



The Effect of Audit Committee Effectiveness and Potential Fraudulent Financial Statements

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ABSTRACT

This study aims to determine the relationship formed between the effectiveness of the audit committee and fraudulent financial statements. The effectiveness of the audit committee in this study will be proxied through the expertise of the audit committee members, the frequency of audit committee meetings, the size of the audit committee, and also the tenure of the audit committee members. Financial statement fraud in this study will be measured using the Beneish M-Score formula. This study uses financial sector companies listed on the Indonesia Stock Exchange during the 2019-2020 period as the object of research. The population used in this study was 174 companies. The test results in this study show that the expertise of the audit committee members, frequency of audit committee meetings and the tenure of the audit committee members have a negative and significant influence on the occurrence of fraudulent financial statements in the company.

INTRODUCTION

The financial statements of a company have many uses for its users. The company's financial statements are the main source of information that can be used by interested external parties of the company. In general, the purpose of preparing financial statements by the company is to provide information about the company's financial position, company performance and also the company's cash flows. Through financial statements, public can see how the performance of the company concerned during a period. Therefore, many strategic decisions are taken by the public based on the company's financial statements.

The important role carried out by financial statements will often make the company's management do various ways to make the company's financial statements look attractive in the eyes of the public. Based on this conditions, it is not impossible for management to take shortcuts by committing financial statement fraud. Rezaee (2002) stated that during the last two decades cases of financial statement fraud continued to increase substantially. This shows that the risk of a company to be involved in fraudulent financial statements is still quite high.

One of the accounting scandals that ever happened was the case that befell General Electric. The company is suspected of manipulating financial statements to reach US\$38 billion (Oktarianisa, 2019). As a result of his manipulation, Securities and Exchange Commission (SEC) sentenced him to

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a fine of US\$200 million (Damayanti, 2020). Not only that, General Electric's shares also decreased by 15% as a result of the disclosure of this financial statement manipulation case (Oktarianisa, 2019).

Not only in developed countries, cases of fraudulent financial statements are also rife in developing countries, including Indonesia. In 2020, Indonesia's score in the Corruption Perception Index (CPI) was 37/100 and was in position 102 out of 180 countries measured by the level of corruption (Transparency International, 2020). The CPI value from Indonesia is quite worrying because it shows that cases of fraud in Indonesia are still common.

One of the fraudulent financial statements that have ever occurred in Indonesia is the case of PT Tiga Pilar Sejahtera Food. The fraudulent financial statements carried out is by inflating funds in accounts receivable, company inventories, and fixed assets from PT Tiga Pilar Sejahtera Food (Wareza, 2019). In the report on the results of a fact-based investigation carried out by PT Ernst & Young Indonesia (EY), the previous directors were proven to have inflated funds worth Rp 4 trillion, also found inflated income worth Rp 662 billion, and other inflation of 329 billion in the profit before interest account, taxes, depreciation, and amortization (Wareza, 2019).

In addition, cases of fraudulent financial statements have also happened to the Hanson International company. Based on the results of the examination, Hanson International was proven to have committed a violation due to the sale of ready-to-build lots with a gross value of Rp732 billion. Hanson International recognizes revenue using the full accrual method in its annual financial statements for the period of December 31, 2016. In addition, Hanson International did not disclose the binding sale and purchase agreement for a ready-to-build plot at Serpong Kencana Housing Estate dated July 14, 2016 (Ariyanti, 2019).

The three cases of financial statement fraud should serve as a reminder that the risk of financial statement fraud still looms over a company. It is time for the company to build an effective mechanism in minimizing the potential for fraudulent financial statements. One of the effective steps that companies can take in mitigating this risk is to implement good corporate governance.

