
THE EFFECT OF AUDIT QUALITY, FINANCIAL STABILITY, AND AUDIT COMMITTEE ON FINANCIAL STATEMENT FRAUD (CASE STUDY OF BANKING COMPANIES LISTED ON THE IDX IN 2021-2023)

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Abstract

This study aims to analyze the influence of Audit Quality, Financial Stability, and Audit Committee on Financial Statement Fraud in banking sector companies listed on the Indonesia Stock Exchange (IDX). Financial statement fraud was measured using the Beneish M-Score method, categorized as a dummy variable. This study employed a quantitative approach and secondary data obtained from the companies' financial statements. The sampling technique used was purposive sampling, with a sample size of 31 companies meeting the criteria for the 2021-2023 period. Data analysis was performed using logistic regression using SPSS 23. The results of this study indicate that financial stability has a significant effect, while audit quality and the audit committee have no significant effect on financial statement fraud.

Keywords: Financial Statement Fraud, Audit Quality, Financial Stability, Audit Committee

INTRODUCTION

Financial reports are generally used as the initial basis for evaluating a company's financial condition and are obtained from the Indonesia Stock Exchange (IDX). This data serves as the basis for decision-making for various parties, such as investors, creditors, regulators, and the public. These financial reports play a crucial role in providing an overview of the company's condition, financial, performance results, and cash flow of the company and also shows management accountability (Riskiani & Yanto, 2020).

If the financial report does not contain any misrepresentations that could cause losses to stakeholders, such as creditors, investors, regulators and the general public, and the information presented is clear, relevant and in accordance with applicable standards, then the audit quality of the financial report is considered reasonable. (Jao et al., 2020). In this regard, publishing financial reports must be carried out openly and transparently by companies that have gone public to ensure accountability for management performance. (Suripto & Jayadih, 2022). Therefore, it does not result in losses for parties who rely on the company's financial information. (Indarti et al., 2022).

One form of fraud that commonly occurs is financial statement fraud, which is a deliberate deviation from financial reporting and deviates from standard accounting rules. (Hardika et al., 2024) However, in reality, financial reporting often does not reflect the actual financial condition, either due to fraud or errors. (Dewi & Yudiantara, 2024). Fraudulent actions are generally triggered by management to maintain the company's image. (Safitri & Hariyanto, 2020).

According to the 2019 Indonesian Fraud Survey published by the Association of Certified Fraud Examiners (ACFE) Indonesia, the banking and financial sector has the highest fraud rate. The survey results showed that 894 respondents reported losses totaling more than IDR 10 billion. These results indicate that the banking sector is one of the industries most vulnerable to fraud. (ACFE Indonesia Chapter, 2019) The impact of financial reporting fraud is significant, given that the banking sector plays a key role in driving the financial sector and is largely responsible for managing public funds, as explained by the Financial Services Authority (OJK). This indicates that internal monitoring and control systems are ineffective in preventing fraud.

This condition can be seen from the existence of fraudulent practices in the preparation of financial reports in Indonesia carried out by PT Bank Mandiri (Persero) Tbk in 2021, as reported by www.mapikornews.com which has become a public spotlight. The findings of the Audit Result Report (LHP) conducted by EY (Purwanto, Sungkoro & Surya) indicate indications of financial statement irregularities by PT Bank Mandiri and its subsidiaries in 2018-2019 amounting to Rp39.767 trillion. The Financial Report Monitoring Team from the Corruption Investigation NGO reported these allegations to the bank's directors and regulators such as the Financial Services Authority (OJK) and the Ministry of State-Owned Enterprises, as a form of invitation to make further investments. Although several confirmation letters have been sent to the directors, PT Bank Mandiri has not provided an official response. This indicates a potential violation of the Corruption Crime Law (No. 31/1999) and Public Information Disclosure (No. 14/2008), and raises serious issues regarding compliance with POJK No. 75/2017, which regulates the Responsibility of Directors for the Preparation of Financial Statements. This case illustrates the potential

weakness in audit quality and the effectiveness of internal oversight such as the audit committee, which should be able to prevent significant deviations in financial statements.

The prevalence of fraud in Indonesia is driven by various factors. One of the main factors that creates opportunities for fraudulent practices is audit quality. Competent auditors have the ability to identify discrepancies in financial reporting presentation, provide assurance of compliance with Financial Accounting Standards (FAS), and minimize the potential for financial statement fraud.(Luthfiyyah & Dongoran, 2024)This makes the auditor's role very important in creating transparency and accountability in a company's financial reports.

