

The Effect of Audit Committee Characteristics, Audit Opinion, and Company Size on Financial Reporting Fraud

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The aim of this research is to determine the effect of audit committee independence, audit committee financial expertise, audit committee work meetings, audit opinion and company size on fraudulent financial reporting. The research method uses quantitative methods. The sampling technique uses purposive sampling with a total sample of 25 financial sector companies in the insurance and multi-finance (financing) sub-sectors listed on the IDX in 2018-2022, where the research sample data is 125 sample data. Data analysis uses multiple linear regression analysis with the SPSS Version 20 program. Based on the results of data analysis, it is known that the Adjusted R Square value is 0.264. This shows that 26.4% of the variation in fraudulent financial reporting variables can be explained by the variables audit committee independence, audit committee financial expertise, audit committee work meetings, audit opinion and company size, while the remaining 73.6% is explained by other variables. which was not researched. From the results of hypothesis testing, it is known that audit committee independence has a negative effect on fraudulent financial reporting, audit committee financial expertise has no effect on fraudulent financial reporting, frequency of audit committee meetings has a positive effect on fraudulent financial reporting, audit committees have a negative effect on fraudulent financial reporting, and company size has a negative effect on fraudulent financial reporting.

OPEN ACCESS

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Received: 13 May 2024

Accepted: 3 July 2024

Published: 31 July 2024

Citation:

(2024) The Effect of Audit Committee Characteristics, Audit Opinion, and Company Size on Financial Reporting Fraud. Finance and Sustainability. 2.1.

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Keywords: Financial Reporting Fraud; Audit Committee Characteristics; Audit Opinion; Company size



INTRODUCTION

Basically, fraud or cheating is an act committed to obtain the benefits of certain people or groups but to the detriment of others which is done by cunning, tricks, and unfair procedures to achieve what they want (Nurliasari and Achmad, 2020).

Fraud often occurs in developing countries, one of which is Indonesia. According to the Transparency International Survey, Indonesia is ranked 143rd out of 180 countries surveyed. Based on the latest survey, the United Kingdom indicates that the losses from fraud committed by unscrupulous employees in registered companies alone amount to 2 billion each year (Fitriyani and Noviyanti, 2021). This shows that fraud in financial reporting still occurs a lot and causes considerable material losses to the companies concerned so that users of financial statements need to know and understand the indications of fraud in a financial report.

In 2018, a fraud case was found in the financing company PT Sunprima Nusantara Financing or SNP Finance. SNP Finance which experienced non-performing loans that reached Rp. 4 Trillion. The non-performing loans were dealt with by SNP Finance by issued MTN (Medium Term Notes) to obtain additional capital to overcome bad debts. However, SNP Finance's MTN issuance did not go through the OJK process, given that MTN is a private agreement, but requires a rating by Pefindo because it can be traded. SNP Finance was subsequently sanctioned with suspension of business activities by OJK since May 2018. Sanctions for the SNP Finance case in 2018 were also given to auditors who performed auditing duties on SNP Finance's 2018 annual financial statements.

In 2020, a fraud case was found in the insurance company PT Jiwasraya. Jiwasraya's mega fraud scandal has continued to be in the media spotlight since the end of last year because it was unable to pay the JS Saving Plan policy due. As a result of this scandal, state losses reached Rp. 13.7 trillion. The Jiwasraya scandal involves a Ponzi scheme in its investment products. The findings of the Jiwasraya case also dragged in the Public Accounting Firm (KAP) that audited the company's annual financial statements due to irregularities in providing audit opinions.

Furthermore, in 2021, the Supreme Audit Agency (BPK) concluded that there was fraud in the management of finances and investment funds at PT Asabri (Persero) in 2012-2019. The fraud is in the form of an arrangement agreement, placement of investment funds in several company owners or shareholders in

the form of shares and mutual funds (Source: <https://wartapemeriksa.bpk.go.id>).

In 2023, PT Asuransi Jiwa Sinarmas MSIG Tbk (Sinarmas MSIG Life) was faced with the problem of fraud cases of company agents to insurance clients. He fraud was worth Rp. 200 billion by swita as a company agent who deceived his victims by paying premiums to a personal account or pooling account so that did not enter into Sinarmas Life account.

The cases described previously show fraudulent financial reporting or fraud committed by the company. The fraud that generally occurs is done by recording fictitious income or income that is made higher than the actual income earned, understating costs or inflating reported assets or assets. The existence of accounting scandals in recent years in financial sector companies (finance) in the insurance and financing sub-sectors (finance) that have occurred in Indonesia provides evidence that the practice of financial statement fraud is still being carried out which is thought to be caused by the weak implementation of good corporate governance in related companies, one of which is audit committee supervision.