The occurrence of fraudulent financial statements within a company cannot be separated from the governance structure of the company concerned (Yang, Jiao and Buckland, 2017). Good corporate governance is needed in the economic world to be able to encourage the creation of an efficient, transparent, and in line with the prevailing laws and regulations. In Indonesia, the implementation of corporate governance is supported by three components that influence each other, namely the state as the regulator, the company as the party running the business, and also the community as the consumer (Komite Nasional Kebijakan Governance, 2006). Md Nasir and Hashim (2020) state that the existence of adequate laws and regulations regarding corporate governance can assist companies in their efforts to minimize the occurrence of fraudulent financial statements.

Not only supported by adequate regulations, the implementation of good corporate governance is also greatly influenced by the cooperation that exists between every part of the company. The General Meeting of Shareholders (GMS), the board of commissioners, and the company's directors are part of the company that plays a vital role in the implementation of effective governance (Komite Nasional Kebijakan Governance, 2006). To support the achievement of effective implementation of corporate governance, each part of the company must carry out its functions by applicable regulations while still prioritizing independence in carrying out its duties.

To optimize the responsibilities assigned to him, the board of commissioners forms a committee to support the resulting performance. The audit committee is a supporting committee formed by the board of commissioners and is tasked with supervising the company's financial statements, internal control structure, internal and external audits, and following up on audit findings (Komite Nasional Kebijakan Governance, 2006). In carrying out its duties, the audit committee can only be appointed and dismissed by the company's board of commissioners and is also led by an independent commissioner of the company (Otoritas Jasa Keuangan, 2015).

The existence of an audit committee within a company is essential to assure that the company's financial statements have been presented fairly by generally accepted accounting principles and do not contain errors (Komite Nasional Kebijakan Governance, 2006). This guarantee is important to obtain because the financial statements are a form of proof of the company's responsibility in managing the company. The company's financial statements are used as the basis for external parties in assessing the performance of the company concerned (Fajar and Mutmainah, 2019). Seeing the important role of financial statements, companies must ensure that financial statements are prepared accurately and do not contain elements of fraudulent financial statements.

Research conducted by Gorshunov, Armenakis, Harris and Walker (2021) shows that having a qualified audit committee is proven to be able to reduce the potential for fraudulent financial statements by companies by up to 72%. In addition, if the existence of a high-quality audit committee is combined with SOX, it will increase the ability of the company's audit committee to reduce the potential for

fraudulent financial statements. The combination of audit committee quality and SOX has been proven to reduce the potential for fraudulent financial statements by up to 92%. The results of this study should be used as a reminder for companies of the vital role of the audit committee in a company. Research on the relationship between corporate audit committees and financial statement fraud has been proven by several previous researchers. A series of analytical processes have been carried out and in the end, the researchers concluded that having an effective audit committee has a significant influence on the potential for fraud in the company's financial statements (Gorshunov et al., 2021; Md Nasir and Hashim, 2020; Nasir, Ali and Ahmed, 2019; Owens-Jackson, Robinson and Waller Shelton, 2009; Razali and Arshad, 2014).

Research on the effect of audit committee characteristics on financial statement fraud has been conducted by Owens-Jackson et al. (2009). The research was conducted by examining the Accounting and Auditing Enforcement Releases (AAERs) from 1994-2001. The results showed that the frequency of audit committee meetings had a significant negative effect on financial statement fraud. The conclusion of this study indicates that the higher the frequency of audit committee meetings of a company, the lower the potential for fraudulent financial statements by the company.

In addition, Gorshunov et al. (2021) have also conducted research on the effect of audit committee characteristics on financial statement fraud. This study, which was conducted on 328 large companies in the United States, concluded that the existence of an audit committee with financial expertise was able to reduce the level of fraudulent financial statements. The same thing is also proven through research that has been developed by Razali and Arshad (2014). Research conducted on 227 companies in Malaysia during 2010-2011 obtained results which stated that the effectiveness of the audit committee was able to suppress the occurrence of financial statement fraud.

