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The Influence of the Effectiveness of the Audit Committee and Corporate Governance on the Prevention of Financial Crime in Manufacturing Companies in Indonesia

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Abstract

This study aims to find out and analyze how much effect effectiveness and governance have on fraud in manufacturing companies in Indonesia. The type of data used is quantitative data sourced from financial statements and annual reports of manufacturing sector companies on the IDX. The analytical method used is panel data linear regression method. In this study the authors analyze how effective the audit committee and corporate governance are against fraud. The results of the study partially state that the effectiveness of the board of directors, audit committee size, independent directors, audit quality, leverage, and company size have a significant effect on corporate financial crimes. However, the effectiveness of audit committees, audit committees with accounting expertise, boards of directors with accounting expertise, board size, and independent risk committees had no effect on corporate financial crimes. Increasing the effectiveness of audit committees and corporate governance can have a positive impact on company quality. One way to increase the quality of a company is to create clean and fraud-free company financial reports through qualified human resources within the company. This research is expected to be able to contribute to knowledge in the field of corporate financial fraud prevention in Indonesia.

Keywords: Corporate Financial Crimes, Audit Committee, Stand-alone Risk Committee, Audit Quality, Corporate Governance, Manufacturing

INTRODUCTION

Corporate financial crimes are basically fraudulent business actions or behavior. Other terms, namely *fraud* (Edi & Tania, 2018;Yopie & Erika, 2021). Cases of financial crime in companies or corporate financial crime are not something new in the business world, this has been around for a long time and continues to develop until now. Financial crime in companies has a serious impact on the world economy and risks threatening financial stability in the international financial system. Some cases that have occurred include money laundering, corruption, bribery, tax evasion, misuse of assets, fabricated financial statements, etc. The collapse of many large companies in the world, such as Pharmalat, Enron, Worldcom, and also Arthur Andersen, which had a good reputation in the field of auditors, resulted in indications of corporate financial crimes for the first time. In essence, in this world there is no company that is truly free from fraud(Abdullah and Said, 2019). A financial report is a report that explains the financial position of the company's accounting records over a certain period of time and is used as a tool for communicating with related parties.(Suteja, 2018).

Several factors that often cause corporate fraud are weak supervision carried out by the authorities and abuse of power. In 2019, the organization *ACFE*(Association of Certified Fraud Examiners) conducted a survey of fraud cases in Indonesia and found that in that year there were 239 fraud cases of different types. There were 167 cases of corruption type fraud with a total loss of Rp. 873,430 million, 50 cases of fraud type misuse of assets with a total loss of Rp. 257,520 million, and 22 cases of fraud type fraud in financial statements with a total loss of Rp. 242,260 million(ACFE, 2019).

In 2019 PT. Garuda Indonesia is proven to have taken action*fraud*, the case began with irregularities in the 2018 financial report. There was a net profit figure that had jumped significantly from the previous year, but at that time the company was experiencing losses. After investigation, it turned out that the report did not comply with the applicable Statement of Financial Accounting Standards (PSAK). It turns out that PT. Garuda Indonesia includes profits from PT. Mahata Aero Teknologi which should not have been received during the recording period. Fraudulent financial reports are a form of error committed by company management, where they cover up the company's ongoing losses.

Financial crimes can also occur due to poor corporate governance and ineffective management performance. If a company has good governance, it can minimize the occurrence of corporate financial fraud, this happens because the level of quality of rules and controls is good.(Sari and Husadha, 2020)According to the Forum for Corporate Governance in Indonesia (FCGI), corporate governance is the rules that regulate how all parties involved in a company interact with each other. The aim of establishing corporate governance is to prevent errors in corporate strategy and to be able to correct errors that have occurred(Brier and Jayanti, 2020). According to Indonesian fraud survey data, there are 4 fraud disclosure media carried out. 38.9% came from reports, 23.4% came from the company's internal audit, 9.6% from external audits, and 15.1% from other media(ACFE, 2019).

Handoko and Ramadhani (2017)said that the audit committee is an important part of the company's internal monitoring process to make audit activities more efficient and in accordance with applicable Financial Accounting Standards (SAK). Risk management also carries out audit activities aimed at preventing company financial fraud. The audit committee becomes negligent as the scope increases. Therefore, the risk committee must be established independently and distinct from the audit committee.(Abdullah and Said, 2019).