This research is a development of Nurliasari and Achmad's research (2020) entitled the effect of audit committee characteristics on financial reporting fraud. From this study, the independent variables include audit committee independence, audit committee financial expertise and the number or frequency of audit committee meetings. Then the researchers added other independent variables, namely audit opinion sourced from research by Precillia et al (2022) and company size sourced from research by Rutchiana et al (2020). Thus, this study uses five independent variables, namely audit committee independence, audit committee financial expertise and the number or frequency of audit committee meetings, audit opinion and company size which are thought to affect the possibility of financial reporting fraud. The population of this study are companies in the finance and insurance sub-sectors. This is based on the discovery of proven fraud cases committed by these companies in the period 2018 to 2023 which caused huge losses to related companies, investors, the public as users of their services and the Indonesian government.

LITERATURE REVIEW

Agency Theory

Agency theory was first disclosed by Jensen and Meckling in 1976. Nurliasari and Achmad (2020)

explain that agency theory describes the agency relationship between the principal, in this case the company owner and investors, and the agent, in this case the company management. The owner (principal) is motivated to enter into a contract to prosper himself with company profits that always increase. Meanwhile, agents are motivated to maximize the fulfillment of their economic and psychological needs, in this case such as getting compensation for achieving their performance targets. The difference in motivation creates a conflict of interest.

Kusumawati (2020) explains that fraud is commonly carried out by agents in financial reporting by beautifying financial reports or window dressing to make the company's financial performance look healthy. The practice of fraud is carried out by creative accounting that violates the rules to support increasing or decreasing company profits, for example by deferring current year tax payments to defer future payments so that profitability in the current year becomes higher and or vice versa if you want to make profits lower then tax payments are made in the current year, the existence of receivables that are unlikely to be collected that are not written off, improper capitalization of expenses or expenses, improper recognition of sales that will have an impact on the amount of asset value and other ways so on.

Financial Reporting Fraud

Financial reporting is all the methods used by the company, in this case as a form of accountability of the manager or company leader for the management of the company entrusted to him and reporting it to parties who have an interest outside the company for information related to the company which is summarized in the financial statements (Rahardjo, 2015: 1).

Fraud or fraud is an act committed to obtain the benefits of certain people or groups but to the detriment of others which is done by cunning, tricks, and unfair procedures to achieve what they want (Nurliasari and Achmad, 2020).

Audit Committee independence

According to Financial Services Authority Regulation Number 55 of 2015 concerning the Establishment and Implementation Guidelines for the Audit Committee, Article 4 states that the audit committee consists of at least 3 (three) members from independent commissioners and parties from outside the issuer or public company. Nurliasari and Achmad (2020) state that the greater the number of independent

audit committee members in a company, the higher the quality of supervision of information in the financial statements of issuers or public companies so that it will minimize or lower the chances of fraudulent financial reporting or fraud committed by company management.

Audit Committee Financial Expertise

Prasetyo and Harto (2023) state that the existence of an audit committee that has accounting expertise, the higher the quality of supervision of financial statement information so that it will minimize or lower the chances of fraudulent financial reporting or fraud committed by unscrupulous company management.

Frequency of Audit Committee Meetings

According to Financial Services Authority Regulation Number 55 of 2015 concerning the Establishment and Implementation Guidelines for the Audit Committee, Article 13 states that the audit committee holds regular meetings at least 1 (one) time in 3 (three) months. Nurliasari and Achmad (2020) state that the more frequent the audit committee work meetings, the higher the quality of supervision of information in the financial statements in obtaining the presence or absence of findings so as to minimize or lower the chances of fraudulent financial reporting or fraud committed by company management.

Audit Opinion

The audit report on the annual financial statements of a company by providing an audit opinion is a summary of the audit results which can be used as a tool to assess the presence or absence of fraud (Prastyo et al., 2022). Audit opinion is a statement of an assertion issued by an external auditor for his assessment of the annual financial statements of the company that is his client. The opinion must be based on an examination carried out in accordance with the accountant's examination norms and findings in accordance with the accountant's examination norms and on the findings obtained by the external auditor.

Company Size

Handoko and Ramadhani (2017) state that company size (size) is a measure that reflects the size or scale of a company, where this scale can be measured by the total amount of assets which includes current assets and non-current assets owned by a company.

