

Internal Audit Organization Status, Audit Committee Characteristics, Political Connections and Fraud Prevention

Dina Aulia Astuti, Muhamad Taqi*, and Roza Mulyadi

Faculty of Economics and Business, Sultan Ageng Tirtayasa University, Serang
Jl. Raya Jakarta KM. 4 Pakupatan Serang, 42122, Indonesia

Article info

Keywords:

Characteristics of the Audit Committee; Fraudulent Financial Reporting; Internal Audit Organization Status; and Political Connection,

ISSN (print): 2598-7763
ISSN (online): 2598-7771

✉Corresponding Author:

Muhamad Taqi :

Tel. /Fax. No. +62 877-7101-1961

E-mail:

muhamad.taqi@untirta.ac.id

Abstract

This study aims to examine the effect of the Internal Audit Organizational Status and Characteristics of the Audit Committee on Fraud Prevention with Political Connections as Moderating Variables. The sample in this study were 34 Consumer Goods Industrial Sector Companies Listed on the Indonesia Stock Exchange for the 2017-2020 period using the Purposive Sampling method. The data used is secondary data obtained from the Financial Statements and Annual Reports of Consumer Goods Industry Sector Companies that have been published on the official website of the Indonesia Stock Exchange (www.idx.co.id) during the 2017-2020 period and the websites of each company. The analytical method used in this research is Moderated Regression Analysis (MRA). The results of this study are 1) Internal Audit Organizational Status has a significant negative effect on Fraud Prevention. 2) The characteristics of the Audit Committee have a significant positive effect on Fraud Prevention. 3) Political Connection is able to moderate the influence of Internal Audit Organizational Status with Fraud Prevention. 4) Political Connection is able to moderate the influence of the characteristics of the Audit Committee on Fraud Prevention

Citation: Dina , A, A., Taqi, M., and Mulyadi, R. (2023). Internal Audit Organization Status, Audit Committee Characteristics, Political Connections and Fraud Prevention. AFRE Accounting and Financial Review, 6 (1): 15-23

JEL Classification: C32, D53

DOI:<https://doi.org/10.26905/afr.v6i1.9510>

1. Introduction

Job fraud is classified as financial statement fraud, corruption and misappropriation of assets. Financial fraud reports are carried out through various means, such as improper capitalization of assets, changes in accounting records and deliberate manipulation of financial amounts by recording fictitious expenses and income (ACFE, 2020). Managers can manipulate financial statements to achieve certain accounting targets or improve the company's financial appearance. Usually, companies that are found guilty of fraudulent financial statements face several negative consequences such as criticism from the public, loss of current and

potential investors, decline in stock prices and strict supervision by regulators (Nasir et al., 2019).

Several cases related to fraud that occurred in companies around the world include Enron in 2001, Martha Stewart, Merrill Lynch, Tyco International, WorldCom, Xerox Corporation, and Healthsouth in 2002. Then in 2003-2004 it happened to Freddie Mac and Fannie Mae. In 2005 it happened to Volkswagen and in 2008 it happened to Jerome Kerviel (Agoes, 2017).

Fraudulent financial statements in Indonesia that occurred at PT. Tiga Pilar Sejahtera Food, Tbk, which was established on January 26, 1990, is engaged in trading, industry and electricity. In 2017, two subsidiaries of PT. Three Pillars of Prosperous

Food, Tbk, namely PT. Indo Rice Superior and PT. Jati Sari Rezeki is suspected of committing fraudulent practices in selling rice by producing rice that does not match the information on the label.

The incident started on July 20, 2017, due to this incident, AISA's share price decreased significantly. The existence of this incident made the company management intend to beautify the financial statements in the 2017 financial statements. In December 2018, the new management of the company appointed E & Y to re-check the 2017 financial statements that have been audited by KAP Aryanto Amir Jusuf and Mawar.

After that, it was found that there was an inflated fund of 5 trillion in accounts receivable, inventories, and fixed assets of PT. Tiga Pilar Sejahtera Food in the 2017 financial year and there was a flow of funds with an unclear scheme from the company to the affiliated parties of the old management. Then an EGMS was held which was held by the commissioners in October 2018. The shareholders who attended agreed and decided to form a new management. Meanwhile, there is a flow of funds with an unclear scheme from the company to the affiliated parties of the old management. Then an EGMS was held which was held by the commissioners in October 2018. The shareholders who attended agreed and decided to form a new management.

