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Fraud Detection Using Fraud Triangle Theory Moderated by Audit Committee: Evidence from Indonesia

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Abstract
This research combines three aspects of triangle fraud theory, which are: financial target, nature of the industry, and total accrual to total assets. The audit committee acts as a moderator, weakening the relationship between triangle fraud theory and FFS. The population of this research consists of 30 real estate companies listed on the Indonesia Stock Exchange between 2018 and 2022. Secondary data was collected from the companies' financial/annual reports and financial regulations and practices from leading institutions. Purposive sampling was used in real estate companies in Indonesia to collect 150 analysis units with panel data regression as a method of analysis. The findings of this research show that the REC variable has a strong positive significant influence on FFS. However, the ROA and TATA variables do not affect FFS because the results are insignificant. The audit committee can weaken the relationship between the REC and FFS variables. However, the audit committee cannot eliminate the correlation between ROA and TATA factors with FFS.
Keywords: Audit Committee, Financial Statement, Fraud, Real Estate, Triangle Theory

Introduction

Fraud is one of the significant factors contributing to financial crises. Recurrent financial crimes in the private sector have a detrimental impact on economic expansion. Public distrust in the role of auditing and accounting professionals arises due to numerous global financial scandals that have occurred since 2000, with extraordinary effects capable of crippling international economic activities (Cheliatsidou et al., 2023).

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Globally, according to Price Waterhouse Coopers's survey, 30% of the companies surveyed have fallen victim to fraud. This research also indicates that the internal management of companies commits 80% of fraud. According to Sánchez-Aguayo et al. (2021), company fraud occurs due to the company's lack of internal control mechanisms.

The company's audit committee's lack of internal control mechanisms can lead to fraud. According to Kleinman et al. (2020), weak internal controls can cause auditors to fail to establish relationships between interrelated evidence that could alert them to the possibility of material fraud. Furthermore, focusing on one issue and sacrificing others can lead to neglect of crucial details, and issues like budgetary pressures and time constraints can hinder the collection of the best available evidence. Another area that needs to be addressed relates to the increasing complexity of transactions that may provide opportunities for management to conceal information from auditors.

Fraud-related research is multidisciplinary research involving sociology, criminology, psychology, accounting, and finance. This research will specifically focus on accounting and finance fraud, particularly in Indonesia's real estate sector. A report from the *Association of Certified Fraud Examiners* (A.C.F.E., 2022) reveals that financial statement fraud accounts for 43% of the total median loss, making it the highest loss due to fraud, far surpassing losses caused by commonly occurring corruption-related fraud, which stands at 16%. Based on data from 41 reported financial statement fraud cases, it resulted in an average financial loss of Rp 7 billion (Corelogic, 2023).

According to Achmad et al. (2022), financial statement fraud occurs when accounting records and supporting documents are altered, falsified, or manipulated to produce false financial statements. This includes intentional omissions, misrepresentations, or the concealment of information, events, or transactions that could affect the presentation of financial statements.

Companies try to address fraudulent practices, including establishing an audit committee. The audit committee plays a crucial role in addressing the three components of the fraud triangle theory. The triangle theory proposed by criminologists (Cressey, 1954) states three main motives underlying fraud: pressure, opportunity, and rationalization. The audit committee serves as a moderating factor in this research. The importance of the audit committee as a moderating variable in the correlation between the fraud triangle theory and financial statement fraud is highlighted by research findings from (A.C.F.E., 2022), where internal control violations caused 29% of fraud cases, while 20% were due to negligence towards existing controls.

The primary task of the audit committee is to facilitate management oversight by supervising the presentation of the company's financial statements by *Financial Services Authority Regulation* (*O.J.K.) Regulation No. 55/POJK.4/2015*. The audit committee is also responsible for detecting fraudulent activities to ensure that the company's financial statements are reliable and remain relevant to consumers. Despite the existence of audit committee institutions, fraudulent activities against financial statements still occur frequently. According to Cheliatsidou et al. (2023), four factors hinder auditors from detecting fraud: errors in the audit process, the institutional strength of the audit committee within the company, auditor incentives, and auditor experience. The audit committee will provide regular reports on findings and efficiently inform company management if there are indications of issues, including fraud (Ghaisani et al., 2022).