Several studies above reveal that the effectiveness of the audit committee is proven to be able to reduce the potential for fraudulent financial statements. However, that study has not disclosed the importance of the size of the audit committee and the tenure of the company's audit committee. The number of audit committees in a company will affect the effectiveness of the implementation of the responsibilities assigned to the audit committee. It is important for the company to determine the optimal proportion of the company's audit committee so that the supervision and control of the activities of the directors can be carried out by the company's audit committee optimally and effectively. Not only that, the tenure of audit committee members is also important to consider in assessing the effectiveness of an audit committee.

The tenure of the audit committee of the company is important to consider in assessing the effectiveness of the committee because research conducted by Beasley (1996) shows that the tenure of the audit committee in companies involved in fraud is on average shorter when compared to the companies that are not involved in fraud. In addition, the tenure that tends to be short also allows members of the audit committee to be less experienced with the company and their performance to be less effective (Prasetyo, 2014). Therefore, in this study the effectiveness of the audit committee will be proxied through four variables, namely the expertise of the audit committee members, the frequency of audit committee meetings, the size of the audit committee and also the tenure of the audit committee members of a company.

This study aims to provide additional knowledge of financial statement fraud. For companies, this research is expected to be able to provide an overview of the importance of the effectiveness of the audit committee in the company to support efforts to prevent financial statement fraud. In addition, this research is also expected to be a material consideration for the government in making policies related to preventing fraud in corporate financial statements.

MATERIALS AND METHODS

The Effect of Expertise of Audit Committee Members on the Potential for Fraudulent Financial Statements

Members of the audit committee of a company must have expertise in analyzing and examining financial information (Otoritas Jasa Keuangan, 2015). Expertise in finance can be obtained by a member of the audit committee through education in the field. Over time, changes will continue to occur, including in the financial sector, so that audit committees with specific expertise are expected to become more professional and also easier to adapt to changes that occur (Rahmat et al., 2009).

The company always expects effectiveness in the implementation of business activities. In this regard, the existence of a competent audit committee in its field is expected to be able to increase the value of higher achievements and will be more optimal in the implementation of supervision (Rahmat et al., 2009). A competent audit committee will uphold its professional attitude to minimize the risk of

financial statement fraud. The audit committee's efforts are considered to be able to improve the quality of the company's financial reporting and also minimize fraud in the company's financial statements.

Research conducted by Gorshunov et al. (2021) shows that having a quad-qualified audit committee within a company can help reduce the chances of fraudulent financial statements by up to 72%. The study was conducted on 328 large companies in the United States (164 companies proven to have committed fraud plus a comparison group consisting of 164 compliant companies). These results indicate that the existence of a quad-qualified audit committee, one of which is proxied through financial capabilities, is proven to reduce financial statement fraud. Based on this description, a research hypothesis can be drawn as follows:

H1: The expertise of audit committee members has a negative effect on the potential for fraud in the company's financial statements.

The Influence of the Frequency of the Audit Committee Meetings on the Potential for Fraudulent Financial Statements

The frequency of audit committee meetings that are held regularly is expected to facilitate the audit committee in conducting supervision and evaluation of the company (Nasir et al., 2019). The frequency of audit committee member meetings that are held regularly and continuously is an indication of the effectiveness of the audit committee itself in carrying out its responsibilities (Prasetyo, 2014). Based on the rules in force in Indonesia, the company's audit committee is required to meet three to four times within a year (Otoritas Jasa Keuangan, 2015). The high intensity of audit committee meetings is seen as being able to provide effectiveness for the audit committee in carrying out supervisory activities.

The relatively frequent frequency of audit committee member meetings will encourage faster resolution of company problems. This is because company evaluations are carried out regularly with high intensity. Therefore, if an error or deficiency is found in a company, it is hoped that it can be immediately evaluated and the best solution is found. Likewise, when there are indications of fraudulent financial statements within the company, it is hoped that the audit committee will be able to immediately detect and evaluate it.