The existence of fraud can occur because of the ineffectiveness of monitoring carried out by the audit committee and internal audit or the existence of limits on authority due to the status of the internal audit organization in the company's organizational structure. The higher the status of the internal audit organization, the greater the authority it has and the wider monitoring can be carried out by internal audit.

Using the fraud pentagon theory, fraud prevention with analytical hierarchy process method, and when viewed from the perspective of a strategy to minimize pressure, so the most important aspect is the change in external auditors, from a strategy perspective of narrowing opportunities. The most important aspect is to streamline monitoring, then from the perspective of negative rationalization strategies and positive competency strategies, the most important aspects include ethics education moral and management change, and the last aspect of the closeness of the ruler is the most important aspect in the strategy perspective to reduce arrogance (Taqi et al., 2021).

The research results of Nugroho (2015) and Ozcelik (2016) show that the number of audit committee members does not have a significant effect on fraudulent financial reporting. In contrast to research conducted by Setiany, et al. (2017) stated that the size of the audit committee has a significant effect on voluntary financial disclosure in Indonesia.

Vousina (2019) developed a new fraud detection model called the fraud hexagon theory. This study uses six variables to describe each component of the cheat hexagon based on the fraud hexagon theory. The latest fraud models are SCCORE Stimulus, Capability, Collusion, Opportunity, Rationalization, and Ego. Collusion is a secret agreement between two or more people to deceive someone or deceive a third party (Vousina 2019). Collusion refers to an agreement that deceives a party in which two or more people are deceived, for one party to take another action for some unfavorable purpose, such as defrauding a third party of their rights.

According to SAS No. 99, financial statement fraud can be carried out by: (1) Manipulating, falsifying, or changing accounting records, supporting documents from the prepared financial statements. (2) Intentional omission or omission in information that is significant to the financial statements. (3) intentionally misuse the principles related to the amount, classification, presentation method, or disclosure.

The topic of this research is interesting because it is different from previous research, this study uses independent variables, namely the status of the internal audit organization and political connections which have not been studied much. The status of the internal audit organization is very important in research related to fraud prevention. The status of the internal audit organization is related to the authority possessed by internal audit in conducting its examination. Previous studies have shown different measurement differences with this study. Study Kabuye et al. (2017) measuring the status of the internal audit organization using a questionnaire, while measuring the characteristics of the audit committee in the study (Ozcelik, 2020) and (Setiany, 2017) using the total number of existing audit committee members. The existence of these differences shows the topic of this research is interesting and good to be researched again. Therefore, this research aims to examine the influence of internal audit organizational structure and audit committee characteristics on fraud prevention with political connections as a moderating variable.

2. Hypothesis Development

The Effect of Internal Audit Organization Status on Fraud Prevention

Internal auditors must be independent and separate from the various activities being audited. Internal auditors are considered independent if they can carry out their work freely and objectively. The independence of internal auditors is very important, especially in providing an impartial (neutral) assessment. This can only be obtained through the organizational status and objective attitude of the internal auditors. The organizational status of the internal audit unit must be able to provide flexibility for internal auditors in completing audit responsibilities to the fullest (Nelaz et al, 2018). Factors that may affect the external auditor's determination of whether or not the internal auditor's work is sufficient for the purpose of the audit include objectivity.

The status of the internal audit function within the entity and the effect of that status on the internal auditor's ability to act objectively (IAPI, SA 610.6). When internal audit has appropriate status within the organization, and with appropriate competence, internal auditors are likely to perform adequate activities to manage fraud. It is important for regulators such as the Institute of Internal auditors and governments (through their central banks) to require the status of internal audit in financial services to be appointed. This means that the first important thing is the status and competence of (or) internal audit and not their proper activity as this is most likely derived from the competence and status of their organization.