A manufacturing company is a company that has unlimited liability. All personal assets of the company owner can be used to guarantee the manufacturing company's debt because of its unlimited nature. Because a manufacturing company's funding activities come from outside sources, there is a high probability that the company will commit financial fraud.(Yanti, 2021). Based on the description above, this article will discuss how the performance of the audit committee and corporate governance influences the prevention of financial crimes in manufacturing companies registered with the Indonesian Stock Exchange from committing fraud.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Corporate Financial Crimes

Corporate financial crime is an act of fraud that will harm the company and have an impact on the company's financial stability. One type of corporate financial crime that often occurs in companies is financial statement fraud. Financial statement fraud is defined as delays in disclosing information and falsifying detailed accounting records(Nasir, Ali, and Ahmed 2019).According toAbdullah & Said (2019)Corporate financial crimes are all types of crimes related to objects or property belonging to other people that are used or used for personal interests illegally. Currently acts of fraud have becomea growing global problem. It doesn't only happen to large institutions or interested people, in fact fraud has affected the lives of ordinary people(Unvan, 2020).

Altman Z Score Method

One theory that is well known in the field*fraud*is the Almant Z Score method. This method is used to detect bankruptcy of a company, but many researchers also use this method as a technique to detect indications of fraud in company finances. The Altman Z Score method has 3 criteria for assessing company status, namely first, a company that has a Z-score value > 2.99 is considered a healthy company. Second, companies with a Z-score between 1.81 and 2.999 are considered gray area companies which can be said to be safe or have the potential to go bankrupt, this depends on the wise decisions of the company management. Third, companies with a Z-score < 1.81 are considered as companies that have the potential to experience bankruptcy. The results of research conducted byOzcelik (2020)said that the Altman Z Score method can be used to detect fraud in financial reports. Research conducted byMen (2021)shows that the Altman Z Score method has an effect on fraud in financial reports. This is caused by predictions of financial distress which show that poor financial conditions can motivate someone to commit fraudulent acts in order to improve the appearance of the company's good financial position.Amaliyyah (2021)compared the accuracy level of the M-score and Z-score models in detecting fraudulent financial reporting and found that the accuracy level of the Z-score model (64%) was higher than the M-score model (37%), meaning that the Z-score was more influential in detecting fraud .

Audit Committee Effectiveness

One of the objectives of holding an audit committee is to implement Good Corporate Governance (GGCG) relating to company finances, internal control and risk management.(Sari & Husadha, 2020; Chandra & Junita, 2021; Yopie & Erika, 2021).An audit committee has the responsibility to supervise the company's financial reporting. This form of responsibility can be seen from the quality of the financial reports which are free from any indication of fraud.(Christian, 2022; Hendi & Sitorus, 2023).One indicator to find out whether the audit committee is really carrying out its duties well is to look at the frequency of meetings held by the audit committee itself. Based on (POJK) NUMBER 55 /POJK.04/2015, the audit committee holds regular meetings at least once every 3 months and can be held if attended by more than half of the total members. According toAbdullah & Said (2019)The number of meetings held by the audit committee will influence the presence of indications of financial crime in a company. From the description above, the first hypothesis of the research is:

H1=The effectiveness of the audit committee mattersnegatively significant with corporate financial crime

Effectiveness of the Board of Directors

The effectiveness of the board of directors can be seen from how the board of directors performs in carrying out its duties. Just like the commissioners and audit committee, the board of directors also holds regular meetings to discuss performance and other important matters. Based on Financial Services Authority Regulation no 33/POJK.04/2014 article 16, directors are required to hold meetings at least once every month and meetings can be held if attended by a majority of the board of directors. The more frequently the board of directors meetings are held, it will show that the board of directors knows about the company's activities and can monitor operational activities more clearly(Salleh and Othman, 2016). So the researchers came up with the second hypothesis in this research, namely:

H2= The effectiveness of the board of directors influencesnegatively significant with corporate financial crime