HYPOTHESIS DEVELOPMENT

The Effect of Audit Committee Independence on Financial Reporting Fraud

According to the Financial Services Authority Regulation (PJOK) Number 55 of 2015 concerning the Establishment and Implementation Guidelines for the Audit Committee, Article 10 paragraph a, the audit committee is tasked with reviewing financial information that will be issued by the Issuer or Public Company to the public and / or authorities, including financial reports, projections, and other reports related to the financial information of the Issuer or Public Company, and paragraph b states that the audit committee is tasked with reviewing compliance with laws and regulations relating to the activities of the Issuer or Public Company.

The results of previous studies examining the effect of audit committee independence on financial reporting fraud found differences in results or research gaps. In research by [Wahyudi et al \(2022\)](#) stated that the independence of the audit committee has a negative effect on financial reporting fraud. Meanwhile, research by [Rianghepat and Hendrawati \(2021\)](#), [Fitriyani and Noviyanti \(2021\)](#), [Yusup et al \(2021\)](#), [Nurliasari and Achmad \(2020\)](#), [Handoko and Ramadhani \(2017\)](#), [Indella and Husaini \(2016\)](#), [Prasetyo \(2014\)](#) stated that the independence of the audit committee has no effect on financial reporting fraud. The existence of this research gap underlies the need for a reassessment of the effect of audit committee independence on financial reporting fraud, where researchers propose the first hypothesis (H1) as follows:

H1: Audit committee independence has a negative effect on fraudulent financial reporting.

The Effect of Audit Committee Financial Expertise on Financial Reporting Fraud

The audit committee is one part of the corporate governance mechanism. [Nurliasari and Achmad \(2020\)](#) state that the audit committee is a committee formed by the board of commissioners to carry out supervisory and control duties so as to create fairness, transparency, accountability, and responsibility.

The results of previous studies examining the effect of audit committee financial expertise on financial reporting fraud found differences in results or research gaps. In the research of [Prasetyo and Harto \(2023\)](#), [Fitriyani and Noviyanti \(2021\)](#), [Rutchiatna et al \(2020\)](#), [Handoko and Ramadhani \(2017\)](#), and [Prasetyo \(2014\)](#) which state that the financial expertise of the

audit committee has a negative effect on financial reporting fraud. Meanwhile, research by [Nurliasari and Achmad \(2020\)](#), [Waruwu and Sugeng \(2023\)](#), [Rianghepat and Hendrawati \(2021\)](#), [Indella and Husaini \(2016\)](#) stated that the financial expertise of the audit committee has no effect on financial reporting fraud. The existence of this research gap underlies the need for a reassessment of the effect of audit committee financial expertise on financial reporting fraud, where researchers propose the second hypothesis (H2) as follows:

H2: Audit committee financial expertise has a negative effect on fraudulent financial reporting.

The Effect of Audit Committee Meeting Frequency on Financial Reporting Fraud

The audit committee is one part of the corporate governance mechanism.

[Nurliasari and Achmad \(2020\)](#) state that the audit committee is a committee formed by the board of commissioners to carry out supervisory and control duties so as to create justice, transparency, accountability, and responsibility.

The results of previous studies examining the effect of the frequency of audit committee meetings on financial reporting fraud found different results or a research gap. In [Siregar and Surbakti's research \(2019\)](#) which states that the frequency of audit committee meetings has a negative effect on financial reporting fraud. In the research of [Suripto and Jayadih \(2020\)](#) stated that the frequency of audit committee meetings has a positive effect on financial reporting fraud. Meanwhile, research by [Rianghepat and Hendrawati \(2021\)](#) [Nurliasari and Achmad \(2020\)](#), [Rutchiana et al \(2020\)](#), [Indella and Husaini \(2016\)](#), [Prasetyo \(2014\)](#), stated that the frequency of audit committee meetings has no effect on financial reporting fraud. The existence of this research gap underlies the need for a reassessment of the effect of the frequency of audit committee meetings on financial reporting fraud, where researchers propose the third hypothesis (H3) as follows:

H3: The frequency of audit committee meetings has a negative effect on fraudulent financial reporting.