H₁: The status of the internal audit organization has a positive effect on fraud prevention

The Effect of Characteristics of the Audit Committee on Fraud Prevention

Eksandy (2017) states that the audit committee is an additional committee under the board of commissioners with the main task of assisting the commissioners in improving the quality of financial reports and controlling whether the company is running in accordance with applicable regulations, so as to avoid fraud by management. The task of the audit committee is closely related to reviewing the risks faced by the company, as well as compliance with regulations (IKAI, 2018). For this reason, in carrying out its duties and functions as above, the audit committee has characteristics

that will indicate that the audit committee's duties have been effective or not. In the study conducted, the number of audit committee members improves the quality of financial reporting by providing accurate and timely presentation of financial statement information (Cengiz, 2017). Research results that are different from research Ozcelik (2020) that there is no significant relationship between fraudulent financial reporting with the number of audit committee members and fraudulent financial reporting. Also in the research of Nurliasari and Tirmizi (2020) said that the number of independent audit committee committees did not effectively contribute to reducing fraudulent financial reporting.

H₂: The number of independent audit committees has a negative effect on fraud prevention

The Role of Political Connections in Moderating The Effect of Internal Audit Organizations Status on Fraud Prevention

Based on Dicko (2017) the basic assumption of agency theory is the separation of management and ownership. In the classical economic model, a capitalist company is supposed to be owned by several shareholders spread across the market, each of whom holds a small share. Shareholders then hire a professional manager, in return for a substantial payout, supposed to ensure that shareholders get a return on their investment.

The position of the internal audit department in the company will determine its level of freedom in carrying out its duties as an auditor. The position or status of the internal audit department in a company has an influence on the breadth of activities and the level of independence in carrying out their duties as examiners.

Firms with political ties may have strong incentives to reduce opposition to representations of political ties. Therefore, it is possible that these companies will pay more attention to the selection of auditors who are more certified and increase accounting transparency compared to non-political companies.

H₃: Political connection is able to moderate the influence of the status of the internal audit organization on fraud prevention

The Role of Political Connections in Moderating The Effect of The Audit Committee Characteristics on Fraud Prevention

In general, the audit committee has responsibilities in three areas, namely financial reporting, corporate governance, and corporate control (FCGI,

2002). Meanwhile, according to the Decree of the Service Authority Number 55/POJK.04/2015, one of the duties and responsibilities of the audit committee is to review the financial information to be issued by the company such as financial statements and other financial information, review of compliance with laws and regulations, review on the implementation of inspections by internal auditors, and maintaining the confidentiality of company documents, data and information.

The benefits of companies that have political connections include it is easier to get projects from the government, pay less tax burden, and the government is easier to bailout when the company is experiencing financial difficulties. Therefore, inherent risk will be seen as higher for companies that have political connections, so that monitoring costs will be higher (Anggriani et al., 2020).

Piotroski et al. (2007) report that politically connected firms have less informative financial reports because they employ low-quality auditors to hide corporate political cronyism and corruption, as well as how insiders take personal gain at the expense of outside investors. Several studies have suggested that politically connected firms that refrain from dealing themselves or exploit their connections to divert corporate resources will prefer high-quality financial reporting to ensure that outside investors value this aspect. In the research of Nugroho (2015) and Ozcelik (2020) the number of audit committee members has no significant effect on fraudulent financial reporting. In contrast to research conducted by Setiany (2017) stated that the size of the audit committee has a significant effect on voluntary financial disclosure in Indonesia. H₄: Political connection is able to moderate the effect of the characteristics of the audit committee on fraud prevention.

3. Data and Methods

Approaches to Research and Population

This study uses a quantitative approach in testing the independent variable and the dependent variable which have factors that strengthen or weaken the relationship between the two. The influencing factor is the political connection that strengthens or weakens the influence between the status of the internal audit organization on fraud prevention and the influence of the characteristics of the audit committee on fraud prevention. The population in this study are manufacturing

companies in the consumer goods industry sector listed on the Indonesia Stock Exchange for the 2017-2020 period. There are 34 consumer goods industry companies listed on the IDX, with details of 13 food and beverage companies, 4 cigarette companies, 8 pharmaceutical companies, 6 cosmetic and household goods companies, and 3 household appliances companies. sample selection by purposive sampling, then the sample of this study amounted to 136 companies.

Variable Measurement

Fraudulent financial reporting variable is measured using the fraud score model as determined by Dechow et al. (2012). The F-Score model is the sum of two variables, namely accrual quality and financial performance.

$$F\text{-Score} = \text{Accrual Quality} + \text{Financial Performance}$$

Determining the status of an internal audit organization is done by looking at the company's organizational structure, knowing where internal audit is located in the company structure. This variable is measured based on concept according to Agoes (2017) and the variable measurement design is presented in table 1.