Size of the Audit Committee

Based on(POJK)NUMBER /POJK.04/2016 article 28 (2) the audit committee must have at least 3 members who come from independent commissioners or parties outside the company. According toAbdullah & Said (2019)The more audit committee members who operate, the more knowledge and expertise they will increase and will be more effective in fulfilling their duties. A quality auditor's report can reduce indications of financial crime within the company. The effectiveness of supervision carried out by the audit committee can minimize the possibility of financial crime within the company(Haryani & Syafruddin, 2022). From the description above, the third hypothesis in this research is:

H3= The size of the audit committee mattersnegatively significant with corporate financial crime

Audit Committee with Accounting Expertise

Based on POJK No. 55/POJK.04/2015 which states that the audit committee must consist of at least one member who is educated and experienced in accounting or finance.Suhendah (2019)said that an audit committee that has the ability and competence in the fields of accounting and finance will minimize indications of corporate financial crimes. In addition, an audit committee that has knowledge in finance and accounting can improve the quality of the company's financial reports and automatically prevent fraud in financial reports.(Dzaki & Suryani, 2020). Based on the explanation above, the next hypothesis is:

H4=Audit committees with influential accounting expertisenegatively significant with corporate financial crime

Board of Directors with Accounting Expertise

Based on*agency theory,*The board of directors acts as a representative of the company. They act as parties who manage and are involved in the company's decision-making process. Human resources are an important resource for a company, and choosing the right one can affect company performance. This encourages companies to elect members of the board of directors with good abilities because they will influence company decisions. Board members with accounting and finance education make more accurate and better business decisions.(Ying & He, 2020). Election of the board of directorsdirectorsThis is a very important thing for the company because it can influence the decisions made for the company(Salleh & Othman, 2016). The fifth hypothesis of this research is:

H5= Board of directors with influential accounting expertisenegatively significant with corporate financial crime

Size of the Board of Directors

The board of directors is a very important component of corporate governance. In general, based on corporate governance, the board of directors is a group that generally heads internal audit, corporate secretary, risk management and company management systems. Hassan*et al*. (2021) inArdana & Sany (2021)said that the large size of the board of directors will provide opportunities for board members to carry out discussions and supervision more closely and effectively. The greater the percentage of the board of directors who serve in the company, the lower the quality of audits in the company.(Maharani et al., 2022).

H6= The size of the board of directors with accounting expertise mattersnegatively significant with corporate financial crime

Independent Director

Independent Directors work by monitoring the work of managers. Not all companies have an independent director structure. Companies with independent boards were rated less likely to engage in accounting and management fraud.Nasir et al. (2019)believes that the presence of independent directors in a company will reduce financial crimes, because reducing the dominance of people within the company is considered to minimize the risk of crime.Gorshunov et al. (2021)said that independent directors in management have an influence on monitoring and reducing acts of corruption in the company.Jaggi et al. (2021)Independent directors have an important role in influencing managers' behavior in disclosing corruption information. Where, the independent board will encourage a manager to explain information comprehensively so as to make the company more transparent.

H7= Independent director with influential accounting expertisenegatively significant with corporate financial crime

Standalone Risk Committee

The establishment of a risk committee can be combined with the audit committee or established separately or independently with the aim of being able to address specific risks(Cindy et al., 2022). A stand-alone or independent risk committee is considered more effective in carrying out audit functions and management compared to an audit committee(Abdullah & Said, 2019). The establishment of an independent risk committee will not only minimize risk taking within the company, but will also be able to improve good corporate governance. In this research, the stand-alone risk committee variable is measured using a dummy, with two categories, namely whether or not there is a stand-alone risk committee in a company.

H8= Stand-alone risk committee with influential accounting expertisenegatively significant with corporate financial crime

Audit Quality

External audit plays a major role in supervision*financial*from a company and carried out by an independent party(Sari & Husadha, 2020). One form of auditor reputation is audit quality. Research on audit quality usually focuses on various companies that use Big 4 KAPs (Deloitte, PWC, Ernst and Young, KPMG) and Non-Big 4 KAPs. This is because Big 4 KAPs are considered to have a greater capacity to find and reveal fraud. by company management compared to Non-Big 4 KAP.Auditors with a good background will of course produce good quality or audit services for their service users. The higher the KAP that audits a report, the more error findings will be revealed in the report.(Vivianita & Indudewi, 2019). The quality of auditors owned by KAP Big 4 is better than the quality of audits from Non-Big 4(Riyanti et al., 2022)

H9=QualityAuditing has a significant negative effect on corporate financial crime