Research related to the effect of the frequency of audit committee member meetings on financial statement fraud has been carried out by several researchers. Owens-Jackson et al. (2009) had conducted a study to see what kind of relationship was formed between the frequency of audit committee meetings and fraudulent financial statements. Based on a series of studies conducted, the researcher concludes that the frequency of audit committee meetings has a negative influence on the occurrence of financial statement fraud. The results of this study are also supported by research conducted by Nasir et al. (2019) which states that the frequency of audit committee meetings has a significant influence on the occurrence of financial statement fraud in Malaysia. Based on the description of the explanation, it can be concluded that the hypothesis for this research is as follows:

H2: The frequency of audit committee member meetings has a negative effect on the potential for fraud in the company's financial statements.

The Influence of the Number of Audit Committee Members on the Potential for Fraudulent Financial Statements

The number of audit committees in a company will affect the effectiveness of the implementation of the responsibilities assigned to the audit committee. It is important for the company to determine the optimal proportion of the company's audit committee so that the supervision and control of the activities of the directors can be carried out by the company's audit committee optimally and effectively. The regulations in force in Indonesia state that the ideal proportion of the audit committee consists of at least three people (Otoritas Jasa Keuangan, 2015). The chairman of the audit committee is a member of the company's independent commissioner, while the remaining two are independent external parties (Otoritas Jasa Keuangan, 2015). Audit committee members who come from external to the company must have adequate knowledge in related fields.

The relationship formed between the size of the company's audit committee and the potential for fraudulent financial statements has been proven by several researchers. Razali and Arshad (2014) found that the existence of an effective audit committee had a negative effect on the occurrence of financial statement fraud in 227 public companies in Malaysia for 2010-2011. This indicates that with the existence of an effective audit committee, the potential for fraudulent financial statements can be suppressed by the company.

In addition, similar research has also been studied by Marsha and Ghazali (2017). In this study, the researchers succeeded in proving that the size of the company's audit committee influences the

potential for fraudulent financial statements in the company. Based on this description, a research hypothesis can be drawn as follows:

H3: The size of the audit committee has a negative effect on the potential for fraud in the company's financial statements.

The Effect of the Tenure of Audit Committee Members on the Potential for Fraudulent Financial Statements

The Financial Services Authority Regulation Number 33/POJK.04/2014 states that the term of office of the board of commissioners is until the closing of the annual GMS at the end of 1 term of office or a maximum of 5 years (Otoritas Jasa Keuangan, 2014). In contrast to the company's board of commissioners, the tenure of the audit committee members tends to be shorter. The existence of an audit committee is expected to be able to make a significant contribution to the company in terms of improving the company's performance and effectiveness, this expectation will be achieved if the audit committee has a fairly long term of office (Bedard et al., 2004).

The long tenure of audit committee members will give the audit committee more experience related to the company's industry. Therefore, the supervision carried out by the audit committee will be more effective and optimal. Audit committee members will be more aware of conditions within the company which will later encourage a reduction in financial statement fraud. The absence of fraudulent financial statements in a company is expected to be able to encourage an increase in the image of the company itself in the eyes of the public.

Research related to the effect of tenure of audit committee members on financial statement fraud has been carried out by (Meliala, 2018). Based on a series of tests conducted, the results of this study indicate that the tenure of the audit committee members influences financial statement fraud. Based on this description, a hypothesis can be drawn as follows:

H4: The tenure of audit committee members has a negative effect on the potential for fraud in the company's financial statements.

Research variable

The variables that will be used in this study consist of two types of variables, namely the dependent variable and the independent variable. The dependent variable in this study is fraud in the company's financial statements which will be proxied by Beneish M-Score. The independent variable in this study is the effectiveness of the audit committee which will be proxied through four variables, namely the expertise of the audit committee members, the frequency of audit committee meetings, the size of the audit committee, and the tenure of the company's audit committee members.

The type of data that will be used in this research is secondary data. Secondary data is data that has been collected and processed by other parties (Sekaran and Bougie, 2017). The data needed in this research comes from data on financial statements and annual reports that have been published by the company, both on the company's official website and the official website of the Indonesia Stock Exchange.

