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Fraudulent Financial Reporting: The Role of the Audit Committee in Mitigating Fraud Risk Factors

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Abstract

This study aims to analyze the influence of financial target, financial stability, total accrual, and ineffective monitoring on fraudulent financial reporting, as well as the role of the audit committee as a moderating variable. Secondary data was obtained from the financial statements of 53 companies in the subsector food and beverage listed on the IDX for the 2021–2025 period selected through purposive sampling. The analysis was conducted using descriptive statistics, tests of classical assumptions, multiple linear regression, Moderated Regression Analysis and hypothesis testing through SPSS 22. The study proves financial stability and total accrual has a positive effect on fraudulent financial reporting. The audit committee moderates the correlation of financial reporting between financial target and financial stability on fraudulent.

Keywords: Fraudulent Financial Reporting, Audit Committee

Introduction

Financial statements depict a company's financial condition and serve as the basis for evaluating performance results and aiding the decision-making process for all stakeholders (Budiman et al., 2025). Financial reporting practices that fail to meet the objective of presenting information fairly are still frequently encountered, meaning that the information produced does not yet fully meet the needs of financial statement users (Raharjo, 2020). Such practices involve the presentation of inaccurate or manipulative information and are known as fraudulent financial reporting (Sherliyawati & Kusumawati, 2025). Fraudulent financial reporting can be defined as the intentional presentation of financial information that is false, deceptive, and harmful to users (Susanto & Triyani, 2025).

E-ISSN: 2774-5090; DOI: 10.24905/jabko
Vol. 6, No. 1, June 2026, p. 251 - 263

One major example in the food and beverage subsector in Indonesia is PT Tiga Pilar Sejahtera Food Tbk (AISA). An investigative report by Emst & Young Indonesia revealed that six distributors had manipulated accounts receivable in their financial statements. Additionally, the investigation uncovered an overstatement of Rp4 trillion, an EBITDA of Rp329 billion, and revenue of Rp662 billion, drawing the attention of regulators and the public (Natalia & Kuang, 2023).

Similar cases continue to occur today, such as with *eFishery*, which is suspected of preparing both internal and external financial statements since 2018. Internal revenue was recorded at 2.6 trillion from January to September 2024, while the external report showed 12.3 trillion 4.8 times higher. Although the company incurred an internal loss of Rp578 billion, the external report also showed a profit of Rp261 billion. This case demonstrates that manipulated financial reports can make a company's performance appear attractive enough to secure investor funding (Afif, 2025).

The audit committee functions as a supervisory mechanism aimed at reducing the likelihood of fraud (Sumaiku & Lukman, 2025). Previous research generally treats the audit committee as an independent variable, and the results have been inconsistent regarding its ability to reduce fraudulent financial reporting. Studies specifically examining the audit committee as moderating variable are limited.

Previous research has yielded inconsistent results. Financial targets have been shown to influence fraudulent financial reporting according to Irman et al., (2023), but this finding is not supported by Susanto & Triyani, (2025). Regarding financial stability, Masthura et al., (2025) found a significant impact, while Irman et al., (2023) obtained conflicting results. Fransisca & Suhartono, (2025) state that total accruals have no significant effect, whereas Novitasari & Utama, (2024) indicate that total accruals and ineffective monitoring influence fraudulent financial reporting. Conversely, Urbach & Alfian, (2025) found that ineffective monitoring actually has a negative impact on fraudulent financial reporting.

This study is expected to make a theoretical contribution by enriching the literature on the factors influencing fraudulent financial reporting. In practical terms, the study provides a foundation for auditors, investors, and companies to identify the risks of financial statement fraud, enhance the effectiveness of oversight, and strengthen the implementation of good corporate governance principles.

Literature Review and Hypothesis Development

Agency Theory

Jensen & Meckling, (1976:307) first introduced agency theory outlining the relationship between principals and agents. This problem arises due to an information imbalance between management and company owners. Investors have less access to internal company information than management. leading to information asymmetry (Rahima, 2023:24). This information imbalance creates an opportunity for management to manipulate financial statements for specific interests (Susanto & Triyani, 2025).