RESEARCH METHODS

The method used in this research is a quantitative method. This means that in this research the data used is numeric data sourced from financial reports and annual reports of manufacturing companies contained in the Indonesian Stock Exchange (BEI) from 2017-2021. The samples collected of course use the purposive sampling method where the research samples will be collected neatly to obtain appropriate research results and in accordance with the hypotheses that have been prepared.(Harsono & Rina, 2023). There are criteria for selecting research samples, namely that manufacturing companies are registered on the IDX and have financial and annual reports published from 2017-2021, and these reports must contain the data needed to calculate research variables. Data analysis techniques were carried out using SPSS and Eviews10 software, with descriptive statistical analysis methods, outlier tests, panel data regression tests, and hypothesis testing.

Because panel data consists of cross-section and time series data, observations will be more detailed. Therefore, special methods are required to address the model used.The panel data regression test was carried out using estimates from 3 methods, namely, Pooled Least Square (PLS), Fixed Effect Model (FEM), and Random Effect Model (REM). To determine which model is the best, you first need to carry out a Chow test and a Hausman test. The chow test was carried out to determine the most suitable model between PLS or FEM. Meanwhile, the Hausman test is used to determine the most suitable model between FEM or REM for research(Ginting, 2020).

Table 1. Selection of data samples and research data

Information	Amount
Manufacturing companies listed on the IDX as of December 31 2020	193
Companies that do not meet the sample criteria	19
Companies that meet the sample criteria	174
Year of observation	4
The amount of data that does not meet the research criteria	16

The amount of data that meets the research criteria	680
Outlier data	129
Number of research sample data	**551**

Table source: Processed secondary data (2023)

Table 2. Research Measurements

Variable	**Measurement**
Corporate Financial Crimes (Y)	Altman Z Score **0.012X1+0.014X2+0.033X3+0.006X4+ 0.999X5** Where: X1 = Working Capital/Total Assets X2 = Retained Earnings/Total Assets X3= EBIT/Total Assets X4= Market Value Equity/Book Value of Total Liabilities X5 = Sales/Total Assets
Audit Committee Effectiveness (X1)	Frequency of audit committee meetings in period t.
Effectiveness of the Board of Directors (X2)	Frequency of board of directors meetings in period t.
Audit Committee Size (X3)	Number of audit committees in period t.

Audit Committee with Accounting Expertise (X4)	Number of audit committees with accounting expertise in period t / Total number of audit committees in period t.
Board of Directors with Accounting Expertise (X5)	Number of board of directors with accounting expertise in period t / Total number of board of directors in period t.
Size of the Board of Directors (X6)	Number of board of directors in period t
Independent Director (X7)	Number of independent directors in period t / Total number of board of directors in period t
Standalone Risk Committee (X8)	*dummy:* 0= companies that do not have an independent risk committee in period t 1= company that has an independent risk committee in period t
Audit Quality (X9)	*dummy:* 0= non-big company 4 1 = big 4 company
Leverage (K1)	Total debt in period t / Total assets in period t
Company Size (K2)	Natural logarithm of the company's sales in period t

Variable	N	Min	Max	Mean	Std. Deviation
Y	551	-0.0084	2.0575	0.8929	0.3605
X1	551	1	51	7.15	5,457
X2	551	2	62	15.86	9,298
X3	551	2	5	3.01	0.256
X4	551	0,000	1,000	0.734	0.259
X5	551	0,000	1,000	0.356	0.166
X6	551	2	14	4.76	1,942
X7	551	0,000	0.670	0.131	0.133
K1	551	0,000	2,689	0.446	0.259
K2 (Millions)	551	467	184,661,266	6,648,401	1,517,679

Table 3. Descriptive Statistical Test Results

Source: Secondary Data (2023)