The Effect of Audit Opinion on Financial Reporting Fraud

Audit opinion is a statement on an assertion issued by an external auditor, in this case a public accountant or a certain public accounting firm (KAP) ([Prastyo et al., 2022](#)). The opinion must be based on an

examination carried out in accordance with the accountant's examination norms and his findings in accordance with the accountant's examination norms and on his findings. Mulyadi (2018) explains that there are 5 audit opinions. These audit opinions include Unqualified Opinion (WTP), Unqualified Opinion with Explanatory Paragraphs, Unqualified Opinion, Unfair Opinion, and Opinion Not Giving Opinion or Not Expressing Opinion (Disclaimer).

The results of previous studies examining the effect of audit opinion on financial reporting fraud found differences in results or research gaps. In the research of Prastyo et al (2022) which states that audit opinion has a negative effect on financial reporting fraud. Meanwhile, research by Precillia et al (2022), Larasati et al (2020), Sari et al (2020), Ratri and Nurbaiti (2018), Fimanaya and Syafruddin (2014) stated that audit opinion has no effect on financial reporting fraud. The existence of this research gap underlies the need for a reassessment of the effect of audit opinion on financial reporting fraud, where researchers propose the fourth hypothesis (H4) as follows:

H4 : Audit opinion has a negative effect on fraudulent financial reporting.

The Effect of Company Size on Financial Reporting Fraud

Company size is another factor that is thought to affect financial reporting fraud. Handoko and Ramadhani (2017) state that company size is a measure that reflects the size or scale of a company, where this scale can be measured by the total number of assets which includes current and non-current assets owned

by a company. Fitriyani and Noviyanti (2021) state that generally companies with small scale or total assets have more opportunities to practice earnings management as a form of financial reporting fraud.

The results of previous studies examining the effect of company size on financial reporting fraud found differences in results or research gaps. In Riskiani and Yanto's research (2020) stated that company size has a positive effect on fraudulent financial reporting. Meanwhile, Rutchiana et al (2020) stated that company size has a negative effect on fraudulent financial reporting. Meanwhile, research by Fitriyani and Noviyanti (2021), Handoko and Ramadhani (2017), and Prasetyo (2014) states that company size has no effect on financial reporting fraud. The existence of this research gap underlies the reassessment of the effect of company size on fraudulent financial reporting, where researchers propose the fifth hypothesis (H5) as follows:

H5: Company size has a negative effect on financial reporting fraud.

Based on the literature review and hypothesis development above, it can be described as follows

The framework for this research, in which there is one dependent variable, namely fraudulent financial reporting (Y), and 5 independent variables, namely audit committee independence (X1), audit committee financial expertise (X2), audit committee meeting frequency (X3), audit opinion (X4), and company size (X5). The framework can be seen in the picture below.

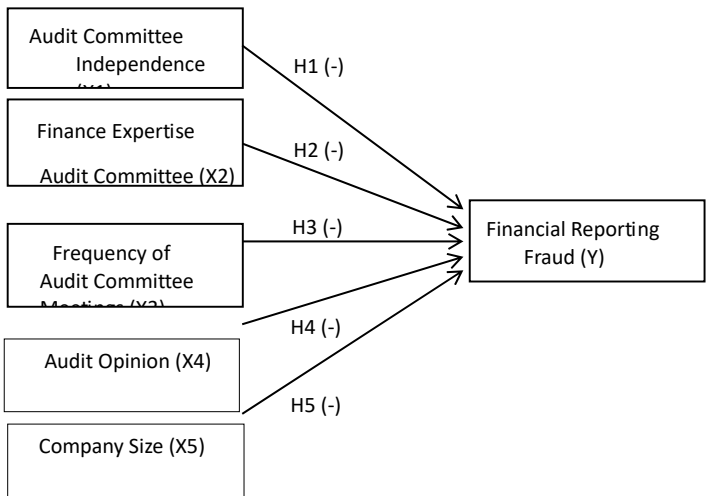


Figure 1. Research Framework

RESEARCH METHODOLOGY

Type of Research

This study uses quantitative methods with the aim of examining the effect of Audit Committee Independence, Audit Committee Financial Expertise, Audit Committee Meeting Frequency, Audit Opinion and Company Size on Financial Reporting Fraud, especially in financial sector companies in the insurance and multifinance (financing) sub-sectors listed on the Indonesia Stock Exchange.

Population and Sample

The population used in this study were all financial sector companies in the insurance and multifinance (financing) sub-sectors listed on the Indonesia Stock Exchange (IDX) for the period 2018-2022. This study uses purposive sampling technique in determining the research sample. The criteria for determining population members to be research samples include:

- (a) Insurance and multifinance (financing) sub-sector companies that are listed actively trading shares on the IDX in 2018-2022;
- (b) Insurance and multifinance (financing) sub-sector companies that present annual financial reports that have been audited by independent auditors in full from 2018-2022.