Research by Nugroho and Diyanty (2022) has proven that the audit committee has demonstrated that continuous monitoring of managers can reduce the pressure to manipulate financial statements and reduce managers' tendency to exploit opportunities for financial statement fraud. This statement contradicts research by Ghaisani et al. (2022), which found that the audit committee cannot moderate the relationship between the pressure and opportunity variables but is more effective in moderating the relationship between rationalization and financial statement fraud. The presence of the audit committee is still considered crucial in minimizing financial statement fraud and ensuring that management makes sound decisions. The differences in findings between studies indicate the complexity of the audit committee's role in preventing financial statement fraud.

Pressure in finance and accounting is defined as financial targets. Ozcelik (2020) asserts that organizations often face demands to achieve increasing financial targets, leading to increased pressure on employees and management. This can increase the likelihood of financial reporting fraud, especially among executives experiencing pressure from higher-level management to meet budgetary goals. Opportunity in finance and accounting is defined as the nature of industry. The nature of the industry refers to the ideal conditions that should be created by a company when conducting its activities within a particular industry (Alyani et al., 2023). An essential component in understanding the nature of the real estate industry is analyzing trade receivables reports. Research conducted by Indrati and Claraswati (2021) explains that an increase in management's inclination to commit financial statement fraud is caused by the company's trade receivables, which have also increased compared to the previous year. Rationalization in finance and accounting is defined as total accrual to total assets. Ghaisani et al. (2022) stated that financial statement fraud occurs when there is an increase in revenue and a decrease in accrual expenses.

This research offers a comprehensive analysis of how the audit committee impacts the elements of the fraud triangle theory. It serves as the foundation for a deeper understanding of how the audit committee helps reduce the risk of financial statement fraud.

Fraud

Fraud, as defined by Cressey (1954), refers to violating a previously considered reliable "financial trust" position. Although their actions contradict an individual's moral principles, fraudsters can justify their behaviour.

Fraudulent Financial Statement

As explained in the book of *Ethics and Sustainability in Accounting and Finance* (Bachev, 2021), financial statement fraud is one form of fraud committed by senior or top management. This includes the forgery or omission of information in financial statements intentionally to mislead, deceive, and harm stakeholders, including investors, creditors, auditors, and other interested parties.

Triangle Fraud Theory
The triangle theory proposed by criminologist Cressey (1954) states three main motives underlying fraud: pressure, opportunity, and rationalization. "Pressure" refers to financial or emotional pressures that drive individuals or groups to engage in fraudulent activities, such as being burdened by debt, addiction, or desiring a better quality of life. "Opportunity" refers to the circumstances in which individuals or groups have the means to exploit resources for personal gain without being detected. "Rationalization" refers to the internal justification process undertaken by an individual to convince themselves that the fraudulent actions they are committing are acceptable or even necessary.

Audit Committee
Two additional members who are not company employees and at least one independent commissioner form the audit committee. According to Nugroho and Diyanty (2022), the audit committee has a strategic advantage in reducing the likelihood of financial statement fraud by management. In the *Financial Services Authority Regulation* (O.J.K.) No. 55/POJK.04/2015, the Indonesian government defines the audit committee as a committee established, accountable to the Board of Commissioners, and supporting the Board of Commissioners in discharging its responsibilities. It is stated in Article 4 of the Government Regulation (P.P.) that audit committee must have three or more members, independent commissioners, and third parties not associated with the issuer or public company.

Hypothesis Development
Financial Target and Fraudulent Financial Statement
The company is always trying to achieve higher financial targets, which puts pressure on workers and management. The return on assets (ROA) serves as a proxy for financial targets, indicating operational effectiveness. According to (Anisykurlillah et al., 2023), low profit margins in companies gives pressure on management to meet profit expectations, potentially leading to financial statement fraud. Management strategies seek to improve performance, particularly over the last year, in response to increasing pressure to meet obligations. The fraud triangle analysis demonstrates that pressure, as represented by ROA, has a significant positive impact on financial statement fraud (Ahmadiana & Novita, 2018; Yunus et al., 2019). Management is accountable for improving the company's performance while adhering to established regulations, which results in low profit levels and positive investor feedback.

Sunardi and Amin (2018) stated that there is a positive influence between the ROA ratio and the likelihood of fraud. If the anticipated return on assets (ROA) goals are unmet, individuals may be incentivized to act in financial statement fraud to achieve desired outcomes. Using this approach, it can be concluded that there will be an increase in financial statement fraud when financial targets increase. This hypothesis is supported by previous research (Yunus et al., 2019; Wahyuningrum & Iswajuni, 2020; Anisykurlillah et al., 2023; Naldo & Widuri, 2023; Yarana, 2023).