Besides audit quality, financial stability is also a factor that can create opportunities for fraud in financial reporting. Financial stability is a condition that reflects the company's overall financial position.(Hardika et al., 2024)If a company's financial condition shows stability, the company is considered capable of managing assets, liabilities, and cash flow well, thereby increasing the company's value from the perspective of investors, creditors, and the public.(Jao et al., 2020)However, when a company experiences financial pressure, such as declining revenue, management will commit financial statement fraud to appear stable. In such situations, management will attempt to maintain investor confidence, leading to increased fraud.

The audit committee is a crucial factor influencing the potential for fraudulent practices in financial reporting. Financial Services Authority Regulation No. 55/POJK.04/2015 concerning Guidelines for the Establishment and Implementation of Audit Committees regulates the number of audit committee members. By carrying out oversight duties to ensure transparent financial reporting, an independent audit committee is tasked with preventing fraud, as stipulated in this regulation. According to Abbott et al.(2004), the level of fraud decreases as the effectiveness of the audit committee increases.

Due to the existence of financial reporting fraud, which has been the subject of several academic studies, this study was conducted due to a research gap, namely inconsistency with previous research findings. Regarding audit quality variables, according to Indarti et al.(2022)and Widowati & Oktoriza(2021)shows that audit quality has no effect on financial reporting fraud, whereas Glenardy(2022)found conflicting results. In addition, research conducted by Fernanda & Susilo(2025)and Riskiani & Yanto(2020)stated that financial stability does not affect financial reporting fraud, but this is different from the findings of Nurhafifa et al.(2023)and Indarti et al.(2022)which shows that financial stability has a positive effect. Similarly, research by Astrawan & Achmad(2023)concluded that the audit committee has an influence on financial reporting fraud, while Waruwu & Sugeng(2023)as well as Kusumaningsih & Wirajaya(2017)stated that the audit committee did not have a significant influence.

This study replicates the variables used by Suripto and Jayadih(2022)entitled "The Effect of Audit Quality, Financial Stability, and Audit Committee Characteristics on Financial Statement Fraud in Companies Listed on the LQ 45 Index." Compared to previous studies, this research shows several significant differences. First, this research covers banking companies listed on the IDX between 2021 and 2023. Second, financial statement fraud is measured using the Beneish M-Score model. Third, the analytical tool used in this study is a logistic regression model, which functions to test the effect of independent variables on the dependent variable.

The background description above serves as a strong foundation for compiling and formulating this research, entitled "The Effect of Audit Quality, Financial Stability, and Audit Committees on Financial Statement Fraud (Case Study of Banking Companies Listed on the IDX in 2021-2023)." This study aims to re-examine the influence of audit quality, financial stability, and audit committees on financial statement fraud.

REVIEW OF LITERATURE

Fraud Theory

Albrecht et al.,(2006)Fraud is a deliberate act committed by an individual or group within a company or organization, with the goal of gaining personal gain and harming others. This act often results in misleading financial statements, ethical violations, and deviations from company rules and policies.

Fraud Diamond Theory

Wolfe and Hermanson(2004)refined the fraud triangle theory by adding a fourth element, capability, to complement the previous three. This theory later became known as the fraud diamond, used to identify fraud, including financial statement fraud, which is influenced by four elements: pressure, opportunity, rationalization, and capability. The capability element plays a key role in enabling someone to commit fraud effectively.(Zulfa & Tanusdjaja, 2022)This model has been used empirically to explain financial reporting fraud in various industrial sectors in Indonesia.(Patricia Alvionika, 2021). Thus, this theory provides a more comprehensive understanding of the reasons why someone is capable of committing fraud, particularly in the context of financial reporting.

Agency Theory

Agency theory describes the contractual relationship between two parties, the owner (principal) and the manager (agent), which can give rise to the potential for fraud when there are conflicting interests. This theory was put forward by Jensen & Meckling.(2014)When managers are given the authority to manage a company on behalf of the owners, a potential conflict of interest arises, as managers tend to make decisions that benefit themselves rather than prioritizing the interests of the owners. This situation allows managers to commit fraud, such as manipulating financial reports, especially if there are differing goals that give rise to agency conflicts.(Zakiy et al., 2022)This conflict is exacerbated when the oversight function is not functioning optimally, resulting in managers having greater access to information than owners. In line with this situation, the involvement of external parties such as auditors is necessary to minimize the risk of fraud resulting from information imbalances between principals and agents.

This theory is used as a supporting theory to explain the importance of the auditor's role in providing assurance of the reliability of financial information to shareholders.(Waruwu & Sugeng, 2023)This theory is the basis for explaining the relationship between management, owners, and oversight mechanisms such as audit quality and audit committees.

The Influence of Audit Quality on Financial Statement Fraud

Audit quality is a crucial variable in testing this hypothesis, believed to play a significant role in identifying and preventing financial statement fraud. Auditor quality is generally demonstrated by the reputation of the Public Accounting Firm (KAP) used, as these firms are considered to have superior capabilities in identifying indications of fraud.