RESULTS AND DISCUSSION

Based on table 3, you can see the descriptive statistical analysis of dependent, independent and control variables on a ratio scale. N is the number of companies sampled in the research, namely 551 companies.Corporate financial crime is the dependent variable in this research, having a maximum value of 2.0575, namely for the company PT Chareon Pokhand Indonesia Tbk in 2018. The minimum value is -0.0084, namely for the company PT Eterindo Wahanatama Tbk in 2020. The average or mean of this variable is 0.8929 with a standard deviation of 0.3605.The effectiveness of the audit committee has a maximum value of 51 and a minimum of 1, meaning that the highest number of meetings held by the audit committee of a manufacturing company in Indonesia was 51 times, namely PT Krakatau Steel in 2019. And the lowest number of meetings was 1 time by PT Trisula Textile Industries in 2017. With an average of 7.15 and a standard deviation of 5,457. The effectiveness of the board of directors has a maximum value of 62 and a minimum of 2, meaning that the highest number of meetings held by the board of directors of a manufacturing company in Indonesia was 62 times, namely PT Trias Sentosa Tbk in 2021. And the lowest number of meetings was 2 times by PT Cahayaputra Asa Keramik Tbk in 2018. With an average of 15.86 and a standard deviation of 9,298. The size of the audit committee has a maximum value of 5 and a minimum of 2. This means that the audit committee has a maximum of 5 members and a minimum of 2 with an average of 3 and a standard deviation of 0.256. The majority of manufacturing companies in Indonesia have complied with the Financial Services Authority Regulation (POJK) NUMBER /POJK.04/2016 article 28 (2) concerning the number of audit committee members in a company, where a company has at least 3 audit members who come from independent commissioner or party outside the company. In this test, it was found that there were several companies that had not complied with the POJK with the number of audit committee members being 2 people. Audit committee members with accounting

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expertise have a maximum score of 1.00 and a minimum of 0.00. This means that the maximum number of audit committees with accounting expertise is 100% of the number of audit committees in a company. With an average value of 0.734 or 73.4% and a standard deviation of 0.259. Members of the board of directors with accounting expertise have a maximum score of 1.00 and a minimum of 0.00. This means that the maximum number of directors with accounting expertise is 100% of the total board of directors in a company. With an average value of 0.356 or 35.6% and a standard deviation of 0.259. The size of the board of directors has a maximum value of 14 and a minimum of 2. This means that the board of directors has a maximum of 14 members and a minimum of 2 people with an average of 4.76 and a standard deviation of 1,942. This is in accordance with POJK Number33/POJK.04/2014 concerning Directors and Board of Commissioners of Issuers or Public Companies,The company has at least 2 members of the board of directors and 1 of them must be appointed as main director or president director. The existence of independent directors has a maximum value of 0.67 or 67% and a minimum value of 0.00. With an average of 0.131 and a standard deviation of 0.13308. According to the data analysis carried out, it was found that not all manufacturing companies in Indonesia have independent directors. Leverage has a maximum value of2,689 and a minimum of 0.000 with a mean value of 0.447 and a standard deviation of 0.259. The company with the highest leverage value was PT Tiga Pilar Sejahtera Food in 2017.Company size with maximum value orThe highest is from PT Gudang Garam TBK in 2021 with a sales value of Rp. 124,881,266 million, while the lowest company value was PT Eterindo Wahanatama TBK in 2020 with a sales value of Rp. 467 million.

Table 4. Statistical Test Results for Stand-alone Risk Committee Dummy Variables

Dummies	Frequency	Percentage
0= None	510	92.6%
1= Yes	41	7.4%
Total	**551**	**100%**

Source: Secondary Data (2023)

The test results show that more than 7.4% of the research sample companies have risk committees that stand alone and are separate from other company management. Therefore, the majority of manufacturing companies in Indonesia do not yet have an independent risk committee. This conclusion can be drawn from table 4.

Table 5. Statistical Test Results for Audit Quality Dummy Variables

Dummies	Frequency	Percentage
0= None	365	33.8%
1= Yes	186	66.2%
Total	**551**	**100%**

Source: Secondary Data (2023)

The test results show that 33.8% of manufacturing companies use Big 4 audit services, while 66.2% of other companies use non-Big 4 audit services. Therefore, the majority of manufacturing companies in Indonesia use non-Big 4 audit services.

Outlier Test Results

Outlier testing is carried out using*SPSS software*using the Studentized Deleted Residual (SDR) value. Data is declared an outlier if it has an SDR value > 1.96 or < 1.96. In this research, the outlier test was carried out 5 times and produced 129 outliers from 680 research data.

