or accounting expertise of the board of commissioners, and the audit committee. The data used in this research is secondary data downloaded from IDX and the websites of each property, real estate, and construction company during the 2019-2021 period, as well as Bloomberg data. The data was then selected using purposive sampling, resulting in 205 company data points. The analysis used descriptive statistics and logistic regression analysis with the help of SPSS V26.

Financial statement fraud was calculated using the Beneish M-Score (Kamal et al., 2016). If the result exceeds -2.22, it indicates that the company is suspected of committing financial statement fraud (manipulator). On the other hand, if the Beneish M-Score is less than -2.22, it means the company is not suspected of committing financial statement fraud (non-manipulator). The results of the Beneish M-Score calculation were categorized based on companies suspected and not suspected of fraud, using dummy variables. Companies suspected of fraud are coded as 1, while companies not suspected of fraud are coded as 0. Additionally, companies without female representation in the board of commissioners are coded as "0," while companies with female representation in the board of commissioners are coded as "1."

The measurement of independent commissioners in this study follows Al Azeez et al. (2019), which is the proportion of independent commissioners to the total number of board members. The proxy for the board meetings follows Owens-Jackson et al. (2009), which refers to the number of meetings held by the board of commissioners during one period. The age of the board of commissioners in this study follows Xu et al. (2018), measured by the average age of all board members in a company. The variable for financial and accounting expertise of the board of

commissioners is based on Dwiharyadi (2017), measured by the number of board members with financial and/or accounting expertise out of the total number of board members. The audit committee calculation follows the research of Laming et al. (2019), with the formula for measuring independent audit committees being the proportion of independent audit committee members to the total number of audit committee members. Executive compensation is measured using the proxy developed by Armstrong et al. (2015), which calculates the logarithm of the total salary, allowances, bonuses, and other payments received by executives (board of commissioners and directors) over the course of one year.

C. RESULTS AND DISCUSSION

Table 1. Descriptive Statistics Results

Variable	N	Minimum Value	Maximum Value	Mean	Std. Deviation
Independent Board of Commissioners (X1)					
No female gender	116	0,200	0,750	0,41733	0.109707
With female gender	89	0,250	0,750	0,0847	0.119174
Frequency of Board Meetings (X2)					
No female gender	116	1	16	7.16	2.627
With female gender	89	3	16	6.83	3.031
Board of Commissioners Age (X3)					
No female gender	116	31.00	74.60	56.6431	10.80329
With female gender	89	39.50	75.67	60.1342	7.87709
Board of Commissioners Expertise (X4)					
No female gender	116	0.000	1.000	0.17648	0.237723
With female gender	89	0.000	0.667	0.29064	0.237877
Independent Audit Committee (X5)					
No female gender	116	2	5	3.03	0.416
With female gender	89	2	3	2.93	0.252
Executive Compensation (X6)					
No female gender	116	18.532	25.828	22.92006	1.241854
With female gender	89	20.318	25.835	23.36029	1.350139
M-Score (dummy) (Y)					
No female gender	116	0	1	0.43	0.497
Not Indicated *Fraud*	66	56,9%			
Indicated Fraud	50	43,1%			
With female gender	89	0	1	0.31	0.467
Not Indicated Fraud	61	68,5%			
Indicated Fraud	28	31,3%			

Source: Processed Secondary Data, 2023

Table 1 illustrates the descriptive statistics of the entire sample of companies studied in this research. For companies with no female gender on the board of commissioners, the independent board of commissioners variable (DKI) has a minimum value of 0.200 and a maximum value of 0.750. Meanwhile, companies with female gender on the board of commissioners have a minimum value of 0.250 and a maximum value of 0.750. The frequency of board meetings in companies with no female gender in the board of commissioners (FREQ) has a minimum value of 1 and a maximum value of 16. In contrast, companies with female gender in the board of