Research on audit quality was conducted to examine the differences in auditor service selection, particularly between Big 4 and Non-Big 4 accounting firms, in influencing the level of financial statement fraud. Big 4 accounting firms are considered a high-quality category of auditors due to their high reputation and extensive audit experience, resulting in them often receiving a higher level of trust compared to Non-Big 4 accounting firms. (Rini & Achmad, 2012) Companies that use the services of Big 4 KAPs are considered to have greater capabilities in detecting and disclosing financial reporting errors. (Rahman & Nurbaiti, 2019) Therefore, Big 4 accounting firms are seen as having a better reputation. With this reputation, auditors tend to strive to maintain their credibility by presenting reliable audit quality, which can help minimize the possibility of financial statement fraud.

Thus, high audit quality is believed to reduce the likelihood of fraud in corporate financial reporting. This finding is supported by Emalia et al., (2020) and Krisanti & Nazar (2025) which proves that audit quality has a negative effect on financial statement fraud.

H₁ : Audit quality has a negative effect on financial statement fraud

The Influence of Financial Stability on Financial Statement Fraud

Financial stability reflects a company's true financial condition. Management will strive to implement various strategies to maintain the company's financial stability in order to gain a positive public assessment. (Waruwu & Sugeng, 2023) A company with a stable financial position is generally classified as an entity with sound financial condition and a strong reputation, thus enabling it to build trust with investors, creditors, and other stakeholders.

This situation creates a positive perception of the company, resulting in a tendency for external oversight of financial reporting to be more relaxed because the company is perceived as having low risk. However, when a company experiences financial stress, management can exploit this lax oversight to conceal its deteriorating financial condition through manipulation of the financial statements. (Emalia et al., 2020) This practice is carried out to maintain the company's image in the public eye or to avoid negative consequences for stakeholders.

Based on agency theory, management has access to more information than owners, creating the potential for misuse of information through manipulation. In this situation, this information imbalance potentially provides management with the opportunity to engage in opportunistic behavior, such as manipulating financial reports to protect the company's image or concealing its true financial condition. (Hardika et al., 2024). This explanation is supported by Nurhafifa et al., (2023), Indarti et al., (2022), Waruwu & Sugeng (2023) proves that financial stability has a positive effect on financial statement fraud.

H₂: Financial stability has a positive effect on financial statement fraud.

The Influence of the Audit Committee on Financial Statement Fraud

Tiapandewi et al., (2020) suggests that increasing the number of audit committee members in a company is directly proportional to its capacity to suppress the potential for fraud in financial reporting. Therefore, the existence of an audit committee plays a significant role in reducing the risk of fraudulent financial reporting. The audit committee is a crucial element in the corporate governance structure. In carrying out its oversight function, the audit committee is expected to ensure that management's preparation of financial reports complies with applicable accounting standards and plays a role in preventing and reducing the potential for fraud. (Nurliasari & Achmad, 2020).

This variable consists of the number of independent members who are generally individuals with competencies in finance and accounting, as required by POJK No. 55/POJK.04/2015. An audit committee with members who have high capabilities in preventing fraudulent practices, with the supervision of the audit committee, will make the company environment more transparent and accountable.(Maisaroh & Nurhidayati, 2021)This is in line with the findings of Nikmah & Arjoen(2023)which states that the effectiveness of the audit committee in carrying out its supervisory function plays a crucial role in preventing financial statement fraud. This explanation is reinforced by Riduan and Arif(2024)which explains that the existence of an audit committee has a negative impact on financial statement fraud. Therefore, the more effective the audit committee's oversight function, the lower the likelihood of a company committing fraud.

H₃ : The audit committee has a negative influence on financial statement fraud.

Based on the above study, the study framework in this research is structured as follows:

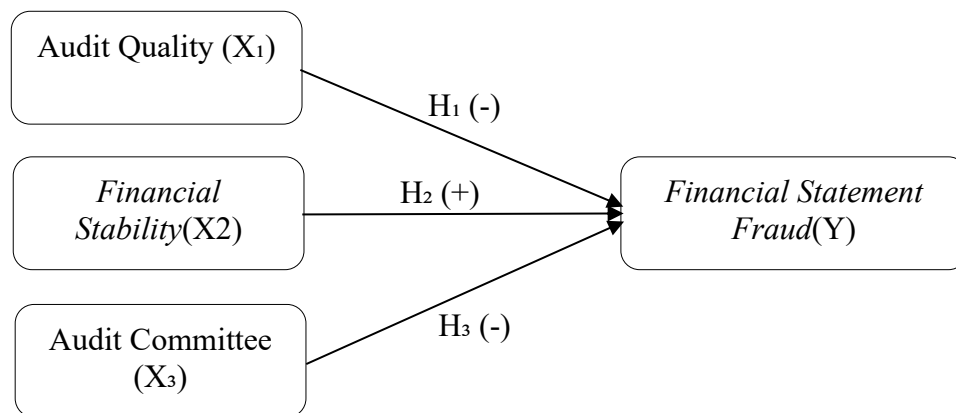


Figure 1: Conceptual Framework

Source: processed data, 2025

RESEARCH METHOD

This type of research uses a quantitative approach, with the aim of testing hypotheses, drawing conclusions, and understanding the relationships between the variables studied through numerical data and analytical procedures.(Susanto et al., 2024)Audit quality, financial stability, and the audit committee are the independent variables analyzed, while financial statement fraud is the dependent variable. The study population includes 47 banking companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2023 period.

The sample in this study was determined using a purposive sampling technique, namely a sample selection method with certain considerations that are adjusted to the research objectives.(Sugiyono, 2020)Based on these criteria, 31 companies met the criteria, resulting in a total of 93 observations over three years. The secondary data source for this study is the financial reports of banking companies, available on the official BEI website (www.idx.co.id). The information obtained was used to calculate the variables of audit quality, financial stability, audit committee, and financial statement fraud. Data collection was conducted through a documentation method, namely by tracing and recording documents relevant to the research object.(Safitri & Hariyanto, 2020)The selection of these variables was based on a review of previous empirical and theoretical literature demonstrating their

relationship to financial statement fraud. The sample was determined based on the following criteria:

Table 1.
Sampling Criteria

Criteria	Amount
1. Banking sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2023 period	47
2. Apart from companies operating in the conventional banking sector	-3
3. Financial reports that do not have complete data in accordance with the research variables for the 2021-2023 period	-13
4. Observation Year	3
Number of companies that meet the criteria	31
Total data (31 x 3 years)	93

Operational Definition of Variables and Measurement of Variables
Financial Statement Fraud

According to Skousen et al. (2009), Financial statement fraud is the intentional or unintentional preparation of financial reports by internal parties, which can be detrimental to users in decision-making. In this study, the Beneish M-Score, composed of eight financial ratios, was used as a variable measurement index to identify indications of financial statement fraud in a company.(Beneish, 1999). The selection of the Beneish M-Score model in the context of the banking sector refers to research by Patmawati & Rahmawati(2023), which is:

The Days Sales in Receivables Index (DSRI) is used to calculate the growth rate of accounts receivable relative to sales. An increasing DSRI value indicates that accounts receivable are increasing disproportionately to sales. The formula used to measure DSRI is:(Beneish, 1999):

$$DSRI = \frac{\left(\frac{\text{Net Receivables}_t}{\text{sales}_t}\right)}{\left(\frac{\text{Net Receivables}_{t-1}}{\text{sales}_{t-1}}\right)}$$

The Margin Index (GMI) is used to evaluate changes in gross profit margin from year to year. This decline in margin is often used as an excuse by management to manipulate earnings to appear positive. The formula used to measure GMI is:(Beneish, 1999):

$$GMI = \frac{\left(\frac{\text{Gross profit}_{t-1}}{\text{sales}_{t-1}}\right)}{\left(\frac{\text{Gross profit}_t}{\text{sales}_t}\right)}$$

The Asset Quality Index (AQI) assesses the change in unproductive assets relative to total assets. An increase in the AQI reflects an increase in intangible assets that are at risk of manipulation to increase total assets. The AQI measurement, namely(Beneish, 1999):

$$AQI = \frac{(1 - \text{Current Assets}_t + \frac{\text{Net Fixed Assets}_t}{\text{Total Asset}_t})}{(1 - \text{Current Assets}_{t-1} + \frac{\text{Net Fixed Assets}_{t-1}}{\text{Total Asset}_{t-1}})}$$

The Sales Growth Index (SGI) shows the annual growth rate of a corporation's revenue. The calculation formula for determining the SGI value is as follows:(Beneish, 1999):

$$SGI = \frac{\text{Sales}_t}{\text{Sales}_{t-1}}$$

The Depreciation Index (DEPI) measures whether a company is reducing the depreciation rate of fixed assets from year to year. A DEPI value exceeding 1 indicates a decrease in depreciation expense, which aims to increase net income. The DEPI measurement is as follows:(Beneish, 1999):

$$DEPI = \frac{\frac{\text{Depreciation}_{t-1}}{\text{Depreciation}_{t-1} + \text{Fixed Asset}_{t-1}}}{\frac{\text{Depreciation}_t}{\text{Depreciation}_t + \text{Fixed Asset}_t}}$$

