CHAPTER V

CONCLUSSIONS AND SUGGESTIONS

A. Conclusions

This research aims to determine the effect of financial stability, Audit Committee, Change In Auditor, CEO Tenure and frequent number of CEO on financial statement fraud in manufacturing companies listed on the Indonesia Stock Exchange during the 2019-2021 period. Based on this research, conclusions can be drawn as follows:

1.) Pressure with indicators, financial stability variable (ACHANGE) is proven to have a positive and significant effect on financial statement fraud. This concludes that company leaders exert pressure on management which results in management committing fraud on financial statements when financial stability is threatened by economic conditions, and the situation of operational entities. It happens because the company has not a good early warning system for its financial stability.

2.) The opportunity with indicators, Audit Committee (KA) variables, has a positive and significant effect on financial statement fraud. The audit committee having little or no influence on the prevention and disclosure of fraud in financial statements, as well as lack of understanding and evaluating financial statements. The Existence of the audit committee in the company is still unable to limit management activities in committing fraud on financial statements.

3.) Rationalization with indicators, Change In Auditor variable, has a negative and significant effect on financial statement fraud. Rationalization is justifying fraud that will or has occurred. The auditor's knowledge of the company's financial turnover, cash inflows and outflows, and the financial closing procedure can prevent financial statement fraud. Companies that change auditors do so not to reduce the possibility of the old auditor detecting financial statements fraud, but rather to ensure compliance with regulations. The existence of a change of auditors bridges the rationalization carried out by audits when brainstorming the initial assignment of audit work. A form of rationalization is carried out in which the findings of the old auditors become a justification for management policies that lead to fraud.

4.) Competency with indicators, CEO Tenure variable, has a positive and significant effect on financial statement fraud. CEOs typically have more experience and a better understanding of the company's situation than new CEOs. From this, it can be inferred that CEOs who have held their positions for a considerable amount of time are more protective of their reputations than CEOs who are new to the job because these CEOs engage in fraud to safeguard their reputations.

5.) Arrogance with indicators, Frequent Number of CEO variable, has a positive and significant effect on financial statement fraud. This concludes that the more CEO photos contained in a company's annual report, may indicate a high level of CEO arrogance within the company, and a high level of CEO arrogance in line with the company tendency to commit fraud. Arrogance can trigger financial statement fraud by using and exploiting the authority they have.

Because of their position of authority, CEOs are beyond the reach of any internal control system.

B. Implication

The findings of this research showed that two variables with accepted hypotheses on the variables of CEO Tenure, and Frequent Number of CEO had a positive and significant effect, while three variable Financial Stability, Audit committee, Change in Auditor had a negative and significant effect on financial statement fraud. Financial stability variable has a positive and significant effect on financial statement fraud, indicating that financial stability has an impact on financial statement fraud, implying that the more stable a company financial condition, higher on the financial statement fraud. Therefore, even though the company financial condition is stable, investors and other parties with an interest in the company must remain cautious about the financial statements. Companies in the future will need to operate at peak efficiency in order to create stable financial conditions and find the best solution in the event of a company crisis that affects the assets produced.

The audit committee variable has a positive effect on financial statement fraud, indicating that the audit committee is ineffective, increasing the risk of fraudulent financial statements and preventing an adequate examination of the financial statements and reporting process. It is expected that the audit committee will oversee the organization's internal control system, ensure that control procedures are effective in preventing fraud, and regularly test and monitor the audit committee's internal control system to look for flaws or openings that fraudsters might exploit.

The change in auditor variable has a negative and significant effect on financial statement fraud, indicating that the replacement of the auditor does not necessarily indicate the occurrence of fraudulent financial statements. Rather, the replacement of the auditor may be the result of a company policy or a change in its preferences regarding the auditor, in which case investors and users of financial statements do not need to be concerned about changes in financial statements.

The CEO tenure variable has a positive and significant impact, indicating that it has an impact on financial statement fraud. The company internal control system and culture are both subpar, which raises the possibility that it will make false financial statements. To lessen the risk of fraudulent financial statements, businesses are expected to be able to develop a strong internal control system, put in place proper accounting procedures, and foster a strong culture of integrity throughout the organisation.

The frequent number of CEO picture variable has a positive and significant effect, indicating that it has an impact on financial statement fraud. This means that CEO photos are used to hide flaws or manipulate financial statements. Management projects a positive image by showcasing CEO photos, but does so while concealing weaknesses or inaccuracies in the financial statements, creating the possibility of fraud. the importance of management's dedication to upholding ethical business practices and good corporate compliance.

C. Limitation

Financial stability, Audit Committeee, CEO Tenure, and Frequent number of CEOs were only able to explain and provide 22.4 percent of the fraud-related information in this research, with the remaining 77.6 percent explained by factors other than the research.