commissioners have a minimum value of 3 and a maximum value of 16. The age of the board of commissioners in companies with no female gender (UDK) has a minimum value of 31.00 and a maximum value of 74.60. In companies with female gender in the board of commissioners, the minimum value is 39.50 and the maximum value is 75.67. The financial and/or accounting expertise in companies with no female gender in the board of commissioners (KDK) has a minimum value of 0.000 and a maximum value of 1. In companies with female gender in the board of commissioners, the minimum value is 0.000, and the maximum value is 0.667. The independent audit committee in companies with no female gender (KA) has a minimum value of 2 and a maximum value of 5. For companies with female gender, the minimum value is 2 and the maximum value is 3. The executive compensation for companies with no female gender in the board of commissioners has a minimum value of 18.532 and a maximum value of 25.828. For companies with female gender, the minimum executive compensation is 20.318 and the maximum value is 25.835. Financial statement fraud is calculated using the M-score with a dummy variable. For companies with no female gender, 166 companies were sampled, of which 66 companies (56.95%) were not suspected of fraud, and 50 companies (43.1%) were suspected of fraud. This classification is based on the M-Score indicator, where values less than -2.22 indicate non-manipulating companies, assigned the code 0, and values exceeding -2.22 indicate companies suspected of financial statement manipulation, assigned the code 1. The minimum value is 0, and the maximum value is 1, with a mean of -0.43 and a standard deviation of 0.497. For companies with female gender in the board of commissioners, 89 companies were sampled, of which 61 companies (68.5%) were not suspected of fraud, and 28 companies (31.5%) were suspected of fraud. The mean value for this sample is 0.31, with a standard deviation of 0.467.

Table 2. Overall Model Fit and Omnibus Test

Model Fit Test		Result	
		No Female Gender	With Female Gender
-2 *Log Likelihood* (-2LL)	-2LL Block Number = 0	158,596	110,874
	-2LL Block Number = 1	137,391	55,510
	Difference (*Omnibus Test*)	21,205	55,338
	Sig. *Ombnibus Test*	0,002	0,000

Source: Processed secondary data, 2023

Table 2 shows the results of the -2 Log *Likelihood* (-2LL) test, where the first and second blocks show a decrease, indicating that the second regression model is an improvement. For companies with no female gender in the board of commissioners, the -2 Log Likelihood (-2LL) decreased to 137.391, or a decrease in Chi-square of 21.205 with a significance value of 0.002. This means that the significance value of 0.002 is less than 0.05. Meanwhile, for companies with female gender in the board of commissioners, the -2 Log Likelihood (-2LL) decreased by 55.510, or a decrease in Chi-square of 55.338 with a significance value of 0.000. This means that the significance value of 0.000 is less than 0.05. Based on these two results, it can be concluded that adding independent variables into the model has a significant influence on explaining the dependent variable in this study.

Table 3. Hosmer and Lemeshow's Test Results

		No Female Gender	With Female Gender
Step 1	Chi-square	9,113	4,002
	df	8	8
	Sig.	0,333	0,857

Source: Processed secondary data, 2023

Table 3 shows that companies with no female gender in the board of commissioners have a Chi-square value of 9.113 with a significance value of 0.333 > 0.05 at 8 degrees of freedom (df). Meanwhile, companies with female gender in the board of commissioners have a Chi-square value of 4.002 with a significance value of 0.857 > 0.05 at 8 degrees of freedom (df). This means that both results have a significance level greater than 0.05, which can be concluded that the model is acceptable, as there is no significant difference between the model and the observed values, indicating that the goodness of fit is considered a good model.

Table 4. Coefficient of Determination Test Results

		No Female Gender	With Female Gender
Step 1	-2 Log likelihood	137,391	55.510
	Cox & Snell R Square	0,167	0.463
	Nagelkerke R Square	0,224	0.650

Source: Processed secondary data, 2023

Table 4 shows the Nagelkerke R Square results. For companies with no female gender in the board of commissioners, the value is 0.224, meaning that the independent board of commissioners (DKI), frequency of board meetings (FREQ), age of board members (UDK), financial and/or accounting expertise of board members (KDK), independent audit committee (KAI), and executive compensation (KE) in companies without female representation can predict financial statement fraud (M-Score) by 22.4%, with the remaining 77.6% explained by other factors or variables outside the model. Meanwhile, the Nagelkerke R Square value for companies with female gender in the board of commissioners is 0.650, meaning that the variables of independent board of commissioners (DKI), frequency of board meetings (FREQ), age of board members (UDK), financial and/or accounting expertise of board members (KDK), independent audit committee (KAI), and executive compensation (KE) in companies with female representation can predict financial statement fraud (M-Score) by 65%, with the remaining 35% explained by other factors or variables outside the model.

