

The Influence of Auditor Industry Specialization, Audit Tenure, Audit Fee, and Public Accounting Firm Size on Financial Statement Fraud

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Abstract

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Financial statement fraud is misconduct by management or related parties in presenting misleading financial information. Auditors are responsible for detecting potential fraud by considering relevant factors and exercising due care to ensure fair and accurate financial reporting. This study analyzes the influence of auditor industry specialization, audit tenure, audit fee, and public accounting firm size on financial statement fraud in mining companies listed on the Indonesia Stock Exchange (IDX) during 2019–2023. The total population is 64 companies, and by using purposive sampling, 40 companies were selected as the research sample. The data used in this study are secondary data obtained from www.idx.co.id and the official websites of the companies. The analytical method applied is logistic regression analysis using SPSS version 27. The results of this study indicate that auditor industry specialization does not influence the ability to detect financial statement fraud. Audit tenure also has no effect on financial statement fraud, as the length of the engagement period does not guarantee the absence of fraud in financial reporting. Furthermore, audit fees and the size of the public accounting firm do not significantly influence financial statement fraud.

Keyword: Auditor Industry Specialization, Audit Tenure, Audit Fee, Public Accounting Firm Size and Financial Statement Fraud.

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1. INTRODUCTION

The rapid development in the business world has driven companies to continuously adapt and strengthen both their internal and external structures on an ongoing basis. In the context of strengthening corporate governance and accountability, the role of auditors becomes highly crucial, especially in detecting and preventing fraud in financial reporting. To produce reliable audits, support is needed from various factors that influence auditors during the audit process. The purpose of auditing financial statements is to provide reasonable assurance that the company's financial reports are fairly presented and free from material misstatements, including those resulting from fraud (Setiadarma & Kurniawati, 2024). These factors are believed to affect the effectiveness level of audits in identifying indications of financial statement fraud.

For example, auditors who possess specialized expertise in a particular industry sector are expected to have a deeper understanding of the specific characteristics and risks inherent to that industry, enabling them to detect irregularities in financial

reporting more quickly and accurately. Additionally, audit tenure that is too long or too short can also pose risks, both in terms of independence and understanding of the audited entity. On the other hand, audit fees that are too high may lead to potential conflicts of interest, while the size of the Public Accounting Firm also determines the quality of resources and capabilities in carrying out a comprehensive audit.

The auditor's function is not limited to formal inspection, but also serves as an important part of the corporate governance system, both in internal and external aspects of the company. Internally, auditors act as independent parties providing objective assessments of the financial reporting process and outcomes. Externally, auditors function as intermediaries between the company and stakeholders by ensuring that the prepared financial statements accurately reflect the company's actual condition.

According to a 2022 survey report by the Association of Certified Fraud Examiners (ACFE), around 86% of cases involved asset misappropriation

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with an average loss of \$100,000, while 50% of cases were corruption-related with an average loss of approximately \$150,000.

Although financial statement fraud only accounted for 9% of cases, it had the greatest impact, with losses reaching around \$593,000. Some of the world's largest companies that have been entangled in financial statement manipulation scandals include WorldCom, Qwest, Enron Corporation, Xerox, and Tyco (Tantri & Chariri, 2023). Based on the 2022 ACFE report, Indonesia ranked fourth in the Asia-Pacific region with 23 recorded cases. The highest number of fraud cases occurred in Australia with 38 cases, followed by China with 33 cases and Malaysia with 25 cases, out of a total of 194 cases in the Asia-Pacific region. This aligns with the findings from the 2019 Indonesian Fraud Survey, which revealed 239 fraud cases in Indonesia. These cases included 167 corruption cases, 50 cases of asset misappropriation, and 22 cases of financial statement manipulations (Putri, 2024).