Table 1. Design Measured Variable

Description	Scale
Internal Audit is the President Director's staff	1
Internal Audit is under the Director of Finance	2
Internal Audit is under The President Director & Staff of the Board of Commissioners	3

Audit committee characteristic variables are measured based on OJK regulation: 55/POJK.4/2015. The Independent Audit Committee is measured:

$$\text{Audit Committee} = \frac{\sum \text{Independent Audit Committee Member}}{\sum \text{Audit Committee}} \times 100\%$$

The criteria used to determine having political ties refer to research used by Ding et al. (2014) as follows: 1) President commissioner and/or independent commissioner hold concurrent positions as politicians affiliated with political parties. 2) President commissioner and/or independent commissioner hold concurrent positions as government officials. 3) President commissioner and/or independent commissioner hold concurrent positions as military officials. 4) The president commissioner and/or independent commissioner is a former government official or former military official. The value is 1 if the company

with independent commissioners has political connections, the value is 0 if it does not have political connections. Based on the criteria from Ding, et al (2014) (Matangkin, Leonardus, et al. 2018).

The analysis technique uses Moderated Regression Analysis (MRA). The regression model used in this study is as follows:

Multiple Linear Regression Analysis

$$Y = a + 1 \text{ SOAIit} + 2 \text{ KKAit} + e$$

Moderated Regression Analysis (Moderated Regression Analysis)

$$Y = a + 1 \text{ SOAIit} + 2 \text{ KKAit} + 3 \text{ IPCit} + \beta_4 (\text{SOAIit} * \text{PCit}) + 5 (\text{KKAit} * \text{PCit}) + e$$

Description: Y: Fraudulent Financial Reporting; a: Constant; 1-5: Coefficient of independent variable; SOAIit: Internal Audit Organization Status; KKAit: Characteristics of the Audit Committee; Ipcit: Political Connections; e: Error.

4. Result

Based on the descriptive test results, the internal audit organization status variable (SOAI) has an average value (mean) of 2.8235. The minimum value is 1.00 and the maximum value is 3.00. The SOAI standard deviation is 0.51471. This indicates that the quality of the research data is quite good, because the mean value is greater than the standard deviation value, which means that the standard error of each variable is small.

The audit committee characteristic variable (KKA) has an average value (mean) of 0.4062. The minimum value is 0.25 and the maximum value is 1.00. The standard deviation value is 0.15431. This indicates that the quality of the research data is quite good, because the mean value is greater than the standard deviation value, which means that the standard error of each variable is small.

The political connection variable (KP) has an average value of 0.5147. The minimum value is 0.00 and the maximum value is 1.00. The standard deviation value is 0.50163. This indicates that the quality of the research data is quite good, because the mean value is greater than the standard deviation value, which means that the standard error of each variable is small.

Prevention *Fraud* (FFR) has an average value of 0.0262. The minimum value is -0.76 and the maximum value is 0.98. The standard deviation value is 0.27751. This shows that the data changes or fluctuations in the fraud prevention variable are too high.

Based on the Individual Parameter Test Results, the internal audit organization status variable (SOAI) has $t_{count} > t_{table}$ (-3.588 > 1.65648) with $Sig < 0.05$ of 0.000. This shows that H_a is accepted and H_0 is rejected. Thus, the internal audit organization status variable (SOAI) individually has a significant negative effect on fraud prevention (Table 2).

The audit committee characteristic variable (KKA) has $t_{count} > t_{table}$ (21.629 > 1.65648) with $Sig < 0.05$ of 0.000. This shows that the characteristics of the audit committee (KKA) individually have a significant positive effect on fraud prevention.

The interaction variable of internal audit organization status with political connections (SOAIxKP) has $t_{count} > t_{table}$ (2.253 > 1.65648) and $Sig < 0.05$ of 0.026. This shows that the political connection variable (KP) has a significant positive effect in strengthening the influence of the internal audit organization status (SOAI) on fraud prevention.