H_1: Financial target has a significant favorable influence on fraudulent financial statement.

Nature of industry and fraudulent financial statement
The nature of industry refers to the ideal conditions companies should create when conducting their activities within a specific industry (Alyani et al., 2023). An essential

component for understanding the nature of the real estate industry is analyzing reports on trade receivables. Trade receivables in financial reporting are subject to specific regulations by companies. As illustrated by Sari et al., (2023), uncollectible receivables are an example of components that can be manipulated. Accounts receivable is often manipulated in financial statements because they are adjustable and controllable in quality by the company (Siswanto et al., 2022).

Firms depending on estimates to size accounts are exposing themselves to significant risks, especially when management connects with subjective considerations to make it easier for financial statement fraud to take place. Nature of industry has been developed due to unreliable accounting and accounting rules environment often made companies subjects to figure manipulation based on management's assumption of the use of an appropriate account, this account is the account receivable ratio (REC). As an illustration, when there is high turnover in sales, management might manipulate to decrease receivables in financial reports (Aprian et al., 2023).

Previous studies conducted by (Khamainy et al., 2022; Aprian et al., 2023; Natalia & Kuang, 2023; Nusantara & Kuntadi, 2023; Sari et al., 2023) indicate that an increase in trade receivables compared to the previous year can indicate financial statement manipulation by company management. It is proven that companies can determine how receivables are presented in their financial statements. Therefore, an increase in trade receivables may lead to the possibility of company management manipulating financial statements.

H_2: The nature of industry has a significant favorable influence on fraudulent financial statement.

Total accrual to total asset and fraudulent financial statement

Subjective elements influencing assessing a company's accrual value are part of management rationalization actions (Fouziah et al., 2021). In addition to serving as a management decision-making instrument, accruals can justify financial reporting (Ghaisani et al., 2022). The possibility of fraud occurring in financial statements arises when there is an increase in revenue and a decrease in accrual expenses. Research by (Nusantara & Kuntadi, 2023) revealed a substantial and positive relationship between total accrual to total asset and occurrences of financial statement fraud. The accrual value will reflect the company's subjective assessments and decisions. Rationalization is a thought that justifies one's actions as reasonable and morally acceptable in a normal society.

Management uses total accruals to total asset as a primary indicator to monitor financial statements, ensure accuracy, and prevent manipulation. The findings of (Natalia & Kuang, 2023) study revealed a positive between rationalization and financial statement fraud. They are implying that the use of the accrual principle demonstrates management's rationalization for committing fraud. This is accomplished by increasing the company's profits using the principle of unearned income recognition. In conclusion, financial statement fraud will increase with an increasing of total accruals to assets. This is in line with the previous research by (Mappadang & Yuliansyah, 2021; Ghaisani et al., 2022; Natalia & Kuang, 2023; Nusantara & Kuntadi, 2023; Yarana, 2023).

H_3: Total accrual to total asset has a significant favorable influence on fraudulent financial statement.

Audit committee and financial target

Managers strive to keep the company running smoothly to achieve its financial targets. The audit committee can enhance its oversight of management performance while providing accurate and thorough business reports (Sugita, 2018). According to Sunardi and Amin (2018), there is a positive correlation between the ROA ratio and the likelihood of an event occurring. In other words, the higher the ROA ratio, the greater the likelihood of an incident occurring. Increasing ROA, which indicates the return on resources the company uses, provides management the potential to engage in fraud in financial reporting.

Audit committee overseeing management activities serves as a deterrent to fraudulent profit manipulation to achieve financial goals (Nikmah & Arjoen, 2023). This assertion is supported by backed by empirical evidence from Rianto et al. (2021), explaning that the presence of an audit committee can reduce the likelihood of financial reporting among involved parties. According to Rianto et al., (2021), financial targets are established based on management's efforts to improve company performance to achieve corporate goals. ROA can represent assets exploited by altering profitability to attract investors and increase stock value. This complicates management's ability to manipulate company profits as the audit committee can uncover their illegal actions. Based on previous research analysis by (Santoso, 2019; Rianto et al., 2021; Raditya & Iskak, 2022; Nikmah & Arjoen, 2023; Sukma & Daswan, 2023), it can be concluded that the audit committee is able to mitigate the impact of financial reporting disruptions due to manipulative actions applied by management to achieve the company's financial goals.

H_4: Audit committee can weaken the relationship between financial targets and fraudulent financial statement.