Table 5. Wald Test Results

Variable		β	Wald	Sig.	Decision
DKI **(XI)**	No Female Gender	-7.065	10.018	0.002	H1 Accepted
	With Female Gender	-13.402	5.326	0.021	
FREQ **(X2)**	No Female Gender	-0.106	1.270	0.260	H2 Rejected
	With Female Gender	-0.462	6.880	0.009	
UDK **(X3)**	No Female Gender	-0.26	1.508	0.220	H3 Rejected
	With Female Gender	-0.163	5.643	0.018	
KDK	No Female Gender	0.866	0.829	0.362	H4 Rejected

Variable		β	Wald	Sig.	Decision
(X4)	With Female Gender	-5.266	7.431	0.006	
KAI	No Female Gender	1.032	2.952	0.086	H_5 Rejected
(X5)	With Female Gender	-1.310	0.388	0.533	
KE	No Female Gender	-0.336	3.311	0.069	H_6 Accepted
(X6)	With Female Gender	-0.679	4.494	0.034	
Constant	No Female Gender	9.246	4.654	0.031	
	With Female Gender	38.076	13.074	0.000	

Source: Processed secondary data, 2023

Table 5. Comparative Regression with Data from Companies with and without Female Gender in the Board of Commissioners Membership, Binary Logistic Regression Model as Follows:

Y_0 = 9,246 – 7,065 DKI – 0,106 FREQ – 0,26 UDK + 0,866 KDK + 1,032 KAI – 0,336 KE

Y_1 = 38,076 – 13,402 DKI – 0,462 FREQ – 0,163 UDK - 5,266 KDK – 1,301 KAI – 0,679 KE

The research results indicate that companies without women on the board of commissioners show a significance level of 0.002, which is less than 0.05, meaning that the independent board of commissioners has an impact on reducing financial statement fraud in the company. On the other hand, companies with women on the board of commissioners have a significance level of 0.021, which is less than 0.05, meaning that the independent board of commissioners in companies with women has a greater influence in minimizing fraud. Hypothesis 1 is **accepted**.

The findings of this research align with those of Maulidi (2022) and Martins & Júnior (2020), who found a significant negative impact on the likelihood of financial statement fraud. In addition, studies by Probohudono et al. (2022), Martins & Júnior (2020), and Indiraswari (2021) explain that the presence of an independent board of commissioners influences financial statement fraud and plays a significant role in controlling earnings management activities (Liu et al., 2016), as a greater proportion of independent commissioners is expected to improve the company's performance (Elmagrhi et al., 2019).

The research results show a significance level of 0.260, which is greater than 0.05, meaning that board meetings do not contribute significantly to the effectiveness of corporate governance in preventing fraud in the company. Meanwhile, companies with women in the board meetings show a significance level of 0.009, which is less than 0.05, meaning that the presence of women in board meetings can influence decisions to be made, as women tend to analyze problems first before addressing them (Miglani & Ahmed, 2019). This means that the results of the board meetings do not influence the likelihood of financial statement fraud more in companies with women in the board, so hypothesis 2 is **rejected**.

The difference in the research findings between companies without women and those with women in the board meetings suggests that having more meetings does not affect reducing financial statement fraud. The number of board meetings held and the evaluations discussed will not be effective without follow-up actions from the

board and company management. These findings align with those of Nasir et al. (2019), Girau et al. (2022), and Sadique et al. (2019), who indicate that frequent board meetings do not necessarily prevent or reduce financial statement fraud in companies.

The research results show that companies without women on the board of commissioners have a significance level of 0.220, which is less than 0.05, meaning that the age of the board of commissioners does not influence the likelihood of financial statement fraud. Meanwhile, companies with women on the board of commissioners show a significance level of 0.018, which is less than 0.05, meaning that the age of the board of commissioners has a significant negative influence on the likelihood of financial statement fraud. Therefore, hypothesis 3 is **rejected.**

The difference in the research findings obtained in companies with or without women on the board of commissioners indicates that differences in age and gender within a group can lead to different perspectives and opinions, which may lead to conflicts and disagreements in the board. When this is not handled with a high level of professionalism, it can affect performance and lead to ineffective supervision by the board of commissioners.

