ABSTRACT

Fraudulent financial reporting are material intentional omissions or misstatements of information that provided by financial statements resulting in losses to its users. Corporate governance is one of the shields in countering fraudulent financial reporting. This study aims to examine the effect of corporate governance in preventing indications of fraudulent financial reporting in banking companies. The elements of corporate governance used in this study are board of directors size, board of directors activity, board of commissioners size, board of commissioners activity, audit committee size, audit committee activity, nomination and remuneration committee size, and nomination and remuneration committee activity.

This study uses secondary data acquired from annual reports of banking companies listed on the Indonesia Stock Exchange for the period 2020-2022. The samples were selected using a saturation sampling technique that including all of the populations as part of the research sample that resulted in 122 total observations. The analytical method used is the logistic regression method by IBM SPSS 26.

The results of this study show that board of directors size and nomination and remuneration committee activity have a negative impact on indications of fraudulent financial reporting. Meanwhile, board of directors activity, board of commissioners size, board of commissioners activity, audit committee size, audit committee activity, risk monitoring committee size, risk monitoring committee activity, and nomination and remuneration committee size have no significant effect on fraudulent financial reporting indications. This study's findings provide empirical evidence into the importance of strengthening corporate governance to prevent fraudulent financial reporting. Hence, it is suggested that related parties more forceful establish the rules for empowering corporate governance.

Keywords: corporate governance, fraudulent financial reporting, financial statements, banking companies