The interaction variable between audit committee characteristics and political connections (KKAxKP) has $t_{count} > t_{table}$ (-8.071 > 1.65648) and $Sig < 0.05$ of 0.000. This shows that the political connection variable (KP) has a significant negative effect in strengthening the effect of the characteristics of the audit committee (KKA) on fraud prevention.

Table 2 Hypothesis Testing

	β	SE	t	Sig.
(Constant)	0,534	0,079	6,734	0,000
SOAI	-0,075	0,021	-3,588	0,000
KKA	0,921	0,043	21,629	0,000
KP	-0,124	0,049	-2,529	0,013
SOAIxKP	0,034	0,015	2,253	0,026
KKAxKP	-0,584	0,072	-8,071	0,000

5. Discussion

The Effect of Internal Audit Organization Status on Fraud Prevention

The results showed that internal audit organization status affects fraud prevention. *Fraudulent financial reporting* influenced by the status of the internal audit organization in a company with its position in the company's organizational structure. Internal auditors should be placed in such a way as to enable them to carry out their authorities and responsibilities properly and ensure their patience. With the agency theory approach. Ineffective management supervision or ineffective monitoring is one of the biggest causes of fraud in

financial statements. Ineffective monitoring is a condition where there is no effective internal control system owned by the company. This can occur because of the dominance of management by one person or small group, without compensation control.

Fraudulent financial reporting is caused by a weak corporate structure, strong internal and external pressures, and a weak internal control structure (Kucuk & Uzay, 2009). Also one of the causes of fraudulent financial reporting is the opportunity factor. According to Gagola (2011), opportunities will arise because of the weakness of the internal control system. Companies with weak internal controls will have many loopholes that make it an opportunity for management to manipulate financial transactions. So the higher the internal audit organizational structure in the company, the less fraudulent financial reporting that occurs in the company. Therefore, it can be concluded that the status of the internal audit organization has a significant negative effect on fraud prevention.

The results of this study support the findings of Dimitrijevic et al. (2015); Kabuye et al. (2017); and Fernandhytia & Muslichah (2020). The results showed that Internal Audit Organization Status affects Fraud Prevention.

The Effect of The Audit Committee Characteristics on Fraud Prevention

The results showed that the audit committee characteristic affects fraud prevention. The existence of an audit committee consisting of at least 3 members, one of which is an independent commissioner of a listed company as a committee leader (chairman), while the other party is an independent external and at least one of them has expertise in finance and accounting, in regulations OJK Number 55/POJK.4/2015. This shows that in this study, on average, the sample companies only have one independent commissioner who serves as chairman of the audit committee as a requirement to comply with OJK regulations. Based on the results of descriptive statistics in this study, the average independent audit committee was 0.406 or 40.6%. This shows that the number of independent commissioners in this sample company is still relatively low or both have one independent commissioner. In addition, the existence of an audit committee is not voluntarily formed by the company, but because of regulations that require an independent audit committee in every company. This regulation

refers to the regulations issued by the OJK, namely the Financial Services Authority Regulation Number 55/POJK.04/2015.

Abdullah (2004) states that if an audit committee is formed for compliance purposes, its effectiveness can be questioned. If a company establishes an audit committee with the primary objective of meeting the requirements, it can indicate that they were not formed for the purpose of improving the financial reporting process. (Owens-Jackson. et al., 2009) also found that even when the audit committee is fully independent, the likelihood of fraudulent financial reporting does not decrease below 28%, suggesting that although the audit committee can help reduce fraud, there is a limit to its effect and that liability ultimately falls on management rather than committee. Therefore, independence has an association effect rather than causation.

The results of this study support the findings of Huang & Thiruvadi (2010); Mohammadi et al. (2021); and Al-Taee (2022). The results showed that the audit committee characteristics affects Fraud Prevention.

The Rule of Political Connections in Moderating The Effect of Internal Audit Organizations Status on Fraud Prevention

The results showed that political connections were able to moderate the effect of internal audit organization status on fraud prevention. Political connection is the level of closeness of the company's relationship with the government according to (Primasari and Sudarno, 2013). The benefits of companies that have political connections include being easier to get projects from the government, paying less tax burden, and making it easier for the government to bail out when companies experience financial difficulties. In his research, Wang et al., (2017); Chaney & Parsley, (2010); Chaney et al. (2007) companies with political connections tend to have lower financial reporting quality than companies without political connections.