Determination of Population and Sample

This study chose the financial sector as the sector that will be the object of research. The selection of this sector is based on a survey conducted by the Association of Certified Fraud Examiners (ACFE). A survey conducted by the Association Certified Fraud Examiners (ACFE) showed that as many as 51% of respondents stated that fraud in their company had increased during the pandemic and another 71% stated that the level of impact of fraud that occurred in the financial sector was getting bigger (Santia, 2021). The criteria for the research object used are:

- a. Financial companies listed on the Indonesia Stock Exchange during the 2019-2020 period.
- b. The company publishes annual reports and financial reports both through the company's official website and the Indonesia Stock Exchange website for the 2019-2020 period in rupiah (Rp).
- c. The required data is presented in full in the annual report and the company's financial statements.

Variable Operating Definition

Table 1.
Definition of Variable Operational

No	Variable	Definition	Variable Measurement
1.	The expertise of Audit Committee Members	The expertise of audit committee members is the ability or educational background of the company's audit committee. In a company, there is at least one member of the audit committee with educational background or expertise in accounting or finance (Financial Services Authority, 2015).	$ACEXP = \frac{\text{Audit committee member with accounting or financial expertise}}{\text{Total audit committee members}}$
2.	Meeting Frequency	In a company, the audit committee holds a minimum of 4 meetings within 1 year (Financial Services Authority, 2015).	$ACMEET = \text{Total of audit committee meetings in a year}$
3.	The number of Audit Committee Members	The number of audit committee members in a company is at least 3 people who come from independent commissioners and independent parties outside the company (Financial Services Authority, 2015).	$ACSIZE = \text{Total number of audit committee members}$
4.	The Tenure of the Audit Committee	The tenure of the company's audit committee may not be longer than the tenure of the company's board of commissioners and can only be re-elected for the next 1 period (Financial Services Authority, 2015).	$ACTNR = \frac{\text{Tenure of audit committee members}}{\text{Total audit committee members}}$
5.	<i>Beneish M-Score</i>	<i>Beneish M-Score</i> is a formula that can be used to predict financial statement fraud using logit regression, where eight financial ratios are determined and tested using principal component analysis (Beneish, 1999).	Dummy variable, 1 for companies with a Beneish M-Score value greater than -2.22 and 0 for companies with a Beneish M-Score value less than -2.22

$$\text{Beneish M Score} = -4,84 + 0,920 \text{ DSRI} + 0,528 \text{ GMI} + 0,404 \text{ AQI} + 0,892 \text{ SGI} + 0,115 \text{ DEPI} - 0,172 \text{ SGAI} - 0,327 \text{ LVGI} + 4,697 \text{ TATA}$$

Table 2.
Beneish M-Score Model Ratios

No	Financial Ratio	Formula
1.	<i>Days Sales in the Receivable Index (DSRI)</i>	$DSRI = \frac{\text{Net receivable } t / \text{Sales } t}{\text{Net receivable } t-1 / \text{Sales } t-1}$
2.	<i>Gross Margin Index (GMI)</i>	$GMI = \frac{(\text{Sales } t-1 - \text{COGS } t-1) / \text{Sales } t-1}{(\text{Sales } t - \text{COGS } t) / \text{Sales } t}$
3.	<i>Asset Quality Index (AQI)</i>	AQI =

		$\frac{(\text{Total asset } t - (\text{Current asset } t + \text{PPE } t)/\text{Total asset } t)}{(\text{Total asset } t-1 - (\text{Current asset } t-1 + \text{PPE } t-1)/\text{Total asset } t-1)}$
4.	<i>Sales Growth Index (SGI)</i>	$\text{SGI} = \frac{\text{Sales } t}{\text{Sales } t-1}$
5.	<i>Depreciation Index (DEPI)</i>	$\text{DEPI} = \frac{(\text{Depreciation } t-1/(\text{PPE } t-1 + \text{Depreciation } t-1))}{(\text{Depreciation } t/(\text{PPE } t + \text{Depreciation } t))}$
6.	<i>Sales General and Administrative Expenses Index (SGAI)</i>	$\text{SGAI} = \frac{\text{SG \& A Expense } t/\text{Sales } t}{\text{SG \& A Expense } t-1/\text{Sales } t-1}$
7.	<i>Leverage (LVGI)</i>	$\text{LVGI} = \frac{(\text{Current liabilities } t + \text{Long term debt } t)/\text{Total asset } t}{(\text{Current liabilities } t-1 + \text{Long term debt } t-1)/\text{Total asset } t-1}$
8.	<i>Total Accruals to Total Assets (TATA)</i>	$\text{TATA} = \frac{(\text{Net Income from Continuing Operations } t + \text{Cash Flow from Operations } t)}{\text{Total Asset } t}$