Fraud Triangle

Rahima, (2023:118) explains that fraud can take the form of deliberate actions or deviant behaviors that violate existing regulations, and can be committed by individuals or groups to gain personal benefit. The presence of an opportunity to commit misconduct, a motive supporting

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Vol. 6, No. 1, June 2026, p. 251 - 263

the action, and pressure or coercion are the primary reasons why this frequently occurs (Handayani et al., 2024:15). Fraud does not arise suddenly; it is rooted in the reasons or factors that trigger fraudulent actions. Cressey, (1953:78) states that fraud is caused by the elements of pressure, opportunity, and rationalization, known as the fraud triangle theory.

Fraudulent Financial Reporting

Fraudulent financial reporting is the intentional manipulation of financial statements through material misstatements, the omission of information, or the application of inappropriate accounting principles to mislead users of financial statements and influence economic decisions (Ferina et al., 2023; Handayani et al., 2024; Herianti et al., 2023). The Beneish M-Score is a model designed to identify fraudulent M-Score, practices, which (Beneish, 1999:24).

$$\text{M-Score} = -4{,}84 + (0{,}920\ \text{DSRI}) + (0{,}528\ \text{GMI}) + (0{,}404\ \text{AQI}) + (0{,}892\ \text{SGI}) + (0{,}115\ \text{DEPI}) - (0{,}172\ \text{SGAI}) - (0{,}327\ \text{LVGI}) + (4{,}679\ \text{TATA})$$

Financial Target

Financial targets are a form of pressure placed on management by executives to achieve specific performance goals (Rahmawati & Supri, 2019:19). Financial targets provide management with extra motivation to achieve profit targets set by the board of directors or senior management (Indriasih, 2020:30). Skousen et al., (2008) state that ROA is a relevant indicator.

$$ROA = \frac{Earning\ After\ Tax}{Total\ Asset}$$

Financial Stability

Financial stability refers to a company's financial condition being secure and under control. A company is considered financially stable if it is able to meet current operational needs, future obligations, and unforeseen requirements (Rahmawati & Supri, 2019:18). If this financial stability is disrupted, increasing economic pressure may lead to fraudulent financial reporting to conceal the actual conditions (Krisanti & Nazar, 2025). The ratio of total asset changes over two periods is used, referencing Skousen et al., (2008) :

$$ACHANGE = \frac{Total\ Asset_t - Total\ Asset_{t-1}}{Total\ Asset_{t-1}}$$

Total Accrual

Total accruals refer to the recognition of revenue and expenses recorded by a company prior to the actual cash flow. The accrual basis grants management discretion in determining the accounting estimates adopted (Renaldo et al., 2022:29). This situation encourages the recognition of revenue and the deferral of expense recognition, which carries the risk of being used to manipulate financial statements, especially when management seeks to maintain stability and the perception of financial performance (Mukti & Daniati, 2024:766). Skousen et al., (2008) Total

$$TATA = \frac{(Net\ income - Cash\ from\ Operation)}{Total\ Asset}$$

accrual is defined as:

Ineffective Monitoring

Ineffective monitoring is a situation where a company lacks an optimal internal control system and oversight mechanisms (Ferina et al., 2023:21). Factors such as a lack of organizational discipline, limited access to information, and suboptimal internal audit system functions can increase the likelihood of irregularities (Rahima, 2023:111). The formula refers to the model from Skousen et al., (2008) :

JABKO Jurnal Akuntansi dan Bisnis Kontemporer
JABKO: Jurnal Akuntansi dan Bisnis Kontemporer
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Vol. 6, No. 1, June 2026, p. 251 - 263

$$BDOUT = \frac{Number\ of\ Independent\ Commissioners}{Total\ Commissioners}$$

Audit Committee

The audit committee is a body under the board of supervisors and is committed to assisting the board in carrying out its oversight functions regarding the company's performance and activities (Indriasih, 2020:37). The existence of an audit committee is crucial for reducing the likelihood of management engaging in fraud or fraudulent financial reporting (Noviani & Ginting, 2024:25). The audit committee is evaluated based on:

$$AC = \frac{Number\ of\ audit\ committees}{Number\ of\ board\ of\ commissioners}$$

The influence of financial target on fraudulent financial reporting

Based on agency theory Jensen & Meckling, (1976) achieving performance targets encourages management to receive recognition from stakeholders, thus, when a company's profitability is threatened by economic or operational conditions, pressure on management intensifies (Oktaviany & Reskino, 2023). Setting high financial targets encourages management to engage in various forms of fraudulent financial reporting to meet these expectations, including profit manipulation, so that the company's performace appears capable of achieving the previously set targets (Susanto & Triyani, 2025).