Operational Research Variables Financial Reporting Fraud (Y)

Actions taken to benefit certain people or groups but to the detriment of others by means of cunning, tricks, and unfair procedures to achieve what they want which results in misstatements in the financial statements that are carried out intentionally [Nurliasari and Achmad \(2020\)](#). Using the earnings distribution proxy which indicates earnings management as an indication of fraudulent financial reporting that causes misstatement of information with the formula:

$$\text{Scaled Earnings Changes It} = \frac{\text{Net Income } i(t) - \text{Net Income } i(t-1)}{\text{Market Value Equity } i(t-1)}$$

Audit Committee independence

Comparison of the composition of the independent audit committee with the number of audit committees owned by a company [Nurliasari and Achmad \(2020\)](#). In this study, the independence of the audit committee uses the proxy of the percentage of independent audit committee members to the total number of audit committee members with the following formula:

Audit Committee

Independent Audit Committee

x 100

Source: [Nurliasari and Achmad \(2020\)](#)

Audit Committee Financial Expertise

An audit committee that has accounting expertise so that it makes the quality of supervision of information in a company's financial statements better. In this study, the financial expertise of the audit committee uses the proxy for the number of audit committee members who have a financial expertise background [\(Nurliasari and Achmad \(2020\)\)](#).

Frequency of Audit Committee Meetings

The number of audit committee work meetings each year in the process of monitoring information in the financial statements. In this study, the frequency of audit committee meetings uses the proxy for the number of meetings held by the audit committee each year [\(Nurliasari and Achmad \(2020\)\)](#).

Audit Opinion

Audit opinion is a statement on an assertion issued by the auditor based on an examination carried out in accordance with the accountant's examination norms and findings in accordance with the accountant's examination norms and on his findings from the client company's financial statements obtained by the external auditor [\(Prastyo et al., 2022\)](#). An audit opinion is a statement made by an auditor regarding the accuracy and fairness of a company's financial statements. The opinion is based on the auditor's examination of the company's accounting records and other evidence. Using dummy variables, companies that get an unqualified opinion are given a value of 0, while companies that get opinions other than unqualified are given a value of 1.

RESULTS AND DISCUSSION

The results of this research sampling are presented in the following table:

Table 1 Research Sample Drawing

No	Criteria	Total
1	Number of insurance and <i>multifinance</i> sub-sector companies (financing) listed on the IDX during the period 2018-2022	31
2	Insurance and <i>multifinance</i> (financing) sub-sector companies that are listed as <i>delisted</i> shares on the IDX in 2018-2022	(5)
3	Insurance and <i>multifinance</i> (financing) sub-sector companies did not publish annual financial statements that have been audited by independent auditors in full from 2018-2022	(1)
Number of Companies selected as Sample		25
Observation Period (Year 2018-2022)		5
Research Sample Data		125

Source: Data processed, 2023

Based on Table 1, it is known that the insurance and multifinance (financing) sub-sector companies that became the research sample were 25 companies with an observation time of 5 years (2018-2022 period). Then the total sample data in this study is 125 financial statement data.

Descriptive Statistics Test

This research variable consists of financial reporting fraud variables (variable Y), audit committee

independence (variable X1), audit committee financial expertise (variable X2), audit committee work meetings (variable X3), audit opinion (variable X4) and company size or size.

(variable X5). The results of the descriptive statistical analysis of the variables in this research model are presented in the following table:

Table 2. Descriptive Statistics Results

	N	Minimum	Maximum	Mean	Std. Deviation
Fraudulent Reporting Finance (Y)	125	-,443	,368	,31299	,129952
Audit Committee Independence (X1)	125	,20	1,00	,4480	,21295
Audit Committee Financial Expertise (X2)	125	1	3	1,26	,537
Audit Committee Work Meeting (X3)	125	4	10	4,21	,676
Audit Opinion (X4)	125	0	1	,40	,492
Size (X5)	125	20,46	23,22	21,3986	,61858
Valid N (listwise)	125				

Source: SPSS output version 20

Based on Table 2, it can be seen that the value of N (number of data analysis) is 125 observations and information about the maximum, minimum, average and standard deviation values of each variable.

Model Feasibility Test

A good research model if all independent variables simultaneously affect the fixed variable. Test

criteria by comparing the significant value with alpha (0.05). If $\text{sig} < \alpha$ (0.05), then H_0 is rejected and H_a is accepted and vice versa (Ghozali, 2016: 107).

