

# *The Effect Of Institutional Ownership, Internal Audit Organization Status, And Audit Committee On Fraud Prevention With Political Connection As Moderating Variable*

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**Abstract** - This study aims to examine the effects of institutional ownership, internal audit organization status, and audit committee on the frequency of audit committee meetings on fraud prevention, with a moderating variable of political affiliation. The study's sample consisted of 32 mining sector businesses that were listed on the Indonesia Stock Exchange between 2020 and 2024, using the Purposive Sampling technique. Secondary data was taken from the websites of individual firms and the Financial Statements and Annual Reports of Mining firms that were posted between 2020 and 2024 on the Indonesia Stock Exchange's official website ([www.idx.co.id](http://www.idx.co.id)). The analysis method used in this study is known as Moderated Regression Analysis (MRA). The following are the study's conclusions: 1) Institutional ownership greatly enhances the ability to avoid fraud, 2) The status of the internal audit organization has a significant benefit for fraud prevention, 3) The frequency with which the Audit Committee meets has an adverse effect on fraud prevention, 4) Political connections can lessen the negative effects of institutional ownership on fraud prevention, 5) The influence of Internal Audit Organization Status may be lessened by the connection between Political Connection and Fraud Prevention, 6) Political Connection is not able to minimize the influence of the Audit Committee on the Frequency of Audit Committee Meetings on Fraud Prevention.

**Keywords** - Institutional Ownership, Internal Audit Organization Status, Audit Committee, Political Connection, Fraud Prevention

## I. INTRODUCTION

Fraud, according to the Association of Certified Fraud Examiners (ACFE), is an activity that relies on deception to gain an advantage, including data manipulation and embezzlement of funds, which can harm others. Combating fraud before it occurs is vital to company continuity, this requires cooperation from the audit committee, the board of directors, and the auditors [1]. As per the Treadway Commission's Committee of Sponsoring Organizations (COSO), fraud prevention is the responsibility of all members of the organization and should be an integral part of internal control, designed to ensure operating effectiveness and compliance with laws [2].

Fraud cases are on the rise, often involving powerful individuals, and arise from the drive to present attractive financial statements to investors [3]. The ACFE 2024 report divides fraud schemes into three categories: asset misappropriation (89% of incidents), financial statement fraud (5%), and corruption (48%). Financial statement fraud resulted in the biggest median loss per case, reaching USD 766,000, while asset misappropriation had the lowest median loss of USD 120,000 [1].

In Asia Pacific, corruption cases ranked 4th with 56%, and Indonesia ranked 3rd with 25 fraud cases. ACFE reports that the industry with the largest median loss is mining, reaching USD 550,000. PT Timah corruption cases, resulting in 271 trillion IDR in losses for the state, and the case of bribery for mining business license in North Tapanuli, as well as the procurement of coal for

the Suralaya power plant, show the prevalence of corrupt practices. The emergence of these fraud cases has a negative impact on public and investor confidence and the credibility of the accounting profession. Early detection of fraud is very important to prevent loss of company credibility and financial difficulties [4]. The causes of fraud in

financial statements can often be explained through agency theory, it implies that the principal and the agent have a conflict of interest [5].

The corporate governance system's job is to assess and keep an eye on the performance of businesses to create value and protect stakeholder interests [6]. The implementation of governance is necessary to balance power between stakeholders, including shareholders and management [5]. Institutional ownership can reduce the selfish behavior of managers through more intensive supervision, suppressing fraudulent financial statements [7].

People with political clout typically lead unscrupulous companies because they have easier access to resources and are shielded from dishonest business practices. Strong political connections can create incentives for company directors and management to act unethically, potentially through actions that violate ethical or legal standards [8]. Internal auditors must be independent to provide neutral assessments, and the auditor's organizational status greatly affects his objectivity. The use of internal auditors can improve audit efficiency, but external auditors need to evaluate the quality of their work [9].

The audit committee has an important function in overseeing the administration of the company and is regulated by OJK to maintain good governance [10]. An audit committee must have three members minimum to be established, including the chairman who comes from an independent commissioner (SE-008/BEJ/12-2001). A relevant audit committee characteristic is the frequency of meetings, which must be held at least once every three months, to improve the effectiveness of supervision.