Fransisca & Suhartono, (2025); Cholis & Muniroh, (2024); and Kharisma & Chairina, (2023); Irman et al., (2023), found that financial targets contribute significantly and positively to fraudulent financial reporting, high financial targets place pressure on management, thereby increasing the potential for fraudulent financial reporting.

H1: Financial targets have a positive effect on fraudulent financial reporting

The influence of financial stability on fraudulent financial reporting

Agency theory can be used to understand the relationship between financial stability and the emergence of fraudulent financial reporting (Jensen & Meckling, 1976:308). According to this theory, managers, as agents, may act in their own self-interest. This is particularly true when a company faces financial difficulties. Managers feel pressure to meet performance targets set by owners and other stakeholders. In turn, this can increase the likelihood of fraudulent financial reporting (Fransisca & Suhartono, 2025).

Fransisca & Suhartono, (2025); Masthura et al., (2025); and Cholis & Muniroh, (2024) Financial stability is strongly correlated with fraudulent financial reporting, management tends to maintain a stable financial image, and when conditions are unstable, the pressure to demonstrate good performance drives the manipulation of reports to conceal the actual situation.

H2: Financial stability has a positive effect on fraudulent financial reporting

The influence of total accrual on fraudulent financial reporting

Total accruals reflect the difference between accounting profit and a company's operating cash flow. Accrual components provide management with the opportunity to determine specific accounting policies that may lead to fraudulent financial reporting (Natalia & Kuang, 2023). The relationship between total accruals and agency theory: company owners expect management to act as agents who manage the company efficiently to achieve maximum results and profits. Management is motivated to take advantage of

JABKO: Jurnal Akuntansi dan Bisnis Kontemporer
E-ISSN: 2774-5090; DOI: 10.24905/jabko
Vol. 6, No. 1, June 2026, p. 251 - 263

the flexibility in accounting rules, one of which is through the use of discretionary accruals. This practice creates opportunities for management to manipulate figures in financial reporting, potentially leading to fraudulent financial reporting in presenting the company's performance (Fransisca & Suhartono, 2025:7).

Research conducted by Susanto & Triyani, (2025); Novitasari & Utama, (2024); Octaviana, (2022); demonstrates that total accruals have a positive effect, as the accrual principle allows management to modify profits by recognizing receiving cash. revenue before receiving cash.

H3: Total accruals have a positive effect on fraudulent financial reporting

The influence of ineffective monitoring on fraudulent financial reporting

The relationship between ineffective monitoring and agency theory explains that when authority is delegated from the principal to the agent to run the company, conflicts of interest may arise. This occurs because management often prioritizes what benefits themselves. Therefore, the board of commissioners plays a crucial role in overseeing managerial performance Managers may engage in fraudulent financial reporting if monitoring is ineffective (Susanto & Triyani, 2025:21).

Riduan & Arif, (2024); Kharisma & Chairina, (2023), Sumaiku & Lukman, (2025) found ineffective monitoring has a positive effect on fraudulent financial reporting; weak oversight, particularly evident in the limited role of independent commissioners, increases the likelihood of management engaging in fraudulent financial reporting.

H4: Ineffective monitoring has a positive effect on fraudulent financial reporting

The influence of financial target on fraudulent financial reporting with the audit committee as a moderator

When a company experiences financial instability, pressure from financial targets may increase, leading to higher levels of financial reporting fraud (Noviani & Ginting, 2024). An effective audit committee can reduce agency conflicts and strengthen oversight to prevent financial reporting fraud (Angzeneger & Destriana, 2023).

Sumaiku & Lukman, (2025) and Dimuk et al., (2022) explain the audit committee is capable of moderating financial targets against fraudulent financial reporting. According to Dwianto et al., (2024) the audit committee can serve as a means to reduce the likelihood of fraudulent financial reporting due to strict financial targets.