The position of the internal audit department in the company will determine its level of freedom in carrying out its duties as an auditor. The position or status of the internal audit department in a company has an influence on the breadth of activities and the level of independence in carrying out their duties as examiners. Kamarudin dkk. (2012) stated that the independence of the audit committee is one of the attributes of an effective corporate governance system. The greater the in-

dependence of the audit committee, the greater its ability to provide greater objectivity in monitoring the company. This is because independent directors have no personal or economic interest in the company that could impair their ability to question management (Abbott et al., 2004).

The Rule of Political Connections in Moderating The Effect of the Audit Committee Characteristics on Fraud Prevention

Based on result statistical test results showed that the political connection variable has a negative effect. The audit committee has responsibilities in three areas, namely financial reporting, corporate governance, and corporate control (FCGI, 2002). Meanwhile, according to the Decree of the Service Authority Number 55/POJK.04/2015, one of the duties and responsibilities of the audit committee is to review the financial information to be issued by the company such as financial statements and other financial information, review of compliance with laws and regulations, review on the implementation of inspections by internal auditors, and maintaining the confidentiality of company documents, data and information. Firms with political relations have strong incentives to reduce opposition to representations of political relations.

The most important characteristics of the audit committee that have a positive relationship with the effectiveness of the audit committee are independence and competence (Bedard and Gendron, 2010; Al-Hadrami, et al., 2020). Rahman and Ali (2006) stated that an independent and competent audit committee will play a more active, effective and efficient monitoring role. The independence of audit committees is arguably a key factor in enhancing their role in preventing misstatements in financial statements. Therefore, it can be concluded that political connections can weaken the effect of audit committee characteristics on fraudulent financial reporting.

6. Conclusion and Suggestion

Concluison

This study examines the effect of internal audit organization status and audit committee characteristics on fraud prevention with political connections as a moderating variable. Based on the discussion of the research results, the following conclusions are obtained: The internal audit organization status variable has a significant negative effect on fraud prevention. This shows that the higher the position of internal audit in a company,

it can reduce fraudulent financial reporting in the company. The variable characteristics of the audit committee have a significant positive effect on fraud prevention. This shows that independent members of the audit committee are significantly associated with an increase in fraudulent financial reporting in a company. The political connection variable is able to moderate the effect of internal audit organization status on fraud prevention. Having a good internal audit organization status and political connections can increase fraudulent financial reporting. The political connection variable is able to moderate the effect of the characteristics of the audit committee on fraud prevention. Having an independent commissioner on the audit committee who has political connections can weaken the influence of the status of the internal audit organization on fraudulent financial reporting.

Suggestion

This research is limited to companies engaged in the consumer goods industry companies. For further research, it can be carried out in industries that have a greater tendency for the role of political connections. The mining industry is an industry that has a large political connection

References

- Abbott, LJ, Parker, S. dan Peters, GF (2004), Karakteristik dan pernyataan kembali komite audit. *Auditing: Jurnal Praktek & Teori*, Vol. 23 No. 1, pp. 69-87.
- Abdullah, S. N. (2004). Accrual management and the independence of the boards of directors and audit committees. *IIUM Journal of Economics and Management*, 12(1), 1-31.
- ACFE. (2020). Survei Fraud Indonesia. Association of Certified Fraud Examiners, 53(9), 1689-1699.
- Agoes, S. (2017). *Auditing: Petunjuk Praktis Pemeriksaan Akuntan oleh Akuntan Publik Buku 2*. Edisi lima. Jakarta: Salemba Empat.
- Al-Hadrami, A. H., Rafiki, A., Sarea, A., & Nasution, M. D. T. P. (2020). Is the Investment Decision Affected by the Independence and Competence of the Audit Committee? A Comparative Study between Bahrain and Indonesia. *Journal of Investment Compliance*, vol. 21, no. 1, 18 Sept. 2020, pp. 29-48, 10.1108/joic-05-2020-0005. Accessed 24 Mar. 2021.