This study differs from the study of Dina, A. A., Taqi, M., and Mulyadi, R. (2023), which examined the mining industry with political connections and used the frequency of audit committee meetings. This study also adds institutional ownership variables, which according to Arthur, S. A. (2023) political connections strengthen the positive relationship to financial statement fraud. Kartika, D., & Setawati, D. (2024) found that institutional ownership is influential in preventing fraud, although Ashilah, D., Qintharah, Y. N., & Fajarwati, D. (2023) argued otherwise. Dina, A. A., Taqi, M., and Mulyadi, R. (2023) used a rating scale for internal audit organization status, while Kabuye, F. et al. (2017) used a questionnaire. Research by Sakinah, D. A. et al. (2023) shows that there is a relationship between the quantity of audit committee meetings and as opposed to Siregar, A. T., & Amirya, M. (2024) who did not find this effect. This difference indicates the need for further research.

## II. THEORY

### The Effect of Institutional Ownership on Fraud Prevention

According to Jensen and Meckling (1976), institutional ownership can be used as a strategy to lessen agency disputes and improve the efficiency of supervision inside the organization. The larger the institutional ownership, the more effective the supervision in preventing fraud. Conversely, low ownership increases the risk of fraud. Research shows that more shares owned by institutions increase the effectiveness of managers in preventing fraud in financial statements [11]. Furthermore, institutional ownership has a good effect on financial statement integrity, which is crucial for preventing fraud because accurate reports limit the opportunity for fraud prevention [12]. In light of this, the following hypothesis is put forth:

H1 : Institutional ownership has a positive effect on fraud prevention

### The Effect of Internal Audit Organization Status on Fraud Prevention

Agency theory states that the partnership between owners and managers often leads to conflicts of interest that require close supervision. In this case, internal auditors with the right status and competence are critical to managing fraud. Internal auditors with strong standing and expertise tend to conduct effective oversight, so regulators should prioritize internal audit competency and status [13]. The study states that internal audit that has appropriate status and good competence can manage fraud well. In addition, research by Bonrath, A., & Eulerich, M. (2023) confirms that the involvement of the internal audit function with management increases fraud prevention and detection activities. This leads to the formulation of the research hypothesis, which is

as follows:

H2 : Internal Audit Organization Status has a positive effect on fraud prevention.

### **The Effect of Audit Committee Meeting Frequency on Fraud Prevention**

The audit committee is tasked by the principals with ensuring the accuracy and dependability of the financial statements. With regular meetings, committee members can discuss internal controls, evaluate financial statements, and oversee audits to prevent fraud by managers [14]. A less active audit committee cannot supervise management efficiently, while a proactive one will be more effective [15]. According to research, the regularity of audit committee meetings increases the caliber of financial reporting. High quality reports are important to identify and prevent potential fraud [16]. The following is the formulation of the research hypothesis based on this description:

H3 : Frequency of Audit Committee Meetings has a positive effect on fraud prevention **Political Connection Moderates the Effect of Institutional Ownership on Fraud Prevention**

Institutional ownership is crucial for tracking and assessing business performance, as significant shares allow for better control [17]. This oversight is important, as institutional investors rely on financial information to evaluate and allocate capital [18]. Accurate and stable earnings can improve the market's predictive valuation of the company. The company's political connections can be utilized to establish relationships with external institutions, such as the government [5]. Research by Rampay, A. S., & Subekti, I. (2023) shows that political connections weaken supervision by institutional investors, open up opportunities for fraud, and reduce the effectiveness of corporate governance mechanisms. This aligns with studies conducted by Darmayanti, Y., Rifa, D., & Khairia, I. (2021). In light of this explanation, the following formulation of the research hypothesis is made:

H4 : Political Connection can moderate the effect of Institutional Ownership on fraud prevention.

### **Political Connection Moderates the Effect of Internal Audit Organization Status on Fraud Prevention**

Companies with political connections get various benefits, such as ease in obtaining government projects, reduced tax burden, and access to bailout funds when experiencing financial difficulties (Astuti, Taqi, M., & Mulyadi, R., 2023). According to agency theory, when the principal is not as involved in management, agency conflicts occur, thus delegating authority to the agent, which can create opportunities for fraud (Wulandari, 2018). Research by Dina, A. A., Taqi, M., and Mulyadi, R. (2023) demonstrates how political connections may mitigate the effect of internal audit organization status on fraud prevention. This explanation allows for the formulation of the research hypothesis, which is as follows:

H5 : Political Connection can moderate the effect of Internal Audit Organization Status on fraud prevention.