H5: The audit committee is able to moderate the relationship between financial targets and fraudulent financial reporting

The influence of financial stability on fraudulent financial reporting with the audit committee as a moderator

Financial within a instability company, as per agency theory, exacerbates principal-agent conflicts. This occurs because management feels pressured to maintain the company's performance and reputation (Angzeneger & Destriana, 2023; Jensen & Meckling, 1976). According to the fraud triangle theory, unstable financial situations can encourage management to act opportunistically, such as by creating false financial reports to conceal the true economic situation (Harunsari et al., 2025; Skousen et al., 2008).

JABKO Jurnal Akuntansi dan Bisnis Kontemporer
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E-ISSN: 2774-5090; DOI: 10.24905/jabko
Vol. 6, No. 1, June 2026, p. 251 - 263

Masthura et al., (2025) found the audit committee moderates the relationship between financial stability and fraudulent financial reporting. Similar findings are reported by Santoso, (2019); Alkotdriyah et al., (2024) indicating that increased corporate financial stability reduces fraud in financial reporting when the audit committee functions effectively

H6: The audit committee is able to moderate the relationship between financial stability and fraudulent financial reporting

The effect of total accruals on fraudulent financial reporting with the audit committee as a moderator

In the context of the fraud triangle as an theory, accrual flexibility acts opportunity that facilitates management in engaging in fraudulent financial reporting. The presence of an audit committee limits this opportunity through oversight of accounting policies, the quality of financial statements, and interaction with external auditors, this weakens the influence of total accruals on inaccurate financial reporting (Kusumawardani et al., 2024).

Sumaiku & Lukman, (2025) demonstrate that audit committees moderate the total accrual effect on fraudulent financial reporting. An effective audit committee can more easily identify high accrual levels as an indication of manipulation leading to fraudulent financial reporting. Ghaisani et al., (2022) and Mahayani & Sisdyani, (2025) found that the audit committee weakens the influence of total accruals on fraudulent financial reporting. The use of management accruals in fraudulent financial reporting is prevented by optimal oversight from the audit committee.

H7: The audit committee is able to moderate the relationship between total accruals and fraudulent financial reporting

The effect of ineffective monitoring on fraudulent financial reporting with the audit committee as a moderator

Effective oversight by the audit committee makes it difficult for individuals to engage in financial fraud. Conversely, if oversight within a company is ineffective, this situation allows management to manipulate financial statements or engage in fraudulent financial reporting (Oktaviany & Reskino, 2023). If the audit committee does not function effectively, oversight of management becomes weak. This condition increases the likelihood of fraudulent financial reporting (Rochmah & Budiwitjaksono, 2025).

Asih et al., (2024) found that the presence of an audit committee can mitigate the impact of ineffective monitoring on the occurrence of fraudulent financial reporting. Sumaiku & Lukman, (2025) Novitasari & Utama, (2024) state that the audit committee can serve as a moderating variable.

H8: The audit committee moderates the relationship between ineffective monitoring and fraudulent financial reporting

Research methods

The method used in this study is quantitative, with a population of 83 companies in the food and beverage subsector listed on the IDX for the period 2021-2025. A sample of 53 companies was selected using purposive sampling according to established criteria.

Secondary data used included annual reports and financial statements from companies in the F&B subsector obtained through the official IDX website and each company's website. The primary focus of the study is fraudulent financial reporting. Influencing variables include financial targets, financial stability, total accruals, and ineffective monitoring Meanwhile, the audit committee functions as a moderating variable. Variable

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E-ISSN: 2774-5090; DOI: 10.24905/jabko
Vol. 6, No. 1, June 2026, p. 251 - 263

measurements utilize proxies previously applied in prior research.

Data analysis was conducted using SPSS version 22. The analysis stages included descriptive statistical analysis, classical assumption tests consisting of normality tests, multicollinearity tests, heteroscedasticity tests, and autocorrelation tests, followed by multiple linear regression analysis and Moderated Regression Analysis (MRA) to analyze the influence of the moderating variable. Hypotheses were tested using simultaneous tests (F-test), partial tests (t-test), and the coefficient of determination (R^2).

Results and Discussion

Descriptive Statistical

A general overview of the characteristics of the research data can be seen in the table 1 Descriptive Statistical below.