The results of the simultaneous significance test on the research model are presented in the table as follows:

Table 3. Simultaneous Significance Test
ANOVAa

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	,615	5	,123	9,891	,000 ^b
1 Residuals	1,479	119	,012		
Total	2,094	124			

Dependent Variable: Financial Reporting Fraud (Y)

Predictors: (Constant), Size (X5), Audit Opinion (X4), Audit Committee Independence (X1), Audit Committee Work Meeting (X3), Audit Committee Financial Expertise (X2)

Source: SPSS output version 20

Based on Table 3, it is known that the Fcount value is 9.891 and the significant value is 0.000. It is known that if the significance value (0.000) < alpha (0.05) then H0 is rejected and Ha is accepted. This means that there is an effect of the audit committee independence variable, audit committee financial expertise, audit committee work meetings, audit opinion and company size or size on financial reporting fraud simultaneously. So it can be concluded that the research model meets the goodness of fit.

Multiple Linear Regression Analysis

Multiple linear regression analysis is used to predict the regression coefficient value of the variables

in the research model, namely the variable financial reporting fraud (variable Y), audit committee independence (variable X1), audit committee financial expertise (variable X2), audit committee work meetings (variable X3), audit opinion (variable X4) and company size or size (variable X5) as the basis for compiling the mathematical equation of the research model. In addition, multiple linear regression analysis is also used to determine the significance value of each variable as a basis for testing the research hypothesis.

The results of multiple linear regression analysis on the research model are presented in the following table:

Table 4

Mode 1	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	,656	,379		1,731	,086
Audit Committee Independence (X1)	-,223	,064	-,365	-3,476	,001
1 Audit Committee Financial Expertise (X2)	,052	,028	,214	1,869	,064
Audit Committee Work Meeting (X3)	,065	,015	,338	4,271	,000
Audit Opinion (X4)	-,089	,021	-,336	-4,280	,000
Size (X5)	-,041	,018	-,194	-2,273	,025

Source: SPSS output version 20

Based on Table 4, the mathematical equation of the research model is :

$$KCP = \alpha \pm \beta_1 IKA \pm \beta_2 KKKA \pm \beta_3 FRKA \pm \beta_4 OA \pm \beta_5 Size + e$$

$$KCP = 0.656 - 0.223 IKA + 0.052 KKKA + 0.065 FRKA - 0.089 OA - 0.041 Size + 0.111 e$$

Based on the mathematical equation above, it can be concluded, among others:

The constant of 0.656 indicates that if there is no increase or decrease in the audit committee independence variable, audit committee financial expertise, audit committee work meetings, audit opinion and company size or size, the value of fraudulent financial reporting is 0.656 percent.

The audit committee independence regression coefficient of -0.223 indicates that every increase in audit committee independence by 1 percent will reduce fraudulent financial reporting by 0.223 percent.

The audit committee financial expertise regression coefficient of 0.052 indicates that every increase in audit committee financial expertise by 1 percent will increase financial reporting fraud by 0.052 percent. The audit committee work meeting regression coefficient of 0.065 indicates that every increase in the audit committee work meeting by 1 percent will increase financial reporting fraud by 0.065 percent.

The audit opinion regression coefficient of -0.089 indicates that every increase in audit opinion by 1 percent will reduce fraudulent financial reporting by 0.089 percent. The regression coefficient of company size or size of -0.041 indicates that every increase in company size or size by 1 percent will reduce fraudulent financial reporting by 0.041 percent.

The standard error coefficient of 0.111 with an error rate tolerance or alpha of 5% (0.05) indicates that the research error rate in the research model is 0.111 percent.

Hypothesis Test

The research hypothesis test uses the t test to determine whether there is an effect of the independent variable on the fixed variable partially. The hypothesis to be tested consists of first hypothesis (H1), second hypothesis (H2), third hypothesis (H3), fourth hypothesis (H4), and fifth hypothesis (H5).