The case involving PT Timah Tbk (TINS), which was exposed in 2023 and is still ongoing in 2024, has become one of the most striking examples of fraud occurring in Indonesia's mining sector. This case involves major violations such as corruption, contract value inflation (mark-up), improper management of mining output, and environmental damage caused by illegal mining activities. PT Timah allegedly collaborated with several private parties suspected of engaging in money laundering practices and financial statement manipulation. The state losses recorded from this case amount to over IDR 271 trillion, making it one of the largest state losses in the history of corruption in Indonesia's mining sector.

In addition, PT Golden Eagle Energy Tbk (SMMT), operating in the coal mining sector, also drew public attention between 2021 and 2023 due to suspicious fluctuations in its financial performance. During this period, the company experienced spikes in net profit and revenue that were inconsistent with industry trends, accompanied by allegations of inflated asset valuations and overstated coal reserves compared to actual operational results. This raised questions among investors and regulators regarding the transparency of the company's financial reporting. The Indonesia Stock Exchange (IDX) repeatedly requested clarification regarding the high volatility of its stock price in the absence of any material information to justify the surge.

As of 2024, PT Golden Eagle Energy has not been legally proven to have committed criminal financial statement fraud; however, many parties suspect irregularities in the presentation of financial information and non-compliance with Good Corporate Governance (GCG) principles. These suspicions point to potential financial statement manipulation, which could affect investment decisions and damage the company's

reputation. This case illustrates the critical role of auditors in ensuring the accuracy and transparency of financial statements and in detecting potential fraud that may harm various stakeholders.

Furthermore, falsification of financial statements constitutes a serious breach that can significantly influence economic decisions. As stated by the Association of Certified Fraud Examiners (ACFE), fraud refers to a deliberate and illegal act—often involving the distortion or misrepresentation of information—carried out by individuals within or outside an organization to gain personal or collective advantage, which may cause harm, either directly or indirectly, to other parties (Yohanes, Setiawan & Olivia, 2024). In this regard, auditors serve a crucial function as independent professionals tasked with evaluating the reliability and integrity of a company's financial disclosures. A central aspect of their responsibility involves analyzing the potential for significant misstatements within financial reports (Revaldi & Simbolon, 2023). Fraud detection actions cannot be generalized across all fraud cases because each instance of fraud has unique characteristics that set it apart. Therefore, a proper understanding of the various types of fraud likely to occur within a company is essential (Putri, 2024).

The sustainability of a business entity depends not only on effective internal management but also on the involvement and oversight of external parties. In this regard, transparency and accountability in financial reporting are crucial, particularly in industries such as mining, which are highly vulnerable to environmental risks and subject to strict government regulatory supervision.

Most previous studies have focused primarily on the manufacturing or service sectors, making research on the mining sector—characterized by high complexity, environmental risks, and strict regulations—still very limited. Moreover, past research findings related to variables such as auditor industry specialization, audit tenure, audit fee, and the size of Public Accounting Firms (PAF) have shown inconsistent results. For example (Tantri & Chariri, 2023) found that auditor industry specialization has no effect on financial statement fraud, whereas (Astrawan & Achmad, 2023) found that auditor industry specialization positively influences financial statement fraud. Similarly, (Okoye & Ogbodo, 2023) produced findings more aligned with the former, concluding that auditor industry specialization has no significant positive effect on financial statement fraud. The same inconsistencies are observed with the variables of audit tenure, audit fee, and PAF size, where studies have produced contradictory results.

Based on this context, this study aims to contribute to the development of further insights into the variables of auditor industry specialization, audit tenure,

audit fee, and the size of Public Accounting Firms—characteristics of auditors that may influence the effectiveness in detecting financial statement fraud, particularly in the complex and high-risk mining sector. This research also seeks to understand how these factors influence the detection of fraud in financial statements, enabling companies to be more prudent in selecting external auditors and enhancing their internal control systems.

2. LITERATURE REVIEW

According to (Jensen & Meckling, 1976), the agency theory serves as a conceptual framework that examines the dynamic relationship between a company's owners, referred to as principals, and its managers, who act as agents on their behalf. In the principal-agent relationship, agency theory views the firm as a representation of this relationship, where the principal is the owner of the company who hires an agent or manager to run the business. This theory highlights the conflict of interest that can arise between agents (managers) and principals (owners).