Table 1 Descriptive Statistical

Descriptive Statistics

	N	Min	Max	Mean	Std. Dev.
Financial Target (ROA)	265	-,49	,64	,0594	,10998
Financial Stability (ACHANGE)	265	-,99	4,16	,0683	,31298
Total Accrual (TATA)	265	-,43	1,53	-,0218	,12628
Ineffective Monitoring (BDOUT)	265	,20	,67	,4085	,09159
Audit Committee (AC)	265	,33	1,50	,9354	,35747
Fraudulent Financial Reporting (MBS)	265	-12,07	652,45	,9922	40,54792

Normality Test

The Kolmogorov-One-Sample Smirnov (K-S) test was used to determine whether the data are normally distributed The results show an asymptotic significance value (two-tailed) of 0,000 < 0,05 indicating that the data are not normally distributed. Further analysis is required to identify and remove outliers.

After outlier Kolmogorov-Smirnov handling, test yielded significance value of 0,200 > 0,05. Therefore, the data is normally distributed.

Multicollinearity Test

All independent variabls have a tolerance value > 0,10 and a Variance Inflation Factor (VIF) value < 10. It can be seen that all variables meet these criteria. Therefore, there is no multicollinearity in the regression model, and the independent variables can be used together in the analysis.

Heteroscedasticity Test

One test to check whether the residual variances are unequal across observations in the regression model is the heteroscedasticity test. Testing using the Glejser method shows Sig. 0,896 > (0,05), for the financial stability variable, Sig.0,912 > (0,05), for the total accrual variable, Sig. 0,845 > 0,05 for the total accrual variable, and Sig.0,496 > 0,05 for the ineffective monitoring variable. Therefore, there is no heteroscedasticity among the four independent variables in the regression model.

Autocorrelation Test

The Durbin-Watson test was used to detect residual autocorrelation. The Durbin-Watson (DW) value from the autocorrelation test was 2,124. The DU value (k= 5, N= 214 is 1,819). Based on the decision criteria, du<dw<4-du (1,819<2,124<2,181, meaning there is no autocorrelation in the regression model.

F-Test Results

The model validity test shows a calculated F of 117,120 with a significance of 0,000 (< 0,05), indicating that financial targets, financial stability, total accruals, and ineffective monitoring are simultaneously associated with fraudulent financial reporting.

t-Test Results

The results of the t-statistic test for hypothesis testing are shown in the following table. The test showed that financial stability (0,004), total accrual (0,000) and audit committee moderation on financial targets (,042) and financial stability (,033) were significant (< 0,05), while financial targets (0,153),

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E-ISSN: 2774-5090; DOI: 10.24905/jabko
Vol. 6, No. 1, June 2026, p. 251 - 263

Table 2 The Results of the t-test

No	Variable	t	Sig.
1	ROA	1,433	,153
2	ACHANGE	2,874	,004
3	TATA	21,465	,000
4	BDOUT	,389	,698
5	ROA*AC (Audit Committee)	2,049	,042
6	ACHANGE*AC	-2,147	,033
7	TATA*AC	-,950	,343
8	BDOUT*AC	,869	,386

ineffective monitoring (0,698) and audit committee moderation on total acrual (,343) and ineffective monitoring (,386) were not significant (> 0,05).

The Effect of Financial Targets on Fraudulent Financial Reporting

The financial target variable, proxied by ROA, has a calculated t-value of 1,433 with a significance level of 0,153 > 0,05 meaning H1 is rejected. A high ROA is not always caused by pressure but is influenced by improved company performance and management efficiency (Susanto & Triyani, 2025). From the perspective of the triangle fraud theory, pressure does not always lead to fraudulent financial reporting if management can still meet company targets in a reasonable manner (Cressey, 1953).

Supported by Harunsari et al., (2025); Tamaela et al., (2025); Susanto & Triyani, (2025). These findings differ from those of Cholis & Muniroh, (2024; Fransisca & Suhartono, (2025); Kharisma & Chairina, (2023), who found a positive influence, where the pressure to achieve financial targets enables fraud.

The Effect of Financial Stability on Fraudulent Financial Reporting

The financial stability variable, proxied by ACHANGE, has a calculated t-value of 2,874 with a significance level of 0,004 < 0,05 therefore, H2 is accepted. An increase in a company's assets is often perceived by investors as good performance, thereby creating pressure on management, as agents, to maintain that image, which may ultimately lead to fraudulent financial reporting (Octaviana, 2022). Changes in assets and declining performance pressure management to maintain investor confidence, thereby triggering fraudulent financial reporting (Tamaela et al., 2025).