Panel Regression Analysis Results

Before determining which model is appropriate to use for research, researchers previously conducted tests*Chow*and Hausman test. The following are the results of the Chow test and Hausman test:

Table 6. Chow Test Using FEM Estimates

Effects Test	***Statistics***	***df***	***Prob.***
Cross-section F	14.302518	(146,393)	0.0000
Chi-square cross-section	1015.313888	146	0.0000

Source: Eviews Software (2023)

From the results of the table above, it can be concluded that the probability value*chi-square*is 0.0000 or <0.05, then the estimated model that is suitable to use is the Fixed Effect Model (FEM).

Table 7. Hausman Test Using REM Estimates

Test Summary	***Chi-Sq Statistics***	***Chi-Sq df***	***Prob***
Random cross-section	48.340887	11	0.0000

Source: Eviews Software (2023)

From the results of the test table*hausman*above it can be concluded that the probability value is 0.0000 or <0.05, so it can be ascertained that the best estimated model to be used in this research is the Fixed Effect Model (FEM).

Hypothesis Test Results

Hypothesis testing was carried out using the Fixed Effects Model (FEM) based on the results of panel regression analysis. This is done to ensure that the results of data analysis are valid and support the research hypothesis. Whether all independent variables have a positive and significant impact on the dependent variable, it is necessary to carry out a simultaneous test, also known as the F test.

Table 8. F Test Results

Test Summary	***Prob***
Prob (F-Statistic)	0.000000

Source: Eviews Software (2023)

As can be seen in the table, the simultaneous probability value is 0.000000. This shows that there is a simultaneous influence between the independent variables on the dependent variable contained in this research because the probability value is less than 0.05. So it can be concluded that the variables are audit committee effectiveness, board of directors effectiveness, audit committee size, audit committee with accounting expertise, board of directors with accounting expertise, size of the board of directors, independent directors, stand-alone risk committee*,*Audit quality, leverage, and company size simultaneously influence corporate financial crime.

Table 9. t test results

Variable	**Coefficient**	**Prob**	**Results**
Y	-3.075725	0.0000	
X1	5.25E-05	0.9905	No Sig
X2	0.006240	0.0114	Sig+
X3	0.258944	0.0235	Sig+
X4	-0.054998	0.6651	No Sig
X5	-0.005898	0.9638	No Sig
X6	0.001155	0.9293	No Sig
X7	0.308398	0.0012	Sig+
X8	0.033785	0.6556	No Sig
X9	-0.126399	0.0236	Sig -

Source: Eviews Software (2023)

Based on the test results in Table 9, it can be seen that the variables effectiveness of the board of directors, size of the audit committee, effectiveness of the board of directors, and audit quality have an influence on variable Y, namely corporate financial crime. In contrast to the effectiveness of the audit committee, the audit committee with accounting expertise, the board of directors with accounting expertise, the size of the board of directors, and the existence of a stand-alone risk committee do not have any influence on variable Y.

The influence of audit committee effectiveness on corporate financial crimes

The audit committee effectiveness variable has a coefficient value of 0.0000525, which is positive, with a p-value of 0.9905 > 0.05, the effectiveness of the audit committee does not have a significant positive influence on corporate financial crime. So it can be concluded that in this study H1, namely that the effectiveness of the audit committee is negatively related to corporate financial crime, is not proven. The results of this research are in line with the results of previous research conducted byAbdullah and Said (2019), AndPrasetyo (2014), where the effectiveness of the audit committee does not have a significant influence on corporate financial crimes. Whether or not there are many audit committee meetings held within a one year period does not have a significant effect because the results of the meetings are not followed up properly by management and external parties, this makes the meetings held ineffective in minimizing the occurrence of financial crimes within the company.(Ruchiatna et al. 2020).

The Influence of the Effectiveness of the Board of Directors on Corporate Financial Crime

The variable effectiveness of the board of directors has a coefficient value of 0.006240, which is positive, with a p-value of 0.0114 < 0.05, the effectiveness of the board of directors has a significant positive influence on corporate financial crime. So it can be concluded that H2, namely the effectiveness of the board of directors, has a significant negative influence on corporate financial crime, which is not proven. However, in this research, it has a significant positive effect, meaning that in this study, the more frequently the board of directors meetings are held, the more it will influence the company to commit financial crimes. This research is in line with the results of research conducted bySalleh and Othman (2016)who mentioned thatThe more frequently the board of directors meetings are held, it will show that the board of directors knows about the company's activities and can monitor operational activities more clearly. The frequency of meetings held by the board of directors also does not affect the company's resulting profitability(Rahadi & Octavera, 2020).