The summary of the research hypothesis test results is presented in the following table:

Table 5 Resume of t test results						
Hypothesis	β	Sig	A	Decision	Description	
Hip. First IKA (X1) □ KCP (Y)	-0.223	0.001	≤ 0.05	Ha accepted	Negatively Affected	
Hip. Second KKKA (X2) □ KCP (Y)	0.052	0.064	≥ 0.05	Ha rejected	No Effect	
Hip. Third FRKA (X3) □ KCP (Y)	0.065	0.000	≤ 0.05	Ha accepted	Positively Affected	
Hip. Fourth OA (X4) □ KCP (Y)	-0.089	0.000	≤ 0.05	Ha accepted	Negatively Affected	
Hip. Fifth Size (X5) □ KCP (Y)	-0.041	0.025	≤ 0.05	Ha accepted	Negatively Affected	

Source: Data processed, 2023

Based on Table 5, the resume of the results of hypothesis testing with the t test will be further described as follows:

First Hypothesis Test (H1)

The first hypothesis (H1) proposed by the researcher, namely the independence of the audit committee has a negative effect on fraudulent financial reporting. Based on Table 8, it is known that the audit committee independence variable has a significance value of 0.001. If the significance value of 0.001 < alpha (0.05), then H0 is rejected and Ha is accepted, where the variable regression coefficient (β) of -0.223 is negative, meaning that the independence of the audit committee has a negative effect on fraudulent financial reporting. Thus the first hypothesis (H1) proposed by the researcher is proven to be accepted.

Second Hypothesis Test (H2)

The second hypothesis (H2) proposed by the researcher, namely that the financial expertise of the audit committee has a negative effect on fraudulent

financial reporting. Based on Table 8, it is known that the audit committee financial expertise variable has a significance value of 0.064. If the significance value of 0.064 > alpha (0.05), then H0 is accepted and Ha is rejected, meaning that the financial expertise of the audit committee has no effect on fraudulent financial reporting. Thus the second hypothesis (H2) proposed by the researcher is proven to be rejected.

Third Hypothesis Test (H3)

The third hypothesis (H3) proposed by the researcher, namely the frequency of audit committee meetings has a negative effect on fraudulent financial reporting. Based on Table 8, it is known that the frequency of audit committee meetings variable has a significance value of 0.000. If the significance value of 0.000 < alpha (0.05), then H0 is rejected and Ha is accepted, where the variable regression coefficient (β) of 0.052 is positive, meaning that the frequency of audit committee meetings has a positive effect on fraudulent financial reporting.

Realizing the difference in the sign of influence, where the proposed hypothesis is negative while the results of the accepted hypothesis are positive, the third hypothesis (H3) proposed by the researcher is proven to be rejected due to the difference in sign of influence.

Fourth Hypothesis Test (H4)

The fourth hypothesis (H4) proposed by the researcher, namely audit opinion has a negative effect on fraudulent financial reporting. Based on Table 8, it is known that the audit opinion variable has a significance value of 0.000. If the significance value of $0.000 < \alpha (0.05)$, then H_0 is rejected and H_a is accepted, where the variable regression coefficient (β) of -0.089 is negative, meaning that audit opinion has a negative effect on fraudulent financial reporting. So the fourth hypothesis (H4) proposed by the researcher is proven to be accepted.

Fifth Hypothesis Test (H5)

The fifth hypothesis (H5) proposed by researchers, namely company size (size) has a negative effect on fraudulent financial reporting. Based on Table 8, it is known that the size variable obtained a significance value of 0.025. If the significance value is $0.025 < \alpha (0.05)$, then H_0 is rejected and H_a is accepted, meaning that company size (size) has a negative effect on fraudulent financial reporting. So the fifth hypothesis (H5) proposed by the researcher is proven to be accepted.

DISCUSSION

The Effect of Audit Committee Independence on Financial Reporting Fraud

The results showed that the independence of the audit committee had a negative effect on fraudulent financial reporting in insurance and multifinance (financing) sub-sector companies in 2018-2022. This shows that the more independent the audit committee is characterized by the greater the number of independent audit committee members of the total audit committee in a company, it will improve the quality of supervision of information in the financial statements of issuers or public companies so that it will minimize or lower the chances of fraudulent financial reporting or fraud committed by company management.

Justification of these results is strengthened by the average value (mean) of 0.448 or 44.8 percent, where the average value of audit committee

independence of less than 50 percent indicates that the existence of independent audit committee members is only a formality or just to comply with regulations related to good corporate governance (GCG).

The Effect of Audit Committee Financial Expertise on Financial Reporting Fraud

The results showed that the financial expertise of the audit committee had no effect on fraudulent financial reporting in insurance and multifinance (financing) sub-sector companies in 2018-2022. This shows that audit committees that have financial expertise cannot have a significant effect, which can be caused by the number of audit committees that have financial expertise in a company being inadequate because there are few of them, which causes the quality of supervision of information in the financial statements to be less than optimal so that it still opens up opportunities for fraudulent financial reporting or fraud committed by company management.