### **Political Connection Moderates the Effect of Audit Committee Meeting Frequency on Fraud Prevention**

Agency conflicts arise when the principal is less strict in preventing fraud. According to agency theory, the board of commissioners established the audit committee as a body to supervise the corporation's operations, thus serving as a liaison between shareholders and management in control issues [13]. Research shows that companies with political connections that do not exploit these relationships tend to produce high quality financial reporting. Sakinah,

D. A. et al. (2023) determined that one factor that improves fraud prevention is the frequency

of audit committee meetings. Furthermore, Astuti, Taqi, M., & Mulyadi, R. (2023) discovered that the influence of audit committee features on efforts to prevent fraud can be strengthened by political ties. This justification makes it possible to formulate the following research hypothesis:

H6 : Political Connection can moderate the effect of Audit Committee on fraud prevention

## **III. RESEARCH METHODS**

In order to ascertain the relationship and impact of two or more variables on other variables, experiments on hypotheses are

conducted as part of the quantitative approaches used in this research. The documentation approach is used in this study's data collection process. The documentation method is a means of keeping track of past events. It is put into practice by collecting and reviewing corporate data, particularly yearly financial reports that auditors from Indonesian mining companies listed on the Indonesia Stock Exchange (IDX) have reviewed for the 2020–2022 timeframe.

### Population and Sample

55 industry groupings related to mining are listed on the Indonesia Stock Exchange (IDX), making up the population. Over the course of a four-year study period, 32 companies were sampled. A final sample of 128 observational data points was gathered.

### Variables and Variable Operational Definition

#### a) Fraud Prevention (Y)

The dependent variable under investigation in this study is the application of the fraud score model to prevent financial statement fraud. The F-Score model is the sum of two factors: accrual quality and financial success. The following is the formula's explanation:

$$F - SCORE = \text{Accrual Quality} + \text{Financial Performances}$$

#### b) Political Connection (Z)

The degree of a company's relationship with the government that is considered political is called political connection [19]. In this study, political connectedness is examined using dummy variables. If the company meets one of the political connection criteria, a value of 1 is given. If the company does not meet one of the political connection criteria, a value of 0 is given.

#### c) Institutional Ownership (X1)

The quantity of company shares held by organizations or institutions is known as institutional ownership [20]. The percentage of a company's outstanding shares that are owned by institutional entities is a widely used metric to evaluate institutional ownership.

$$KI = \frac{\text{Jumlah saham yang dimiliki institusi}}{\text{Total keseluruhan saham}} \times 100\%$$

#### d) Internal Audit Organization Status (X2)

Examine the organizational structure of the corporation to ascertain the internal audit organization's current state. The purpose of this is to ascertain where the internal audit function falls within the organizational structure of the business. Soekrisno Agus (2016) proposed the following theory, which is the basis for measuring this variable:

Description	Scale
Internal Audit is a staff of the President Director	1
Internal Audit is under the Director of Finance	2
Internal Audit is under the President Director & Board of Commissioners	3
Staff	

e) Audit Committee (X3)

The audit committee must convene at least once every three months, per Financial Services Authority Regulation No. 55/POJK.04/2015. The number of meetings the audit committee has called is the number of meetings it holds in order to fulfill its responsibility to improve the quality of financial statements [21]. The frequency of audit committee meetings is set using the formula below:

$$RKA = \text{Jumlah Rapat Komite Audit Selama Satu Tahun}$$

#### Data collection technique

Purposive sampling was used to choose a sample from the population for this investigation. The sample elimination process based on purposive sampling criteria that have been determined with the criteria used are:

1. Firms engaged in mining that are listed on the Indonesia Stock Exchange (IDX) during 2020 - 2023.
2. Mining firms that, between 2020 and 2023, are not delisted from the Indonesia Stock Exchange (IDX).
3. Mining firms that will release annual and financial reports between 2020 and 2023.
4. Mining companies whose financial reports are published in archives and present data related to the variables needed in this study.

#### Data analysis technique

This study tests regression using moderation variables through interaction tests. There will be multiple levels of analysis done on the gathered data. First, the data will be analyzed descriptively to understand its dispersion and distribution. Second, the regression model's viability is assessed using a conventional assumption test, after which moderated regression analysis (MRA) will be employed to test the research hypothesis. This research data was analyzed using SPSS 25 software.