Audit committee and Nature of industry

Financial statement fraud may depend on a company's industry. According to Ramos & West (2003), certain company receivables are highly susceptible to manipulation and can provide a good indication of the company's financial well-being. According to Indrati and Claraswati (2021), when a company's receivables increase compared to the previous year, the opportunity for management to manipulate financial statements also increases. The formation of an audit committee signifies adequate oversight of the presented financial statements. Consequently, the accuracy of the audit committee and financial reporting may result in a decrease in the likelihood of fraud. The audit committee's lack of conflict-of-interest detection when preparing financial statements allows managers to exploit opportunities to manipulate the company's financial statements for their interests (Sari et al., 2022).

The purpose of the audit committee's existence, as stated by Sari et al. (2023), is to protect management-provided financial reporting from false financial statements, with a specific emphasis on company receivables. Several studies (Mardiani et al., 2017; Nugroho & Diyanty, 2022; Sari et al., 2022; Sari et al., 2023; Yosephine & Marheni, 2023) support this hypothesis. Research shows that the audit committee can reduce the correlation between the nature of industry and financial statement fraud.

H_5: Audit committee can weaken the relationship between the nature of the industry and fraudulent financial statement.

Audit committee and total accrual to total asset

As part of corporate governance, the audit committee assists the board of commissioners in overseeing business operations and minimizing rationalization factors that can lead to financial statement fraud, especially related to the company's total accrual component (Thamlim & Reskino, 2023). The expertise of the audit committee can strengthen managerial oversight and prevent certain circumstances, mainly when management uses excessive accruals to justify financial reporting. According to research Boboy et al., (2022), the audit committee may need help to directly observe rationalization as it is a highly subjective and internal factor that can be manipulated by those making errors.

Rianto et al. (2021) emphasize that the audit committee regulates the influence of TATA on financial statement fraud. Additionally, audit committee members often participate in management accrual decisions, thus reducing the committee's role in rationalizing financial statement fraud. There is a possibility that accrual decisions will result in misleading financial statements for each alternative method. This assumption is supported based on (Rianto et al., 2021; Ghaisani et al., 2022; Lauwrens & Yanti, 2022). This leads to the theory that the audit committee can weaken the relationship between total accruals and total assets (TATA) with financial statement fraud.

H_6: The audit committee can weaken the relationship between total accrual to total asset and fraudulent financial statement.

Data Source and Search Strategy

The respondents of this research consist of real estate companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2022 in the form of secondary data. The sampling technique used is purposive sampling, considering specific criteria, including (1) Real estate companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2022; (2) Companies that have completed annual report data for the years 2018 to 2022; (3) Companies that provide data related to variables in the research. The independent variables studied in this research include pressure, represented by financial targets; opportunity, represented by the nature of the industry; and rationalization, represented by total accruals to total assets. This research tests the impact of the audit committee on the triangle fraud theory related to financial statement fraud.

Secondary data is obtained from company financial/annual reports and regulations and financial practices from leading institutions. There are a total of 30 real estate companies in Indonesia listed on the Indonesia Stock Exchange (IDX), and a sample of 150 is obtained by applying purposive sampling method to these populations of companies. These are the following standards and justifications:

Table 1
Data Sampling Criteria

No.	Criteria	Total
1	Real estate companies recorded in Indonesia Stock Exchange (IDX) 2018-2022	89
2	Companies that didn't publish complete annual reports from 2018-2022	43
3	Companies that didn't provide data related to variables in research	16
4	The number of real estate companies that meet the criteria as a sample	30
5	Research year period (2018-2022)	5
	Total analysis data (number of companies x research year period)	150

The operational description of the research, along with its concise formulas, are presented in Table 2:

Table 2
Operational Descriptive

Variable	Measurements	Scale	Source
Fraudulent Financial Reporting	*Beneish M-Score = Code 1 if value > -2.22; otherwise, code 0 if value < -2.22.*	Amount	(Beneish, 1999)
Pressure (Financial Target)	$ROA = \frac{Net\ Profit}{Total\ Asset}$	Ratio	(Achmad,et al., 2022)
Opportunity (Nature of Industry	$Receivables = \frac{Receivable(t)}{Sales(t)} - \frac{Receivables\ (t-1)}{Sales(t-1)}$	Ratio	(Skousen et al., 2008)
Rationalization (TATA)	$TATA\ (Total\ accruals\ to\ total\ asset) = \frac{(Operating\ Profit\ -\ Operating\ Cash\ Flow)}{Total\ Asset}$	Ratio	(Beneish et al., 2012)
Audit Committee	The number of audit committees in the company	Amount	(Sari et al., 2022)