- Al-Taee, S. H. H. (2022). The Impact Of The Audit Committee And Audit Team Characteristics On The Audit Quality: Mediating Impact Of Effective Audit Process. *International Journal of Economics and Finance Studies*, 14, 249–263. <https://doi.org/10.34109/ijefs>.
- Anggriani, Y., Yazid, H. & Taqi, M. (2020). Fair Value Non-Current Asset, Koneksi Politik dan Fee Audit. *AFRE Accounting and Financial Review*, 3(2): 158-163.
- Bedard, J. dan Gendron, Y. (2010). Strengthening the financial reporting system: can the audit committee provide?. *International Audit Journal*. Vol. 14 No.2, page. 174-210.
- Cengiz, S. (2017). Investigation of the effectiveness of audit committee activities in the publication period of audit reports: An evidence on the Istanbul Stock Exchange. *Istanbul Public Accountant Chamber Financial Solutions Journal*, (Mei-Juni), 31–60.
- Chaney, P. K., Faccio, M., & Parsley, D. (2011). The quality of accounting information in politically connected firms. *Journal of Accounting and Economics*, 51(1–2), 58–76. <https://doi.org/10.1016/j.jacceco.2010.07.003>
- Dechow, P. M., Hutton, A. P., Kim, J. H., & Sloan, R. G. (2012). Detecting Earnings Management: A New Approach. *Journal of Accounting Research*, 50(2), 275-334.
- Dicko, S. (2017). Political connections, ownership structure and quality of governance. *International Journal of Managerial Finance*, 13(4), pp.358-377. <https://doi.org/10.1108/IJMF-01-2017-0010>
- Dimitrijevic, D., Milovanovic, V., & Stancic, V. (2015). The Role of A Company's Internal Control System in Fraud Prevention. *E-Finance*, 11(3), 34–44. <https://doi.org/10.1515/fiqf-2016-0117>
- Eksandy, Arry. (2017). Pengaruh Komisaris Independen, Komite Audit, Dan Kualitas Audit Terhadap Penghindaran Pajak (Tax Avoidance) (Studi Empiris Pada Sektor Industri Barang Konsumsi Yang Terdaftar Di Bursa Efek Indonesia Periode 2010-2014). *Competitive Jurnal Akuntansi Dan Keuangan*, vol. 1, no. 1, 29 Mar. 2017, p. 1, [10.31000/competitive.v1i1.96](https://doi.org/10.31000/competitive.v1i1.96). Accessed 11 Mar. 2021.
- Fernandhytia, F., & Muslichah, M. (2020). The Effect of Internal Control, Individual Morality and Ethical Value on Accounting Fraud Tendency. *Media Ekonomi Dan Manajemen*, 35(1), 112. <https://doi.org/10.24856/mem.v35i1.1343>
- Forum Corporate Governance in Indonesia. (2002). "Peranan Dewan Komisaris dan Komite Audit dalam Pelaksanaan Corporate Governance (Tata Kelola Perusahaan)". Jilid 2. Jakarta: FCGI.
- Gagola, A. S. C. (2011). Analisis Faktor Risiko Yang Mempengaruhi Kecenderungan Kecurangan Pelaporan Keuangan Perusahaan Publik Di Indonesia. *Tesis*. Semarang: Universitas Diponegoro.
- Huang, H.-W., & Thiruvadi, S. (2010). Audit Committee Characteristics And Corporate Fraud. *International Journal of Public Information Systems*, 71–82.
- Kabuye, F., Nkundabanyanga, S. K., Opiso, J., & Nakabuye, Z. (2017). Internal audit organisational status, competencies, activities and fraud management in the financial services sector. *Managerial Auditing Journal*, 32(9), 924–944. <https://doi.org/10.1108/MAJ-09-2016-1452>
- Kamarudin, KA, Ismail, WAW and Samsuddin, ME (2012). Pengaruh dualitas CEO pada hubungan antara independensi komite audit dan kualitas laba. *Procedia - Ilmu Sosial dan Perilaku*, Jil. 65, hlm. 919-924.
- Kucuk, E., & Uzay, S. (2009). The formation of fraudulent financial reporting and its problems. *Erciyes University Journal of Economics and Administrative Sciences*, (32), 239–258.
- Mohammadi, S., Saeidi, H., & Naghshbandi, N. (2021). The impact of board and audit committee characteristics on corporate social responsibility: evidence from the Iranian stock exchange. *International Journal of Productivity and Performance Management*, 70(8), 2207–2236. <https://doi.org/10.1108/IJPPM-10-2019-0506>
- Nasir, N. A. B. M., Ali, M. J., & Ahmed, K. (2019). Corporate governance, board ethnicity and financial statement fraud: evidence from Malaysia. *Accounting Research Journal*, 32(3), 514-531.