### IV. RESEARCH RESULT

The descriptive test findings indicate that the Institutional Ownership (KI) variable has an average (mean) value of 0,6876. The greatest value is 5,47, while the smallest is 0.19. The standard deviation of KI is 0.46939. The research data quality is deemed satisfactory as each variable's standard error is modest due to the mean value being higher than the standard deviation value. The Internal Audit Organizational Structure (SOAI) variable has an average (mean) value of 2,1016. A minimum of 2,00 and a maximum of 3,00 are both applicable. The standard deviation of the SOAI is 0,30326. The fact that the mean value is greater than the standard deviation value indicates that the research data quality is generally strong. 8,9375 is the average (mean) value of the Audit Committee variable on the FRKA proxy, which measures the frequency of Audit Committee meetings. The minimum value is 1,00, and the largest number is 62,00. The standard deviation for FRKA is 9,55774. When the standard deviation is higher than the mean, it indicates that the variable data may indicate less favorable results. The Political Connection (KP) variable has an average (mean) value of 0,5156. A minimum of 0,00 and a maximum of 1,00 are present. KP has a standard deviation of 0,50172. When the standard deviation is higher than the mean, it indicates that the variable data may indicate less favorable results. The Fraud Prevention variable (Y) has an average (mean) value of -0,1377 after accounting for outliers. The maximum value is 2,98, while the minimum is -4,61. The standard deviation of Y is 1,74514. When the standard deviation is higher than the mean, it indicates that the variable data may indicate less favorable results.

Based on the normality test using a single sample of the Kalmogrof-Smirnov test, which has a significant result larger than 0,05. The data used in this inquiry exhibit a normal distribution, according to the asymptotic significance value of 0,185, which is based on the conducted test and is more than 0,005. According to the multicollinearity test results, each variable has a variance indicator of less than 10 and a tolerance value more than 0,1. Therefore, it can be said that there are no multicollinearity symptoms for any of the variables. The heteroscedasticity test, which employs test, yields findings that indicate that all variables have significance values with sig. > 0,05. Therefore, it may be said that none of the variables exhibit heteroscedasticity symptoms. Based on the 1,170 results of the Durbin-Watson autocorrelation test, it is plausible to conclude that there is no autocorrelation.

Given that the value obtained from the F table is 4,0471, the computed F value of 8,111 indicates that the value of the F count is more than the value of the F table. Furthermore, as the significance value of 0,000 shows, it suggests that  $0,000 < 0,05$ . Thus, it can be said that the independent variables—Institutional Ownership, Internal Audit Organization Status, Audit Committee Meeting Frequency, and Political Connections—have an impact on the dependent variable, which is fraud prevention. The factors in this study are therefore thought to be suitable for application or incorporation into the research model.

## Hypothesis Test

### Table of Partial Test Results (t-test)

#### Coefficients<sup>a</sup>

Unstandardized Coefficients			Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
1	(Constant)	11,529		4,474	,000
	KI	-3,505	-,696	-7,606	,000
	SOAI	-2,657	-,212	-2,343	,023
	FRKA	-,062	-,129	-1,414	,163

a. Dependent Variable: Fraud Prevention

Source: Data Processed by Researchers, 2024

- The institutional ownership variable had a t-count of  $-7,606 < 2,002$  (t table) and a significance value of  $0,000 < 0,05$  ( $\alpha$ ), meaning that it was not statistically significant. Therefore, either  $H_a$  or  $H_0$  is acceptable, indicating that institutional ownership, at least in part, helps to avoid fraud.
- The significance value for the Internal Audit Organization Status variable is less than 0,05, as indicated by the t-count of  $-2,343 < 2,002$  (t table) and sig.  $0,023 < 0,05$  ( $\cdot$ ). Therefore, whether  $H_0$  is refused or  $H_a$  is approved, it can be concluded that there is some benefit to fraud prevention from the internal audit organization's status.
- The Audit Committee Meeting Frequency was used as a proxy for the Audit Committee variable, and the t-count of  $-1,414 < 2,002$  (t table) with sig.  $0,163 > 0,05$  ( $\alpha$ ) indicates that the significance value is higher than 0.05 was obtained. As a result,  $H_0$  and  $H_a$  are rejected, suggesting that the Audit Committee has no effect at all on avoiding fraud, as evidenced by the regularity of Audit Committee meetings.