Results and Discussion

The findings of descriptive statistical research, which provide a summary of the variables studied, are as follows:

Table 3
Descriptive Statistics

Variable	Minimum	Maximum	Mean	Standard Deviation
FFS	0	1	0.39	0.489
ROA	-186	277	0.925	62.826
REC	-6736	4288	7.07	760.437
TATA	-233	187	5.89	44.791

Source: Data processed (2024)

Table 2 shows an increase in the company's receivables compared to the previous year. Consequently, this will provide more significant opportunities for management to manipulate financial reports (Indrati & Claraswati, 2021). This claim is supported by descriptive statistical findings for the variable "receivables" (R.E.C.), which show the highest average value of 7.07 compared to other variables. The fact that there is a wide range between the minimum and maximum values of -6736 and 4288, as well as a significant standard deviation of 760.437, is evidence that the organization's receivables exhibit a high level of volatility. The company's receivables play a crucial role in the financial performance of the company and deserve thorough investigation.

Table 4
t Test

Hypothesis	Variable	Coefficients	P>|z|	Conclusion
H1	ROA	-11.055	0.133	Rejected
H2	REC	5.911	0.008	Accepted
H3	TATA	4.572	0.621	Rejected
H4	ROA_AC	3.916	0.112	Rejected
H5	REC_AC	-1.958	0.008	Accepted
H6	TATA_AC	-0.620	0.843	Rejected

Source: Data processed (2024)

A t-test is employed to examine disparities in financial statement fraud by comparing independent variables (stimulus, opportunity, rationalization, capability, collusion, ego) and the moderating influence of the audit committee. This t-test analysis illustrates the influence of these factors and the moderating effect of the audit committee by assisting in determining if there are notable variations in the incidence of fraud caused by these factors.

Financial Target dan Fraudulent Financial Statement

The hypothesis suggests that financial targets do not significantly influence financial reporting fraud, as the p-value of 0.133 is greater than the significance level of 0.05. Thus, H1 is rejected. Return on Assets (ROA) can be one of the performance evaluation metrics. Therefore, setting achievable Return on Assets (ROA) targets does not encourage financial reporting fraud. Profitability growth does not inherently indicate fraudulent activities, as operational improvements such as technological advancements, skilled personnel utilization, and efficient problem-solving approaches by board members may cause it. These research findings are in line with (Achmad et al., 2022; Handoko & Tandean, 2021; Siswanto et al., 2022), but contradict with previous studies conducted by (Naldo & Widuri, 2023; Yarana, 2023).

Nature of Industry and Fraudulent Financial Statement

The second hypothesis asserts that the nature of the industry has a significantly positive influence on financial statement fraud, with a significance value of 0.008, much lower than the significance level of 0.05. Thus, H2 can be accepted. This indicates that the industry in which a real estate company operates can impact the company's potential financial reporting conditions. Upper management can influence financial reporting by subjectively evaluating certain accounts (Ariyanto et al., 2021). Strict control and supervision policies are required within the organization to address this issue. The lack of adequate control implementation will increase the likelihood of fraudulent activities.

Research by (Indrati & Claraswati, 2021; Khamainy et al., 2022; Sari et al., 2022, Sari et al., 2023) supports the findings of this hypothesis. An increase in company services can indicate a low cash turnover rate, as the number of services provided reduces the volume of business operations. Money manipulation can result from a shortage of funds, but a sharp increase in company receivables can also mark financial instability. To attract investors, companies may manipulate receivables to address difficult-to-obtain loans and high financial needs. This action gives a negative impact on the company's financial reports.

Total Accrual to Total Asset and Fraudulent Financial Statement
The relationship between total accrual and total assets does not have a statistically significant positive impact on the financial reporting condition, as indicated by this hypothesis. This is evidenced by a p-value of 0.621, above the predetermined significance level of 0.05. Therefore, H3 is rejected. Real estate companies often implement anti-fraud protocols and employ expert internal and external auditors to ensure compliance. This can reduce the likelihood of fraud originating from rationalization. There is also a possibility that companies do not decide to produce financial reports solely based on their total accruals to total asset. Management policies that use rationalization to justify the manipulation of results are severe, indicating their high level of integrity. A solid cultural integrity among all employees significantly reduces the likelihood of fraudulent actions. These research findings are consistent with previous studies conducted by (Anisykurlillah et al., 2023; Fouziah et al., 2021; Mukaromah & Budiwitjaksono, 2021) which indicates that a rise in total accruals to total asset ratio doesn’t significantly mean that there is an act of fraudulent financial statement in that company.