The Sales, General and Administrative Expenses Index (SGAI) assesses whether there has been an increase in operating expenses relative to sales. An increasing value may indicate a potential concealment of a decline in profits. The calculation formula for determining the SGAI is as follows:(Beneish, 1999):

$$SGAI = \frac{\frac{\text{SGAI}_t}{\text{Sales}_t}}{\frac{\text{SGAI}_{t-1}}{\text{Sales}_{t-1}}}$$

The Leverage Index (LVGI) measures the ratio of total liabilities to assets. Increasing leverage can potentially put pressure on management to manipulate. The formula for determining the LVGI is as follows:(Beneish, 1999):

$$LVGI = \frac{\frac{\text{Total Liabilities}_t}{\text{Total Asset}_t}}{\frac{\text{Total Liabilities}_{t-1}}{\text{Total Asset}_{t-1}}}$$

Total Accruals to Total Assets (TATA) describes the proportion of a company's profit derived from accruals rather than actual cash. A high TATA value could potentially indicate manipulation. The calculation formula for determining the TATA value is as follows:(Beneish, 1999):

$$TATA = \frac{\text{Net Income from Continuing Operating}_t - \text{Cash Flows from Operating}_t}{\text{Total Asset}_t}$$

The main formula that combines all the above indexes, such as (Beneish, 1999):

$$\text{Beneish M-Score} = -4.840 + 0.920 \text{ DSRI} + 0.528 \text{ GMI} + 0.404 \text{ AQI} + 0.892 \text{ SGI} + 0.115 \text{ DEPI} - 0.172 \text{ SGAI} - 0.327 \text{ LVGI} + 4.697 \text{ TATA}$$

If the M-Score value is > -2.22 , then the company is classified as committing fraud and is given code 1. Conversely, if the company does not commit fraud, it is given code 0 with an M-Score value < -2.22 .

Audit Quality

Audit quality describes the extent to which the audit process is carried out in accordance with applicable standards and procedures, to enable the auditor to detect and disclose violations committed by the client. (Khomariah & Khomsiyah, 2023). In this study, Public Accounting Firms are categorized into large KAPs belonging to the Big 4 group, namely Deloitte, Ernst & Young, KPMG, and Price Waterhouse Coopers. Meanwhile, KAPs that are not included in this group are stated as small KAPs or Non-Big 4 KAPs. In this study, the audit quality variable is classified as a dummy variable, with a numeric code of 1 for companies audited by large KAPs, and 0 for companies audited by small KAPs. In this study, audit quality is presented by the magnitude of KAP Size, as follows:

$$\text{Audited by Big 4} = 1, \text{ audited by Non Big 4} = 0$$

Financial Stability

Financial stability reflects a company's actual financial condition and illustrates the extent to which it is able to consistently maintain financial balance over the long term. When a company is financially stable, this can increase positive perceptions from various parties, such as investors, creditors, and the public. (Zulfa & Tanusdjaja, 2022) This variable is measured using the total asset change ratio (ACHANGE), which reflects the company's financial pressure. The ACHANGE calculation is performed using the following measurements:

$$\text{ACHANGE} = \frac{\text{Total Aset}_t - \text{Total Aset}_{t-1}}{\text{Total Aset}_{t-1}}$$

This variable uses ratio data because the measurement results are decimal numbers indicating the percentage change in assets. A large ACHANGE value can indicate growth pressure, which can increase the likelihood of managers committing financial statement fraud to demonstrate good performance.

Audit Committee

The audit committee is part of the corporate governance structure specifically formed to assist the board of commissioners in carrying out its oversight function over the company's operational activities. The audit committee has the following obligations: ensure that the accounting system runs well, evaluate the implementation of policies, and guarantee that the company management process is carried out in a transparent and accountable manner. (Zulfa

& Tanusdjaja, 2022) This study measures audit committee size by the number of members listed in a company's financial statements. This measure is used to assess the effectiveness of oversight of reporting, in accordance with POJK No. 55/POJK.04.2015, which stipulates that an audit committee must have at least three members. The measurement of this variable is as follows:

$$\text{Audit Committee} = \text{Number of Audit Committee Members}$$

RESULTS AND DISCUSSION

Descriptive Statistics

Table 2.
Descriptive Statistics of Non-Dummy Variables

	N	Minimum	Maximum	Mean	Standard Deviation
Financial Stability	93	-0.40	1.38	0.1203	0.24780
Audit Committee	93	0	8	3.99	1,347
Valid N (listwise)	93				

Source: data processed by SPSS 23

Based on the descriptive statistics of non-dummy variables in Table 2, a total of 93 samples were obtained (N). The financial stability variable (ACHANGE) (X2), which is the change in total assets that reflects the company's financial stability from year to year, shows a mean value of 0.1203, which indicates that in general the company experienced an increase in asset value of 12.03%. This value provides an initial indication that the majority of companies in the sample are in a stable financial condition. The audit committee variable (X3) is 3.99, meaning that the company has met or even exceeded the minimum number of audit committee members based on POJK No. 55/POJK.04/2015, which stipulates a minimum of three people. This average value indicates that the majority of companies have complied with good corporate governance rules.