## Moderated Regression Analysis

### Moderated Regression Analysis Results

#### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	,704	,458		1,535	,128
	KI*Z	-4,679	1,082	-,538	-4,323	,000
	SOAI*Z	2,328	,510	,560	4,562	,000
	FRKA*Z	-,001	,064	-,003	-,020	,984

a. Dependent Variable: Fraud Prevention

Source: Data Processed by Researchers, 2024

- a) The Political Connection moderated the Institutional Ownership Tcount variable, resulting in a t-table value of  $-4,323 < 2,002$  and a significance value of  $0,000 < 0,05$ , indicating a significance level below 0,05. If  $H_a$  is approved or  $H_0$  is refused, this indicates that Political Connections have a stronger impact on Institutional Ownership's ability to prevent fraud.
- b) The tcount of  $4,562 > 2,002$  (t table) with sig.  $0,000 < 0,05$  ( $\alpha$ ) for the Internal Audit Organization Status variable moderated by Political Connection indicates that the significance value is less than 0,05. After that,  $H_0$  and  $H_a$  are approved, indicating that Political Connections enhance Institutional Ownership's impact on preventing fraud.
- c) With a sig. of  $0,984 > 0,05$  ( $\alpha$ ), the Audit Committee variable on the proxy of the Audit Committee Meeting Frequency Moderated by Political Connections has a tcount of  $-0,020 < 2,002$  (t table), indicating that the significance value is more than 0,05. Next, it is suggested that Political Connection lessens the impact of Institutional Ownership on fraud prevention by rejecting  $H_0$  and  $H_a$ .

#### Results of the Coefficient of Determination (R<sup>2</sup>)

The Adjusted R Square value, as indicated by the results of the determination test, is 42,1%, or 0,421. This suggests that the ability of the independent factors to explain the influence on the dependent variable, 42,1% fraud prevention, can be made. The audit committee, political connections, internal audit organization status, and institutional ownership are examples of independent elements. Nonetheless, there are additional independent variables that affect the remaining 57,9% ( $100\% - 42,1\%$ ) that are not addressed in this study.

### V. DISCUSSION The Effect of Institutional Ownership on Fraud Prevention

The results showed that institutional ownership had a positive effect on reducing fraud, with a significant value of  $0,000 < 0,05$ , according to the results. As a result, institutions play a crucial role in managing management and lowering the risk of fraud as shareholders. In the perspective of agency theory, institutional ownership acts as an effective control mechanism, because organizations are highly motivated to ensure that management acts in the best interests of shareholders, not the owners. This is in line with Indrasti Anita (2020), which claims that institutional ownership can improve supervision and company performance.

The implication is that companies with greater institutional ownership tend to have better monitoring and control systems, which can increase transparency and reduce opportunities for fraud. This result adds credence to the idea that institutional ownership can lessen agency issues within the business. The outcomes, however, are different from those of previous research, including Ashilah, D., Qintharah, Y. N., & Fajarwati, D. (2023), who discovered no relationship between institutional ownership and fraud prevention.

### **The Effect of Internal Audit Organization Status on Fraud Prevention**

The findings demonstrated a significant value of  $0,023 < 0,05$ , indicating a favorable relationship between fraud prevention and the internal audit organization's standing. It may be inferred from this that an efficient internal auditing department can improve oversight and management of the business's accounting procedures. In the context of agency theory, strong internal audit serves as a control mechanism that helps detect and prevent management's opportunistic behavior that can harm shareholders.

Consequently, companies need to ensure that internal audit is professionally managed and has sufficient authority to perform its functions. By improving the status and independence of internal audit, companies can strengthen fraud prevention efforts and create a more transparent and accountable environment. Although this study is in line with Bonrath & Eulerich (2023), these findings contradict those of Dina, A. A., Taqi, M., and Mulyadi, R. (2023), they found that fraud prevention was not significantly impacted by the quality of internal audits. Rather, these researchers contend that internal audit is a critical component of fraud prevention.

### **The Effect of Audit Committee on Fraud Prevention**

The results show that there is no significant correlation between fraud prevention and the frequency of audit committee meetings (significance value =  $0,163 > 0,05$ ). This indicates that although audit committee meetings are important for oversight, increasing their frequency is not enough to strengthen internal controls against fraud. This result contradicts the initial hypothesis and does not support agency theory but is in line with the findings of Achmad & Astrawan (2023) who also found no connection between fraud indicators and the number of audit committee hearings.

The implication is that companies need to focus on the quality of audit committee meetings rather than simply increasing the number of meetings. High meeting frequency without relevant agendas, active participation, and effective follow-up will not have a significant impact on fraud prevention. Therefore, companies should ensure that audit committees' function optimally by improving the quality of discussions and concrete actions resulting from meetings, in an effort to safeguard the company's integrity more successfully.