The Influence of Audit Committee Size on Corporate Financial Crimes

The research results show that the size of the audit committee has a significant positive influence on corporate financial crime. This can be seen from the p-value of 0.0235 < 0.05, with a positive coefficient value of 0.258944. So it can be concluded that H3, namely that the size of the audit committee has a significantly negative effect on corporate financial crime, is not proven. The research results show that the greater the number of audit committee members, the greater the opportunity for corporate financial crimes to occur. From the research that has been carried out, it was found that the results of this research are in line with the results of previous research conducted byAlice and

Christian (2022)AndTulisandewi et al., (2020)which says that the size of the audit committee has a significant influence in a positive direction on corporate financial crime. However, this research is not in line withAbdullah and Said (2019)AndNurliasari and Achmad (2020)which says that the size of the audit committee has a significant negative effect on corporate financial crime.

The Influence of an Audit Committee with Accounting Expertise on Corporate Financial Crime

Research says that the results of the audit committee variable with accounting expertise do not have any influence on financial crime in the company. This is seen from*p-value*amounting to 0.6651 > 0.05, and the coefficient value is -0.054998, which is negative. So it can be concluded that H4, namely that audit committees with accounting expertise have a significant negative effect on corporate financial crimes, is not proven. The results of this research are in line with research conducted byDzaki and Suryani (2020), researchers say that an audit committee with accounting expertise does not influence a company's financial fraud. When the audit committee has capabilities in accounting or finance, the committee will carry out its duties and supervision of financial reports very effectively. However, effective supervision has not been able to reduce indications of fraudulent financial statements. This research is also in line with(Listyawati et al., 2016). However, the results of this study are not in line with research conducted byRuchiatna et al. (2020)AndPrasetyo (2014)which says that effective supervision carried out by the audit committee will reduce the possibility of fraudulent financial reporting being carried out by management.

The Influence of a Board of Directors with Accounting Expertise on Corporate Financial Crime

The variable board of directors with accounting expertise has a p-value of 0.9638 > 0.05, and has a coefficient value of-0.005898. This means that in this study a board of directors with accounting expertise does not have a significant negative influence on corporate financial crime. So it can be concluded that H5, namely that a board of directors with accounting expertise has a significant negative effect on corporate financial crime, is not proven. In this research, the criteria for a board of directors' accounting expertise refers to work experience only, without considering the length of the board of directors' work experience in the field of accounting or finance. The limited work experience of a board member in the field of accounting is considered insufficient to detect financial crimes in a company. This could be a factor in rejecting H5. The results of this research are in line with research conducted byNasir, Ali, and Ahmed (2019)where research states that there is no significant influence between the board of directors and accounting expertise on corporate financial crimes.

The Effect of Board of Directors Size on Corporate Financial Crime

Research shows that the size of the board of directors does not have a significant positive influence on corporate financial crime. This can be seen from the value*p-value*amounting to 0.9293 > 0.05, with a positive coefficient value of 0.001155. So it can be concluded that H6, namely that the size of the board of directors has a significantly positive effect on corporate financial crime, is not proven. The large or small number of members of the board of directors in a company does not guarantee that these members carry out their duties effectively and efficiently, so they cannot limit indications of financial crime in the company. These results are in line with research conducted bySalleh and Othman (2016)This research states that there is no significant influence between the number of board of directors in a company and corporate financial crimes.Ardana & Sany (2021)said that a large board size will lead to greater operating costs and can trigger the issue of free-riders, suboptimal decision making will also reduce the effectiveness of the board. Lack of board effectiveness can be an opportunity for company managers to create false financial reports.

The Influence of Independent Directors on Corporate Financial Crime

The research results show that independent directors have a significant positive influence on corporate financial crime. This can be seen from the p-value of 0.0012 < 0.05, and the coefficient value of 0.308398 which is positive. So it can be concluded that H_7namely that independent directors have a significant negative influence on corporate financial crime is not proven. The results of this research are in line with research conducted byMaharani, Ainiyah, and Nurhandika (2022)who said that independent directors have a negative influence on company financial crimes on the grounds that independent parties are considered to be more assertive in making decisions and examining reports that indicate fraud. However, this is not in line with research conducted byJ. Chen, Fan, and Zhang (2021) states that rookie independent directors or novice independent directors have a significant positive impact on the tendency of corporate fraud on the grounds that novice independent directors are considered to have less incentive to differ in opinions on proposals, thereby weakening the monitoring function within the company.