Table 3.
Descriptive Statistics of Dummy Variables

	Dummy Variable	Mark	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Financial Statement Fraud	0 = Non Manipulation	84	90.3	90.3	90.3
		1 = Manipulation	9	9.7	9.7	100.0
	Audit Quality	0 = Non-Big 4 KAP	43	46.2	46.2	46.2
		1 = Big 4 Public Accounting Firm	50	53.8	53.8	100.0

Source: data processed by SPSS 23

Table 3 presents the descriptive statistics of the dummy variables. For the Financial Statement Fraud variable (Y), 84 companies (90.3%) did not manipulate, and 9 other companies (9.7%) were indicated to have manipulated. These results indicate that the level of financial statement manipulation is still relatively low in this study population. The audit quality variable (X1) shows that 43 companies (46.2%) involved independent auditors from KAPs that are not included in the Big 4, and 50 other companies (53.8%) used audit services from KAPs that are classified as Big 4. These results indicate that most companies have appointed KAP Big 4 as their external auditors, and the majority of this group is indicated to have manipulated.

Logistic Regression Analysis

This study classifies companies into two categories, namely companies suspected of manipulating are given code 1, while code 0 if the company does not manipulate.

Table 4.

Logistic Regression Test

		B	SE	Wald	df	Sig.	Exp(B)
Step 1a	Audit Quality	2,280	1,221	3,488	1	0.062	9,775
	Financial Stability	5,724	1,962	8,516	1	0.004	306,228
	Audit Committee	-0.389	0.336	1,335	1	0.248	0.678
	Constant	-3,442	1,813	3,604	1	0.058	0.032

Source: data processed by SPSS 23

Table 4 is produced from the output of SPSS version 23 with a logistic regression equation such as:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3, \text{ or } Y = -3.442 + 2.280X_1 + 5.724X_2 + (-0.389)X_3$$

Based on the equation above regarding the influence of audit quality, financial stability, and audit committee variables on financial statement fraud, the following is an explanation:

The constant value is -3.442, meaning the possibility of financial statement fraud occurring when the audit quality, financial stability, and audit committee variables are all 0 (zero). The audit quality variable has a coefficient value of 2.280, so the higher the audit quality, the chance of financial statement fraud increases by 9.775 times. This means that audit quality does not have a significant effect on financial statement fraud, as indicated by the Sign value, > 0.05. The financial stability variable has a coefficient value of 5.724. Companies with high asset growth have a 306.228 times greater chance of committing financial statement fraud. This is likely due to the pressure to continue to show good performance, which can trigger management to commit financial statement fraud. This means that financial stability has a significant effect on financial statement fraud, as indicated by the Sign value < 0.05. The audit committee variable has a coefficient value of -0.389, meaning the chance of financial statement fraud decreasing by 32.2% (1 - 0.678) as the audit committee improves. This means that the audit committee does not have a significant influence on financial statement fraud, as indicated by the Sign value > 0.05.

Goodness of Fit Test of Regression Model

Testing the suitability of the logistic regression model was carried out using the Hosmer and Lemeshow's of fit Test, which aims to assess the level of suitability of the model with the observational data.

Table 5.
Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	2,139	8	0.976

Source: data processed by SPSS 23

Based on the test results in Table 5, the Chi-Square value was 2.139 with a Sign. of 0.976, meaning the Sign. value is > 0.05. This means that the value in this model is consistent with the data and is considered a good fit. Therefore, this regression model is declared to have met the eligibility criteria and is relevant for further research.

Fit Model

The difference between the initial -2 Log Likelihood values (block number=0) and the final -2 Log Likelihood values (block number=1). The test results are listed in the table below:

Table 6.
Block Number=0

Iteration	-2 Log likelihood	Coefficients	
		Constant	
Step 0	1	62,837	-1,613
	2	59,257	-2,114
	3	59,136	-2,228
	4	59,136	-2,234
	5	59,136	-2,234

Source: data processed by SPSS 23

Table 7.
Block Number=1

Iteration	-2 Log likelihood	Coefficients				
		Constant	Audit Quality	Financial Stability	Audit Committee	
Step 1	1	50.85	-1,593	0.567	2,403	-0.154
	2	41,252	-2,354	1,214	3,972	-0.286
	3	39,332	-2,972	1,852	5,081	-0.37
	4	39,132	-3,356	2,207	5,618	-0.389
	5	39,128	-3,439	2,278	5,721	-0.389
	6	39,128	-3,442	2.28	5,724	-0.389
	7	39,128	-3,442	2.28	5,724	-0.389

Source: data processed by SPSS 23

Table 8.
Overall Model Fit

Overall Model Fit	
Block Number=0	59,136
Block Number=1	39,128

Table 8 shows the Overall Model Fit values. The initial -2 Log Likelihood value (Block Number=0) is 59.136, while the final -2 Likelihood value (Block Number=1) is 39.128. Based on these two values, this study is considered a good model or fit with a decrease in value of 20.008 (59.136 – 39.128).