### **The Role of Political Connection in Moderating the Effect of Institutional Ownership on Fraud Prevention**

With a significance value of  $0,00 < 0,05$ , the findings demonstrated that political ties enhance the impact of institutional ownership on fraud prevention. In agency theory, this finding confirms that political connections increase the monitoring and control mechanisms carried out by institutional shareholders over management. According to agency theory, opportunistic behavior like fraud can result from conflicts of interest between principals, or shareholders, and agents, or management. Here, institutional ownership acts as the primary watchdog, and political connections strengthen the effectiveness of this control by providing greater external influence over management.

This study supports the findings of Rampay & Subekti (2023), which state that political connections have a positive impact on preventing fraud in financial statements. However, some studies show that political connections can create new conflicts of interest that reduce the effectiveness of institutional oversight. Therefore, companies need to carefully consider the use of political connections in the institutional ownership strategy. The right synergy between the two can create a safer and more transparent environment, but there must still be careful controls to protect shareholders' interests and maintain management accountability.

### **The Role of Political Connection in Moderating the Effect of Internal Audit Organization Status on Fraud Prevention**

With a significance value of  $0.00 < 0.05$ , the findings demonstrated that political ties enhance the impact of internal audit organization status on fraud prevention. This implies that political ties have a significant impact on how well internal audit



firms supervise their employees. This link illustrates how political ties can fortify conflict-reduction mechanisms between principals (shareholders) and agents (management), according to agency theory. The synergy between political connections and internal audit organizations creates a stronger impact in overseeing risky practices, in line with the findings by Dina, A. A., Taqi, M., and Mulyadi, R. (2023) who provided evidence of how political ties moderate the impact of audit organization status in preventing fraud.

The implication of this finding is that companies should consider political connections as a contributing factor in the management of their internal audit. Strengthening relationships with politically influential parties can increase the credibility and effectiveness of the internal audit function. By integrating political connections into audit strategy, companies can create a safer and more transparent environment and reduce the potential for fraud within the organization. Additionally, companies must remain vigilant against potential conflicts of interest that may arise due to political connections, which require careful controls to ensure management accountability is maintained.

### **The Role of Political Connection in Moderating the Effect of Audit Committee on Fraud Prevention**

The findings demonstrated that, when political connections were used to moderate audit committee sessions, the frequency of meetings had no discernible impact on preventing fraud, with a value of  $0.984 > 0.05$ . This suggests that the efficiency of the audit committee's supervision may be diminished by political ties. This result defies both the original theory and the findings of study by Dina, A. A., Taqi, M., and Mulyadi, R. (2023), it demonstrates how political ties can increase the audit committee's influence on preventing fraud when the committee is represented by its independence. In the context of agency theory, this result reflects that political connections can create conflicts of interest that hinder the audit committee in performing its function as the primary watchdog, which should reduce opportunistic behavior by management.

The implication of this finding is that companies need to evaluate how political connections affect the function of the audit committee. Meeting more frequently is not enough; businesses also need to make sure that recommendations and actions made by audit committees are free from political interference that could compromise the impartiality of oversight.

## **VI. CONCLUSION**

It has been demonstrated that institutional ownership significantly and favorably affects the prevention of fraud, suggesting that the existence of institutional shareholders can enhance the company's internal control and oversight. The investigation also demonstrates that the Internal Audit Organization Status has a noteworthy beneficial impact on preventing fraud, with political links potentially enhancing the internal audit function's efficacy. Nonetheless, distinct outcomes are observed for the Audit Committee variable, which is measured by the frequency of meetings. According to the analysis, the frequency of Audit Committee meetings, when moderated by Political Connection, can actually exacerbate the effect of fraud prevention rather than having a major positive impact. This suggests that holding more meetings in order to increase supervision effectiveness is insufficient in the absence of tangible actions and outcomes. This finding emphasizes the importance of strengthening the oversight structure within the firm through increased institutional ownership and professional internal audit management. In addition, considering the impact of political connections on these oversight functions is also important, so as not to reduce the integrity and effectiveness of fraud prevention. Therefore, companies are advised to focus on the quality of comprehensive supervision and control, not just the quantity, to achieve the goal of more effective fraud prevention.

## **VII. ADVICE**

This research is limited to the variables analyzed, it is proposed to broaden variables such as corporate culture or the function of accounting information systems in identifying fraud.

Comparison between industry sectors is also recommended to identify factors that influence this relationship.

## **VIII. RESEARCH LIMITATION**

Because there are some extreme data points, the results of the normalcy test indicate that the data is not normally distributed. As a result, managing outliers is essential to achieving a normal distribution. Furthermore, a value of 0.421 (42.1%) for the

determination test indicated that other variables impact 57.9% of the dependent variable.

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