The Influence of Standalone Risk Committees on Corporate Financial Crime

The research results show that the risk committee variable alone does not have a significant positive influence on corporate financial crime. This can be seen from the p-value of 0.6556 > 0.05, and the positive coefficient value of 0.033785. So it can be concluded that in this study H_8namely that a stand-alone risk committee has a significant negative influence on corporate financial crime is not proven. A stand-alone risk committee is considered unable to minimize financial crime within a company. The performance of the risk committee itself focuses more on the risks experienced by the company, so it discusses more about evaluating the company's performance and internal control as well as resolving the risks that are occurring. The results of research conducted byJumriani et al. (2020)states that the risk management committee has no influence on the company's earnings management practices.

The Influence of Audit Quality on Corporate Financial Crime

Research says that the audit quality variable has a significant negative influence on corporate financial crime. This can be seen from the value*p-value*amounting to 0.0236 < 0.05, and the coefficient value is-0.126399 which is negative. So the conclusion for H9, namely that audit quality has a significant negative influence on corporate financial crime, is proven. Where companies that use Big 4 audit services can further minimize the potential for corporate financial crimes to occur, because Big 4 have the capability and are more experienced in the audit field so they will produce quality audits. The results of this research are in line with research conducted byAlice and Christian (2022)AndHaryani and Syafruddin (2022). However, this is not in line with research conducted byAhmad (2018)that audit quality has no effect on corporate financial crimes, researchers also say that the quality of audits from Public Accounting Firms (KAP) classified as Big 4 does not guarantee that they are better than non-Big 4 KAPs.

CONCLUSION

This research is entitled The Effect of Audit Committee Effectiveness and Corporate Governance on Financial Crime in Manufacturing Companies in Indonesia. The dependent variable is corporate financial crime which is measured using the measurement method*Altman Z Score.*Meanwhile, the independent variables of this research are the effectiveness of the audit committee, the effectiveness of the board of directors, the size of the audit committee, the audit committee with accounting expertise, the board of directors with accounting expertise, the size of the board of directors, independent directors, stand-alone risk committees, and audit quality. The control variables of this research are leverage and company size. The sample from this research is manufacturing companies that are registered on the IDX and have met the criteria. Based on the test and analysis results, several things can be concluded as follows: (1) The effectiveness of the audit committee does not have a significant positive influence on the financial crimes of manufacturing companies in Indonesia. (2) The effectiveness of the board of directors has a significant positive influence on financial crimes of manufacturing companies in Indonesia. (3) The size of the audit committee has a significant positive influence on the financial crimes of manufacturing companies in Indonesia. (4) Audit committees with accounting expertise do not have a significant negative influence on financial crimes of manufacturing companies in Indonesia. (5) A board of directors with accounting expertise does not have a significant negative influence on financial crimes of manufacturing companies in Indonesia. (6) The size of the board of directors does not have a significant positive influence on financial crimes of manufacturing companies in Indonesia. (7) Independent directors have a significant positive influence on financial crimes of manufacturing companies in Indonesia. (8) A stand-alone risk committee does not have a significant positive influence on financial crimes of manufacturing companies in Indonesia. (9) Audit qualityhas a significant negative influenceagainst financial crimes of manufacturing companies in Indonesia.Increasing the effectiveness of the audit committee and corporate governance can have a positive impact on company quality.

One way to improve the quality of a company is by creating company financial reports that are clean and free from fraud through quality human resources within the company

As for suggestions from researchersFor further research, we will further explore the context of independent risk committees regarding the occurrence of fraud, because researchers feel that there are still few articles or writings that address this context. Researchers also suggest that future research consider the length of work experience in the accounting field as a variable that leads to the influence of accounting expertise on corporate financial crimes. In addition, future researchers need to confirm that their research samples are commonly found in the financial or annual reports of companies listed on the IDX, because not all company reports on the IDX publish complete company information.

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