Classification Table Test

Through the classification table test, the model's accuracy in detecting potential fraud committed by companies can be seen. The following table displays the results:

Table 9.
Classification Table

Observed		Predicted		
		Y (Dummy)		Percentage Correct
Step	Y (Dummy)	Non-Manipulation	Manipulation	
1	Non-Manipulation	83	1	98.8
	Manipulation	7	2	22.2
Overall Percentage				91.4

Source: data processed by SPSS 23

Based on Table 9 in the Beneish M-Score model, the results show that the model successfully predicted 83 of the 84 observations in the non-manipulated category, equivalent to an accuracy rate of 98.8%. Meanwhile, for the manipulated category, the model was only able to correctly classify 2 of the 9 observations, resulting in a classification accuracy rate of only 22.2%. Overall, the classification accuracy rate of the logistic regression model reached 91.4%, indicating that the model has good classification performance, especially in identifying companies that do not commit financial statement fraud.

Partial Significance Test (Wald Test)

The Wald test in logistic regression aims to examine the influence of audit quality, financial stability, and audit committee variables on financial statement fraud. The test is conducted based on a comparison of significance values (Sign.) with a significance level of $\alpha = 0.05$.

H_0 is rejected if the significance value (Sign.) < 0.05 , so it can be concluded that variable X has a significant effect on variable Y.

H_0 is accepted if the significance value (Sign.) > 0.05 , so it can be concluded that variable X does not have a significant effect on variable Y.

Table 10.
Variable in the Equation

	B	SE	Wald	df	Sig.	Exp(B)	
Step 1a	Audit Quality	2,280	1,221	3,488	1	0.062	9,775
	Financial Stability	5,724	1,962	8,516	1	0.004	306,228
	Audit Committee	-0.389	0.336	1,335	1	0.248	0.678
	Constant	-3,442	1,813	3,604	1	0.058	0.032

Source: data processed by SPSS 23

Based on Table 10, partial significance test (Walt test). The audit quality variable on financial statement fraud as the first hypothesis (H1), shows a Sign value of $0.062 > 0.05$, meaning that audit quality does not significantly influence financial statement fraud. Furthermore, the financial stability variable on financial statement fraud as the second hypothesis (H2), shows a Sign value of $0.004 < 0.05$, meaning that financial stability has a significant effect on financial statement fraud. Meanwhile, the audit committee variable on financial statement fraud as the third hypothesis (H3), shows a Sign value of $0.248 > 0.05$, meaning that the existence of an audit committee does not significantly influence financial statement fraud.

Coefficient of Determination (Nagelkerke R Square)

This measure uses the Nagelkerke R Square value which aims to assess the extent of the model's ability to explain the occurrence of financial statement fraud.

Table 11.
Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	39.128a	0.194	0.411

Source: data processed by SPSS 23

Based on Table 11, the Nagelkerke R Square value obtained was 0.411. This result indicates that the variables of audit quality, financial stability, and audit committee influence financial statement fraud by 41%, but the remaining 59% is explained by other factors outside the scope of this study.

Hypothesis Discussion

The Influence of Audit Quality on Financial Statement Fraud

From the partial test results, audit quality measured by audit quality types, namely Big 4 and Non-Big 4, shows a regression coefficient value of 2.280 and a Sign. $0.062 > 0.05$. This indicates that audit quality does not significantly influence the occurrence of financial statement fraud, hypothesis 1 is rejected.

According to Rini and Achmad(2012), Big 4 KAP auditors are considered to have a high reputation in detecting fraud, because companies audited by Big 4 KAP are assumed to have a lower level of fraud risk. However, this result is not statistically proven, that Big 4 KAP auditors do not significantly detect financial statement fraud. This means that even though Big 4 KAP auditors have a higher level of professional expertise, fraud will still occur

due to pressure and opportunities from management to achieve certain targets, as explained in fraud theory. This suggests that the quality of Big 4 KAP does not always provide better audit results than Non-Big 4 KAP. This difference may be caused by the characteristics of the banking sector which has strict supervision from the OJK and Bank Indonesia, so that all auditors from all types of KAP must comply with the same audit and supervisory standards. In addition, banking companies are also required to carry out strict internal supervision to prevent fraud as stipulated in POJK No. 75 / POJK.04 / 2017 and Law No. 21 of 2011 concerning the Financial Services Authority (OJK). In addition, the high level of regulation and oversight in the banking industry requires auditors, both from Big 4 and non-Big 4 accounting firms, to adhere to relatively uniform audit standards and procedures. This finding contradicts agency theory, which argues that external control mechanisms, such as high-quality audits, can mitigate conflicts of interest between management and company owners. This finding is supported by research by Indarti et al.,(2022), Widowati & Oktoriza(2021) stated that audit quality has no effect on financial statement fraud.