Data Analysis

The data that has been collected needs to be processed to make it easier to read and so that the conclusions drawn later are the right conclusions. Appropriate analytical tools following the research framework are needed so that research data can be interpreted correctly. Based on the research framework developed in this study, data analysis will be carried out through logistic regression analysis with SPSS program tools. Logistic regression analysis will be used in this study to examine the effect between each research variable.

RESULTS AND DISCUSSION

Table 3.
Number of Companies Researched

No	Information	Amount
1.	Financial companies listed on the Indonesia Stock Exchange (IDX) for the period 2019-2020	190
2.	Missing and incomplete company reports	16
3.	Number of companies studied	174

The number of financial sector companies listed on the Indonesia Stock Exchange (IDX) in the 2019-2020 period is 190 companies. However, there are 16 companies that do not present complete company reports, both financial statements, and company annual reports, so the data needed in this study cannot be obtained. Therefore, the remaining 174 companies will be examined in this study. The 174 companies provide complete information data needed in this study following the criteria for determining the population that has been discussed previously.

In this study, the dependent variable will be expressed using a nominal scale. A nominal scale is a measurement scale that states the category or group of a subject (Ghozali, 2016). Because the dependent variable uses a dummy variable, the test that will be used in this study is logistic regression. The logistic regression technique does not require data that are normally distributed (Ghozali, 2016).

Table 4.
Descriptive Statistics Test Results

	N	Minimum	Maksimum	Mean	Standard Deviation
Expertise	174	0	1	0,8	1,082
Frequency of Meetings	174	1	29	8	5,657
Size	174	2	8	3,42	0,881
Tenure	174	0,3	15,3	2,094	1,801
Financial Statement Fraud	174	0	1	-	0,475

Source: SPSS output processed 2021

The table of descriptive statistics above shows that the audit committee expertise variable has a minimum value of 0 and a maximum value of 1. A value of 1 means that from the entire sample observed, there are companies with all members of the audit committee having accounting and financial expertise. A minimum value of 0 indicates that no member of the audit committee has accounting and financial expertise. The average value of 0.8 means that the average audit committee with accounting and financial capabilities from each sample company is 80% of the total members.

The frequency of audit committee meetings has a maximum value of 29, which means that the audit committee holds 29 meetings within a year. While the minimum value for the frequency of audit committee meetings is 1 which indicates that the audit committee only holds meetings once a year. The average frequency of audit committee meetings for each company sampled is 8 times a year.

The next variable is the size of the audit committee, which has a minimum value of 2 and a maximum value of 8. The minimum value of 2 indicates that the lowest number of audit committees in the sampled company consists of 2 people. The maximum value of 8 shows the highest number of audit committees in the sampled companies consisting of 8 people. The average number of audit committee members in the sample companies is 3 people, it can be seen from the average value of 3.42 and its rounded down.

The audit committee tenure has a minimum score of 0.3 and a maximum score of 15.3. The minimum value of 0.3 shows that the lowest tenure of the audit committee is 0.3 years or about 4 months. While the maximum value of 15.3 means that the longest tenure of the audit committee in the sample companies is 15 years and 4 months. The average tenure of the audit committee in the sample companies in this study is 2 years, this can be seen from the average value of 2,094 and rounded down to 2.