The results of this study are consistent with the findings of Octaviana, (2022); Dwianto et al., (2024); Tamaela et al., (2025) as well as Fransisca & Suhartono, (2025), where financial stability, analyzed through changes in total assets, has a positive and significant effect on fraudulent financial reporting. These results differ from those of Irman et al., (2023); Natalia & Kuang, (2023).

The effect of total accruals on fraudulent financial reporting

The total accrual variable, proxied by TATA, has a calculated t-value of 21,465 with a significance level of 0,000 < 0,05. The results prove that total accrual has a positive and significant effect on fraudulent financial reporting. From an agency theory perspective, high accruals indicate earnings management practices aimed at demonstrating superior performance to external parties (Skousen et al., 2008). This flexibility allows for the use of discretionary accruals based on management estimates, which can lead to bias in financial statements (Susanto & Triyani, 2025). Manipulation can be carried out by increasing profits through the recognition of unearned revenue, so that a high total accrual value (TATA) opens up opportunities for fraudulent financial reporting (Natalia & Kuang, 2023).

According to Octaviana, (2022); Natalia & Kuang, (2023); Susanto & Triyani, (2025)

JABKO: Jurnal Akuntansi dan Bisnis Kontemporer
E-ISSN: 2774-5090; DOI: 10.24905/jabko
Vol. 6, No. 1, June 2026, p. 251 - 263

serta Novitasari & Utama, (2024), total accruals have a positive impact on fraudulent financial reporting, such that high accrual values are associated with fraudulent financial reporting. But in contrast to Dwianto et al., (2024); Fransisca & Suhartono, (2025); Sumaiku & Lukman, (2025).

The effect of ineffective monitoring on fraudulent financial reporting

Ineffective monitoring (BDOUT) yielded a t-value of 0,389 with a significance level 0,698 (> 0,05), indicating no significant relationship with fraudulent financial reporting. Octaviana, (2022) the number of independent directors does not always guarantee the prevention of fraudulent financial reporting (Fransisca & Suhartono, 2025).

The results of this study are consistent with Fransisca & Suhartono, (2025); Octaviana, (2022); Susanto & Triyani, (2025). These findings differ from those of Kharisma & Chairina, (2023); Novitasari & Utama, (2024); Riduan & Arif, (2024); Sumaiku & Lukman, (2025) which indicate that ineffective monitoring has a positive effect on fraudulent financial reporting.

The influence of the audit committee in moderating the relationship between financial targets and fraudulent financial reporting

The interaction variable financial targets and audit committee in the t-test yielded a calculated t-value of 2,049 with a significance level of 0,042 < 0,05. The study demonstrates that the audit committee moderates the relationship between financial targets and fraudulent financial reporting. Theoretically, the audit committee functions as a supervisory mechanism to reduce fraud. However, in this study, it actually strengthens the relationship between financial targets and fraudulent financial reporting. Supervision has not been effectively implemented, so the pressure to achieve financial targets remains dominant and drives management to manipulate fraudulent financial reporting (Dwianto et al., 2024). The findings confirm the effectiveness of audit committees in relation to the quality of oversight, where suboptimal oversight is unable to control the drive toward fraudulent financial reporting (Dimuk et al., 2022; Sumaiku & Lukman, 2025).

The results of this study align with Dwianto et al., (2024); Sumaiku & Lukman, (2025) and Dimuk et al., (2022) indicating that the audit committee moderates the correlation between financial targets and fraudulent financial reporting. These findings differ from those of Noviani & Ginting, (2024) who found that the audit committee does not influence the relationship between financial targets and fraudulent financial reporting.

The influence of the audit committee in moderating the relationship between financial stability and fraudulent financial reporting

The t-test of financial stability and audit committee interaction yielded a calculated t-value of -2,147 with a significance 0,033 (< 0,05), indicating that the audit committee moderates the relationship between financial stability and fraudulent financial reporting. Financial stability, as reflected by changes in assets, indicates that financial stress triggers fraudulent financial reporting (Skousen et al., 2008). From an agency theory perspective, these conditions intensify principal-agent conflict, thereby triggering fraudulent financial reporting (Jensen & Meckling, 1976). The results of this study indicate that the audit committee can weaken this relationship by enhancing the quality of oversight and monitoring of financial

JABKO: Jurnal Akuntansi dan Bisnis Kontemporer
E-ISSN: 2774-5090; DOI: 10.24905/jabko
Vol. 6, No. 1, June 2026, p. 251 - 263

reporting, thereby mitigating the pressures arising from financial instability (Rahmawati & Zaifuloh, 2025).