The Influence of Financial Stability on Financial Statement Fraud

Based on the partial test results, financial stability measured using the ACHANGE proxy obtained a regression coefficient of 5.724 and a Sign. $0.004 < 0.05$. Therefore, it can be concluded that the financial stability variable has a positive and significant effect on financial statement fraud, hypothesis 2 is accepted.

In other words, the higher the level of financial instability in a company, the greater the potential for fraud in financial reporting. This finding is consistent with agency theory, which explains that information imbalances between management and owners can encourage management to conceal the company's true financial condition to maintain the trust of owners and investors. Furthermore, financial instability can create pressure on management to maintain good financial performance.

This condition aligns with fraud theory, particularly the fraud diamond theory, which emphasizes pressure as a key factor in fraudulent practices. These results reinforce these theories, stating that low financial stability can be a primary trigger for fraud due to pressure and conflicts of interest in agency relationships. This finding is also supported by previous research by Nurhafifa et al.(2023), Indarti et al.,(2022), Riskiani & Yanto(2020), and Waruwu & Sugeng(2023)which proves that financial stability has a significant influence on financial statement fraud.

The Influence of the Audit Committee on Financial Statement Fraud

Based on the partial test results, although theoretically the existence of an audit committee is expected to reduce the potential for fraud, the results of this study indicate otherwise. The audit committee variable is assessed based on the number of its members, showing a regression coefficient value of -0.389 and a Sign. $0.248 > 0.05$. Therefore, it can be concluded that the audit committee does not significantly influence financial statement fraud, and Hypothesis 3 is rejected.

The results of this study indicate that the audit committee has not been able to optimally fulfill its oversight role in financial reporting, indicating low oversight effectiveness in preventing fraudulent practices. The audit committee itself is a corporate governance mechanism that plays a role in minimizing conflicts of interest between management and owners through its independent oversight function, as explained in agency theory.

Theoretically, increasing the number of members in the audit committee is expected to strengthen the effectiveness of the supervisory function of the company's financial reporting, thereby reducing the possibility of fraudulent acts.(Nurliasari & Achmad, 2020)Therefore, the existence of an audit committee, especially when assessed solely based on the number of members, has not shown a significant influence in reducing the risk of financial statement fraud. This may be due to several important factors not examined in this study, such as independence, competence, meeting frequency, and the level of active involvement in the internal audit process. Referring to the provisions of POJK No. 55/POJK.04/2015, public companies are required to form an audit committee with a minimum of three members, including an independent commissioner and an external party. However, meeting the required number of members does not necessarily guarantee effectiveness, especially if it is not balanced with the quality of the committee's duties optimally.

These results indicate that the existence of an audit committee, especially when viewed solely in terms of the number of its members, has not been able to significantly reduce the potential for fraud. This finding also reinforces the view that to effectively prevent fraud, a supervisory role is needed that is not only formal, but also substantial, as emphasized in the fraud theory and the fraud diamond, especially in terms of capabilities and opportunities that can be exploited by management to manipulate if supervision is not running optimally. These results are supported by research by Kusumaningsih & Wirajaya.(2017)and Waruwu & Sugeng(2023)audit committee has no effect on financial statement fraud, then it can strengthen this result.

CONCLUSION

Based on the results of the logistic regression test, this study concluded that of the three variables tested, only financial stability significantly influenced financial statement fraud in banking sector companies listed on the Indonesia Stock Exchange (IDX) for the 2021-2023 period. This means that increasing financial pressure in companies tends to encourage management to manipulate financial statements to maintain a good image and investor confidence. Conversely, audit quality and audit committee variables did not significantly influence the occurrence of financial statement fraud. This finding indicates that the presence of auditors from Big 4 and non-Big 4 accounting firms, as well as the number of audit committee members, has not demonstrated sufficient effectiveness in preventing or suppressing fraud in the banking sector. Overall, this study's results support the theory that financial pressure is a key determinant of financial statement fraud.

A limitation of this study lies in the results of the logistic regression model, where most variables did not show a significant effect, except for the financial stability variable. This is likely due to limitations in the selection or measurement of the variables used. Future researchers are advised to use different approaches or measurement methods to better address the variables that did not show a significant effect.

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