- Nelaz, Yolanda Safitri, et al. (2019). Pengaruh Faktor – Faktor Audit Internal, Pengendalian Internal, Dan Budaya Organisasi Terhadap Pelaksanaan Good Corporate Governance (Studi Empiris Perusahaan Bumn Pekanbaru). *Jurnal Ekonomi*, vol. 26, no. 3, 28 Nov. 2019, pp. 84–97.
- Nugroho, M. A. (2015). Analisis Faktor-Faktor yang Mempengaruhi Kecurangan Pelaporan Keuangan pada Perusahaan Publik di Bursa Efek Indonesia. *Thesis*. UPN "Veteran" Yogyakarta.
- Otoritas Jasa Keuangan (2015). Peraturan Otoritas Jasa Keuangan Nomor 55/POJK.04/2015 Tahun 2015 Tentang Pembentukan dan Pedoman Pelaksanaan Kerja Komite Audit.
- Owens-Jackson, L. A. et al. (2009). The Association Between Audit Committee Characteristics, the Contracting Process and Fraudulent Financial Reporting. *American Journal of Business*, 24(1), 57–66. 91 <https://doi.org/10.1108/19355181200900005>
- Ozcelik, Hakan. (2020). An Analysis of Fraudulent Financial Reporting Using the Fraud Diamond Theory Perspective: An Empirical Study on the Manufacturing Sector Companies Listed on the Borsa Istanbul. *Contemporary Studies in Economic and Financial Analysis*, vol. 102, 131-153, 10 Feb. 2020, pp. 131–153, 10.1108/s1569-375920200000102012.
- Piotroski, Joseph D., et al. (2007). Political Incentives to Suppress Negative Financial Information: Evidence from State-Controlled Chinese Firms. *SSRN Electronic Journal*, Vol. 53 No.2, Pp. 405-459. Accessed 8 May 2019.
- Primasari, Rahmaddian, and Sudarno Sudarno. (2013). Pengaruh Koneksi Politik Dan Corporate Governance Terhadap Audit Fee. *Diponegoro Journal of Accounting*, vol. 0, no. 0, pp. 344–359, ejournal3.undip.ac.id/index.php/accounting/article/view/3284/3218. Accessed 16 Oct. 2022.
- Rahman, RA dan Ali, FHM. (2006). Dewan, komite audit, budaya dan manajemen laba: bukti Malaysia", *Jurnal Audit Manajerial*, Jil. 21 No.7, hal.783-804.
- SAS No. 99. Corporate Governance and Firm Performance Advances in Financial Economis. Vol.13. Hal. 53-81.
- Setiany, Erna. (2017). Audit Committee Characteristics and Voluntary Financial Disclosure. *Review of Integrative Business and Economics Research*, vol. 6, no. 2304-1013, 2017, p. 239, repository.feb.uns.ac.id/dok/publikasi/1015.pdf.
- Taqi, M., Ismail, T., Meutia, M., Sabaruddinsah, S., & Arifin, B. (2021). Village Fund Financial Fraud Prevention Model Using Analytical Hierarchy Process Method. *Jurnal Organisasi Dan Manajemen*, 17(2), 203–216. <https://doi.org/10.33830/jom.v17i2.1366.2021>
- Vousinas, G. L. (2019). Advancing theory of fraud: the S.C.O.R.E. model. *Journal of Financial Crime*, 26(1), 372–381. <https://doi.org/10.1108/JFC-12-2017-0128>.
- Wang, Zhi, et al. (2017). Managerial Ability, Political Connections, and Fraudulent Financial Reporting in China. *Journal of Accounting and Public Polic.* Vol. 36, no. 2, Mar. 2017, pp.141–162,10.1016/j.jaccpubpol.2017.02.004. Accessed 8 Feb. 2021.
- Zager, L., Malis, S. S., & Novak, A. (2016). The Role and Responsibility of Auditors in Prevention and Detection of Fraudulent Financial Reporting. *Procedia Economics and Finance*, 39(11), 693–700.