The results show that companies without women on the board of commissioners have a significance level of 0.362, meaning that the financial and/or accounting expertise of the board of commissioners is not sufficient to reduce the level of financial statement fraud. This study aligns with the findings of Defond et al. (2005) and Wang & Wang (2022), who explain that the expertise of the board of commissioners does not influence fraud because their competence is limited to understanding the company's financial reports, focusing on financial management rather than monitoring and reviewing the accounting process to produce accurate financial statements. On the other hand, companies with women in the board of commissioners show a significance level of 0.006, which is less than 0.05, meaning that having women on the board with financial expertise can reduce the likelihood of the company being involved in financial statement fraud. This is because women on the board tend to be more conservative in financial reporting than their male counterparts (Francis et al., 2015). Furthermore, the presence of women with accounting competence in the board of commissioners can improve the overall oversight of the company's financial reporting (Boachie & Mensah, 2022), as women are more cautious and emphasize ethical behavior in financial reporting, which is associated with fewer financial reporting discrepancies (Gupta et al., 2020). Consistent with gender socialization theory, the differences between men and women lead to distinct performance characteristics in decision-making and perspective. Thus, it can be concluded that the financial and/or accounting expertise of the board of commissioners does not have a greater influence on the likelihood of financial statement fraud in companies with women on the board, meaning that hypothesis 5 is **rejected.**

The results for companies without women on the board of commissioners show a significance level of 0.086, which is greater than 0.05, while companies with women on the board show a significance level of 0.533, which is greater than 0.05, meaning

that the independent audit committee does not have an impact on reducing financial statement fraud in both companies with or without women on the board of commissioners. Therefore, hypothesis 5 is **rejected.**

This finding is inconsistent with agency theory, as the supervision carried out by the audit committee has not been effective in detecting financial statement fraud committed by directors or company management. This result aligns with Tiapandewi et al. (2020), who found that the increasing number of audit committees makes discussions more difficult due to differences in educational backgrounds, financial experience, and limited competencies, as well as the fact that the existence of an independent audit committee in companies is often just for regulatory compliance. Additionally, Bestari & Satyawan (2020) mention that the audit committee has not been able to perform its duties effectively due to its benefits from the company, which makes it difficult to achieve independence.

The absence of an influence from the presence of women on the board of commissioners in relation to financial statement fraud may be due to the lack of cognitive differences between men and women (Faccio et al., 2016). Both men and women essentially have the same core duties, and the choice of social roles for men and women is merely the result of social construction and culture through socialization and cultural inheritance since birth, influenced by time and place (Thiruvadi & Huang, 2011). Women tend to adhere more to ethical standards in business decisions because of their risk-averse nature, compared to men, who tend to engage in riskier business decisions (Kartikarini & Mutmainah, 2013), leading to women being more passive in decision-making.

The results for companies with or without women on the board of commissioners show significance levels below 0.10, meaning that executive compensation has an impact on reducing financial statement fraud. Therefore, executive compensation influences the likelihood of financial statement fraud more in companies with women on the board, meaning that hypothesis 6 is **accepted.**

The larger the compensation provided to executives, the more it can reduce financial statement fraud, because executive compensation can lead to better corporate governance and positive impacts on the company and other stakeholders (Girau et al., 2022). This finding is consistent with O'Connor et al. (2006), Conyon & He (2016), and Girau et al. (2022), who stated that executive compensation can have a negative effect on fraudulent practices. This is because appropriate compensation for executives ensures effective management and oversight, which helps in preventing fraud.

D. CONCLUSION

Based on the results of the research as described in the previous chapter, several conclusions can be drawn: (1) Independent board of commissioners has an impact on the likelihood of financial statement fraud, with a greater effect in companies with the presence of women on the board. (2) The frequency of board meetings does not have an impact on the likelihood of financial statement fraud, with a greater effect in

companies with the presence of women on the board. (3) The age of the board of commissioners does not have an impact on the likelihood of financial statement fraud, with a greater effect in companies with the presence of women on the board. (4) The financial and/or accounting expertise of the board of commissioners does not have an impact on the likelihood of financial statement fraud, with a greater effect in companies with the presence of women on the board. (5) The independent audit committee does not have an impact on the likelihood of financial statement fraud, with a greater effect in companies with the presence of women on the board. (6) Executive compensation has an impact on the likelihood of financial statement fraud, with a greater effect in companies with the presence of women on the board.

The limitations of this study are as follows: The research results for companies without women on the board of commissioners only obtained a Nagelkerke R Square value of 22.4%, meaning that 77.6% is influenced by other variables not used in this study. Meanwhile, companies with women on the board of commissioners obtained a Nagelkerke R Square value of 65%, meaning 35% is influenced by other variables not used in this study. Additionally, this study only uses data from companies in the property, real estate, and construction sectors, resulting in a limited sample size, and the findings cannot be widely generalized across all companies listed on the Indonesia Stock Exchange regarding the factors influencing financial statement fraud.

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