Table 5.
Results of the Hosmer and Lemeshow Test

<i>Chi-Square</i>	<i>df</i>	<i>Sig</i>
10,803	8	0,213

Source: SPSS output processed 2021

In the table above, the significance value of the Hosmer and Lemeshow test shows a number of 0.213. The significance value is greater than the significance level set in this study, which is 0.05 ($0.213 > 0.05$). The greater significance value indicates that H_0 which states that the regression model can explain the data is acceptable. This shows that the logistic regression equation can be used to explain the relationship between the independent variable and the dependent variable.

Table 6.
Nagelkerke R Square Test Results

<i>Step</i>	<i>-2 Log-Likelihood</i>	<i>Cox & Snell R Square</i>	<i>Nagelkerke R Square</i>
1	192,268 ^a	0,161	0,223

Source: SPSS output processed 2021

The value of *Nagelkerke R Square* shows the value of the coefficient of determination. In the table above, it can be seen that the value of Nagelkerke R Square is 0.223. This shows that the magnitude of the influence given by the independent variable to the dependent variable is 22.3%.

Table 7.
Hypothesis Testing Results

	Model	B	Sig	Exp (B)
Step 1 ^a	Expertise of Audit Committee Members*	-.600	.002	.549
	Frequency of Audit Committee Meetings*	-.076	.042	.927
	Size of Audit Committee Members	-.260	.282	1.297
	Tenure of Audit Committee Members*	-.536	.002	.585

Source: SPSS output processed 2021

The Effect of Audit Committee Expertise on the Potential for Fraudulent Financial Statements

The first hypothesis in this study states that the expertise of audit committee members has a negative effect on the potential for fraudulent financial statements. Based on the results of hypothesis testing presented in table 7, it can be concluded that the first hypothesis in this study is accepted. The conclusion is taken based on the value of B and the significance value generated in the test. The B value for testing the first hypothesis is -.600. A negative result on the value of B indicates that the effect between the expertise of the company's audit committee and the potential for fraudulent financial statements is a negative influence. Regression testing shows a significance level of 0.002, which is lower than the significance level set in this study ($0.002 < 0.050$). This indicates that there is a direct influence between the expertise of audit committee members and the fraudulent financial statements.

The negative influence that exists between the expertise of the audit committee members and fraudulent financial statements means that the higher of the financial and or accounting expertise possessed by members of the audit committee, the fraudulent financial statements will decrease. The results of this study are in line with the results of previous research conducted by Razali and Arshad (2014) and Woidtke and Yeh (2013), where in their research it is stated that an effective audit committee can assist the company's efforts in minimizing the fraudulent financial statements. Similar results were also shown by research conducted by Gorshunov et al. (2021). Research conducted by Gorshunov et al. (2021) shows that the presence of a qualified audit committee director can reduce the likelihood of financial corruption in public companies by 72%. When a company has an audit committee member with an educational background in accounting and/or finance, it is hoped that the member will be more aware of the conditions in the company. Audit committee members with an understanding of finance and/or accounting are expected to be able to catch signals of irregularities in the company (Ruchiatria, Mdiastuty and Eddy, 2020).

The Influence of the Frequency of the Audit Committee Meetings on the Potential for Fraudulent Financial Statements

The second hypothesis tested in this study is the effect of the frequency of the audit committee meetings on the fraudulent financial statements committed by the company. Based on the tests performed, the B value is -0.076 with a significance level of 0.042. The significance level which is below the predetermined significance level indicates that there is a direct effect that appears between the frequency of company audit committee meetings and the potential for fraud committed by the company. Therefore, it can be concluded that the second hypothesis in this study is accepted.