Audit Committee and Financial Target
The findings indicate that the p-value of 0.112 exceeds the predetermined significance level of 0.05. As a result, H4 is rejected. It is proven that the audit committee cannot mitigate the influence of financial targets on financial statement fraud. The audit committee assists the board of commissioners in overseeing corporate activities, specifically focusing on financial reporting and its duties. However, because these activities are usually concealed from the audit committee, the presence of the audit committee does not guarantee that it will be able to prevent and minimize the impact of ambitious or conservative financial goals that may lead management to engage in financial statement fraud. These research findings are consistent with previous studies (Januanto, 2018; Thamlim & Reskino, 2023), indicating that the presence of an audit committee cannot mitigate financial statement fraud.

Audit Committee and Nature of Industry
The obtained probability values are below the significance level (0.008 < 0.05). This indicates that the variables have a significant and robust relationship. The results indicate that the audit committee can reduce the correlation between financial reporting fraud and the nature of the industry; therefore, H8 is accepted. As research shows, the audit committee plays a crucial role in mitigating conflicts of interest among managers in preparing financial reports (Nugroho & Diyanty, 2022). When managers feel a lack of control within the organization, they may seize the opportunity to falsify company financial reports for personal gain. Thorough supervision of financial report production by the audit committee can deter managers who may be inclined to engage in fraudulent activities in financial reporting.

Similarly, Sari et al. (2023) found that including an audit committee indicates successful monitoring and review of presented financial reports. The assessment of company receivables by its audit committee is good, thus reducing the likelihood of fraudulent activities. Previous studies conclusions are strengthened by this research's findings (Mardiani et al., 2017; Nugroho & Diyanty, 2022; Sari et al., 2022; Yosephine & Marheni, 2023). These studies confirm that the audit committee can mitigate the nature of industry on the occurrence of financial reporting fraud.

Audit Committee and Total Accruals to Total Asset

The research findings indicate that the p-value of 0.843 exceeds the significance level of 0.05. Therefore, the audit committee must refrain from mitigating the total impact of accruals on total assets regarding the financial reporting conditions, as H9 is rejected. The audit committee is fully responsible for overseeing how management applies accrual principles. Indirectly rationalizing is a challenging task. If rationalization is reviewed for reasons other than financial reporting fraud, the audit committee will struggle to detect whether the accrual principles are used (Boboy et al., 2022). Additionally, the main issue lies in the managers' lack of confidence that their fraudulent actions are correct or acceptable; therefore, when they engage in financial reporting fraud, they do not think twice about the motivations behind their actions (Nugroho & Diyanty, 2022). The results of the findings are in line with (Indriyani & Suryandari, 2021; Boboy et al., 2022; Thamlim & Reskino, 2023) which stated that the audit committee was unable to weaken the relationship between total accruals to total asset and fraudulent financial statement but contradict to the research by (Rianto et al., 2021; Ghaisani et al., 2022).

Conclusions and Limitations

The results of descriptive statistical analysis and hypothesis testing on the research data reveal significant findings regarding the factors influencing financial reporting fraud in real estate companies. Financial statement manipulation is more likely to occur in companies with a significant increase in receivables compared to the previous year. The hypothesis testing results indicate a statistically significant correlation between the nature of the industry characteristics and the occurrence of financial reporting fraud. However, financial targets and total accrual to total assets are relatively insignificant in the financial reporting fraud. The findings suggest that the audit committee can supervise and integrate elements, including the nature of the industry, into the financial reporting fraud. However, the audit committee cannot alter the relationship between financial target and total accrual to total assets towards financial reporting fraud.

The audit committee oversees and monitors activities that may lead to fraud. Therefore, it is essential to implement measures that enhance internal controls and ensure adequate oversight to mitigate the risk to the integrity of financial reporting in the real estate sector, mainly related to the nature of the industry or industry characteristics within the real estate sector. As a result, practitioners and corporate decision-makers can utilize the insights gained from this research to implement more effective risk mitigation strategies and enhance overall organizational oversight.

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module for adolescents, benefiting executors, NGOs, family institutions, and any organization in the civil community.