Justification of these results is strengthened by the average value (mean) of 1.26 or as many as 1 person. This shows that the average number of audit committee members who have financial expertise in each company is only a formality or just to comply with regulations related to good corporate governance (GCG).

The Effect of Audit Committee Meeting Frequency on Financial Reporting Fraud

The results of the study found that the frequency of audit committee meetings has a positive effect on fraudulent financial reporting in insurance and multifinance (financing) sub-sector companies in 2018-2022. This shows that the more often the audit committee work meetings are held, the higher the quality of the quality of supervision of information in the financial statements in obtaining the presence or absence of findings so that it will minimize or lower the chances of fraudulent financial reporting or fraud committed by company management.

Justification for these results is strengthened by the average value (mean) of 4.21 or as many as 4 audit committee work meetings. This shows that the average number of working meetings of audit committee members each year has fulfilled compliance with regulations related to good corporate governance (GCG). The Effect of Audit Opinion on Financial Reporting Fraud

The results of the study found that audit opinion has a negative effect on fraudulent financial reporting in insurance and multifinance (financing) sub-

sector companies in 2018-2022. This shows that the audit opinion as the final assessment of the Public Accounting Firm (KAP) in charge of auditing the annual financial statements of the client company if it gets a good audit opinion, namely an unqualified audit opinion indicating that the client company's financial statements are not found. fraudulent financial reporting practices or fraud committed by company management.

Justification of these results is strengthened by the average value (mean) of 0.40 or 40%. This shows that 40% or as many as 50 audit opinions on the annual financial statements of sample companies with audit opinions other than unqualified, such as unqualified opinions with explanatory paragraphs, qualified opinions and opinions do not provide opinions, while the remaining 60% or as many as 75 audit opinions on the annual financial statements of sample companies with unqualified audit opinions.

The Effect of Company Size on Financial Reporting Fraud

The results showed that company size (size) had a negative effect on fraudulent financial reporting in insurance and multifinance (financing) sub-sector companies in 2018-2022. This shows that companies with a large scale or total assets are more concerned by the public and the relevant authorities so that they will be more careful in preparing the company's annual financial statements so that it will minimize the company's opportunity to commit financial reporting fraud.

Justification of these results is strengthened by the average value (mean) of 21.39 or if nominalized at Rp. 1,949,000,000 or less than 2 billion rupiah. This average value shows that the average sample company is classified as having large total assets, both fixed assets (current assets) and non-fixed assets (non-current assets) used by the company to carry out its operational activities.

CONCLUSIONS

Based on the results obtained in this study, the authors can draw the following conclusions. Audit committee independence has a negative effect on fraudulent financial reporting in insurance and multifinance (financing) sub-sector companies in 2018-2022. This means that the more independent the audit committee is characterized by the greater the number of independent audit committee members of the total audit committee in a company, it will improve the

quality of supervision of information in the financial statements.

Audit committee financial expertise has no effect on fraudulent financial reporting in insurance and multifinance (financing) sub-sector companies in 2018-2022. This means that audit committees that have financial expertise cannot have a significant effect, it can be caused by the number of audit committees that have financial expertise in a company being inadequate because of the small number that causes the quality of supervision of information in the financial statements to be less than optimal so that it still opens up opportunities for fraudulent financial reporting or fraud committed by company management.

The frequency of audit committee meetings has a positive effect on fraudulent financial reporting in insurance and multifinance (financing) sub-sector companies in 2018-2022. This means that the more often the audit committee work meetings are held, the higher the quality of the quality of supervision of information in the financial statements in obtaining the presence or absence of findings so that it will minimize or lower the chances of fraudulent financial reporting or fraud committed by company management.

Audit opinion has a negative effect on fraudulent financial reporting in insurance and multifinance (financing) sub-sector companies in 2018-2022. This means that the audit opinion is the final assessment of the Public Accounting Firm (KAP) in charge of auditing the annual financial statements of the client company if the audit opinion is negative. getting a good audit opinion, namely an unqualified audit opinion, shows that in the client company's financial statements there are no fraudulent financial reporting practices or fraud committed by company management.

Company size (size) has a negative effect on fraudulent financial reporting in insurance and multifinance (financing) sub-sector companies in 2018-2022. This means that companies with a large scale or total assets are more concerned by the public and the relevant authorities so that they will be more careful in preparing the company's annual financial statements so that it will minimize the company's opportunity to commit financial reporting fraud.

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