The conclusions above are in line with the conclusions of research conducted by Owens-Jackson et al. (2009). Where in his research Owens-Jackson et al. (2009) obtained results which state that the frequency of company audit committee meetings has an influence on the occurrence of fraud in the company's financial statements. In addition to Owens-Jackson et al. (2009) research conducted by Razali and Arshad (2014) also obtained similar results. Research conducted by Razali and Arshad (2014) concludes that the intensity of a company's audit committee meeting has a negative effect on fraudulent financial statements of a company. Several previous researchers also found similar things, including Abbott, Park and Parker (2000); Abbott et al. (2004); Beasley, Carcello, Hermanson and Lapidés (2000); Xie, Davidson and DaDalt (2003). The existence of a high intensity of meetings on an audit committee is believed to be able to increase the effectiveness of the audit committee which is ultimately effective in suppressing the potential for fraudulent financial statements committed by the company (Razali and Arshad, 2014).

The Influence of the Number of Audit Committee Members on the Potential for Fraudulent Financial Statements

The third hypothesis in this study states that the number of audit committee members of a company has a negative effect on the potential for fraudulent financial statements. The tests that have been carried out give the results for the B value of -0.260 with a significance level of 0.282 . The test results show that the significance value of 0.282 is higher than the level of significance required in this study, which is 0.05 ($0.282 > 0.05$). Therefore, it can be concluded that the third hypothesis proposed in this study is declared unacceptable or rejected.

The results in this study are in line with the research conducted by Ozcelik (2020). Where in his research, Ozcelik (2020) obtained results that stated that the number of members of an audit committee had no influence on the occurrence of fraudulent financial statements in manufacturing sector companies listed on the Istanbul stock exchange. In addition, research conducted by Prasetyo (2014) also shows similar results where no influence is formed between the number of audit committee members and financial statement fraud. This can happen because the company may form an audit committee only as a form of compliance with existing regulations. As in chapter 2 article 2 of the Financial Services Authority Regulation Number 55/POJK.04/2015 it is written that public companies are required to have an audit committee (Otoritas Jasa Keuangan, 2015).

The Effect of the Tenure of the Audit Committee on the Potential for Fraudulent Financial Statements

The last or fourth hypothesis tested in this study shows that there is a negative influence between the tenure of the audit committee members and the fraud in the company's financial statements. The value of B and the level of significance resulting from the regression test are -0.536 and 0.022 . The level of significance of 0.002 is lower when compared to the level of significance that has been set in this study, which is 0.05 ($0.002 < 0.05$). The lower level of significance indicates that there is a direct influence formed between the tenure of the company's audit committee and the fraudulent financial statements. Therefore, it can be concluded that the fourth hypothesis in this study is acceptable. The effect that is formed between the tenure of the audit committee members and the fraudulent financial statements by the company is a negative influence. This can be seen from the resulting B value, which is -0.536 which indicates a negative value. The negative value formed indicates that the influence formed is a negative influence.

The negative influence that exists between the tenure of the audit committee members and the fraudulent financial statements means that the higher tenure of the audit committee members, the fraudulent financial statements will decrease. This happens because the audit committee members will be more understand the company and recognize the characteristics of the managers or directors they are supervising. The results of this study are in line with research conducted by Prasetyo (2014) which states that there is a negative relationship between the tenure of the audit committee members and fraudulent financial statements committed by the company. Similar results are also shown by research conducted by Nurliasari and Achmad (2020) where in this study, the tenure of the audit committee members was proven to have a negative and significant influence on fraudulent financial statements committed by companies.

CONCLUSION AND SUGGESTIONS

The results of this study indicate that the expertise of the audit committee members, the frequency of audit committee meetings and also the tenure of the audit committee members have a negative and significant influence on the potential for fraudulent financial statements. This shows that members of the audit committee who have adequate expertise in accounting and finance, have a high intensity of meetings coupled with having a long tenure can help the company in its efforts to prevent fraudulent financial statements. While the size of the audit committee of a company does not have a direct influence on the potential for fraudulent financial statements committed by the company. The dependent variable in this study can only be explained by 22.3% by the independent variable, where the remaining 77.7% is explained by other variables outside the research model. Based on this, further research is expected to be able to develop other variables that are suspected to have an effect on the potential for fraudulent financial statements, such as multiple directorship owned by members of the audit committee.

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