Supported by Rahmawati & Zaifuloh, (2025); Alkotdriyah et al., (2024) which shows that the audit committee, as a moderating variable, weakens the relationship between financial stability and fraudulent financial reporting. In contrast to Masthura et al., (2025) which proves that the audit committee, as a moderating variable, strengthens the relationship between financial stability and fraudulent financial reporting.

The influence of the audit committee in moderating the relationship between total accruals and fraudulent financial reporting

Based on the results of the partial test (t-test), variable total accruals and audit committee interaction has a calculated t-value -0,950 with a significance level of 0,343 > 0,05. The research results indicate that the moderating variable is unable to moderate the relationship. In some cases, the audit committee is considered unable to perform its oversight function effectively regarding accrual-based accounting practices. As long as total accruals remain within reasonable limits and comply with accounting standards, audit committees often struggle to detect financial statement manipulation, thereby failing to prevent the potential occurrence of fraudulent financial reporting (Alkotdriyah et al., 2024). Furthermore, limitations in overseeing subjective accounting policies render the audit committee ineffective 11 controlling opportunities for manipulation through accruals, thereby failing to moderate the relationship between total accruals and fraudulent financial reporting (Dwianto et al., 2024).

The results of this study align with Dwianto et al., (2024); Alkotdriyah et al., (2024). In contrast Sumaiku & Lukman, (2025) which reveals that an effective audit committee is capable of detecting and evaluating high accruals as an indication of potential manipulation leading to fraudulent financial reporting.

The influence of the audit committee in moderating the relationship between ineffective monitoring and fraudulent financial reporting

Based on the results of the partial test (t-test), variable ineffective monitoring and audit committee interaction has a calculated t-value of 0,869 with a significance level of 0,386 > 0,05. The research results indicate that the audit committee variable has not been able to moderate the relationship between ineffective monitoring and fraudulent financial reporting. Although the presence of independent commissioners and an audit committee is expected to strengthen oversight, weaknesses in the monitoring system still provide opportunities for management to commit financial reporting fraud (Dwianto et al., 2024). According to Oktaviany & Reskino, (2023) the existence of an audit committee has not fully enhanced oversight functions within the company. This situation creates the potential for fraudulent financial reporting even though the company has an oversight system in place through the audit committee.

The results of this study are supported by Amalia & Annisa, (2023); Dwianto et al., (2024); Oktaviany & Reskino, (2023). In contrast, research conducted by Asih et al., (2024); Rahmawati & Zaifuloh, (2025); Sumaiku & Lukman, (2025) demonstrates that the audit committee is capable of moderating the relationship between imeffective monitoring and fraudulent financial reporting.

JABKO
Jurnal Akuntansi dan Bisnis Kontemporer
JABKO: Jurnal Akuntansi dan Bisnis Kontemporer
E-ISSN: 2774-5090; DOI: 10.24905/jabko
Vol. 6, No. 1, June 2026, p. 251 - 263

Conclusion

This study aims to analyze the influence of financial targets, financial stability, total accruals, and ineffective monitoring on fraudulent financial reporting, with the audit committee as a moderating variable, in companies in the food and beverage subsector listed on the Indonesia Stock Exchange for the period 2021-2025.

The results indicate that financial stability and total accruals have a positive and significant effect on fraudulent financial reporting, whereas financial targets and ineffective monitoring do not affect fraudulent financial reporting. Furthermore the audit committee was found to strengthen the relationship between financial targets and fraudulent financial reporting while weakening the relationship between financial stability and fraudulent financial reporting, however, it was unable to moderate the relationship between total accruals and ineffective monitoring regarding fraudulent financial reporting. These findings indicate that a company's financial condition, the use of accrual-based accounting policies, and the effectiveness of oversight play a crucial role in detecting the risk of fraudulent financial reporting
This study still has limitations regarding the sample size, research period, and the use of limited proxy variables. Therefore, future research is advised to include other relevant variables, use different proxies, and expand the research scope and period to obtain more comprehensive results regarding fraudulent financial reporting.

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