Managers may have personal interests that do not always align with those of the owners, creating potential for conflict. The theory also emphasizes the importance of information asymmetry between agents and principals. As such, there is a need for a third party with integrity and transparency. Auditors act as an independent third party separate from both management and shareholders. They hold the responsibility of evaluating and expressing an opinion on the financial statements presented by the company.

Financial statements are not merely records to be used arbitrarily, as the information they contain plays a crucial role in decision-making processes. Therefore, they must be presented based on actual and factual events (Lestari & Bwarleling, 2022). Producing high-quality audit reports is essential, as these reports serve as a crucial basis for stakeholders, including shareholders and other users of financial information to assess management's performance and make informed decisions. (Dhanial & Setiawan, 2023).

Fraudulent actions are typically carried out by individuals driven by self-interest, without regard for the long-term impact on the related entity. Generally, there is a tendency for such individuals to be risk-averse, which can eventually lead to fraudulent behavior. Therefore, business units typically seek certainty and control over managerial activities, focusing on selecting auditors with high levels of quality and independence, in order to minimize agency costs and identify managerial errors, such as fraud and earnings manipulation (Tantri & Chariri, 2023; Khaksar *et al.*, 2022; Mukhlisin, 2018; Zuo & Guan, 2014).

According to Simanjutak (2016), auditors must study the various types of fraud and their specific

characteristics, as well as the methods used to detect them. This is important because fraud consists of different types, each with distinct characteristics. Companies that implement strong assurance and control over managerial activities require high-quality and independent auditors to reduce agency costs and identify managerial errors, such as fraud and earnings management (Putri, 2024).

The integrity and quality of a company's financial information are compromised when fraudulent activities occur within the financial statements. Such misleading information can negatively influence the decisions of stakeholders who rely on these reports, including creditors and investors (Bahar & Setiawan, 2022). Fraudulent financial reporting adversely affects shareholders, as it provides misleading information about the company they intend to invest in (Teguh & Kristanto, 2020).

Fraud refers to a deliberate act of deception aimed at securing either material or non-material advantages. As defined by the Association of Certified Fraud Examiners (ACFE), it involves intentional and unlawful conduct, often executed with a specific objective such as altering or misrepresenting financial information to mislead other parties. According to the Statement on Auditing Standards (SAS) No. 99, fraud in financial reporting is an unethical act consciously committed by a business entity with the intent to distort information in the financial statements (Revaldi & Simbolon, 2023).

To ensure integrity in financial reporting, it is essential to have the involvement of auditors who possess the necessary expertise and specialization, this ensures that financial statements are presented with accuracy and align with the essential qualitative characteristics outlined in generally accepted accounting principles. Auditor industry specialization refers to the skills and in-depth understanding that auditors possess in relation to a specific industry, acquired through professional training and an in depth understanding of the entity and its operating environment including the internal control mechanisms specific to the client's industry (Nurbaiti & Elisabet, 2023).

An auditor's industry expertise includes the ability to formulate constructive insights that help clients generate greater economic value, as well as to offer alternative perspectives or innovative solutions to problems that may arise within the context of the client's industry (Okoye & Ogbodo, 2023). This enables the auditor to have enhanced competence and understanding of a particular sector.

Auditors with a deep understanding of industry-specific characteristics and risks are expected to be more effective during the audit process, including in identifying potential financial statement manipulation.

Their ability to recognize distinct patterns of fraud commonly found in certain industries allows them to detect irregularities more accurately and efficiently.

In (Tantri & Chariri, 2023) found that auditor industry specialization has no effect on financial statement fraud. Conversely, (Astrawan & Achmad, 2023) found that auditor industry specialization positively influences the detection of financial statement fraud, while (Okoye & Ogbodo, 2023) concluded that auditor industry specialization does not have a significant positive impact on fraud detection in financial reporting.

Audit tenure, or the length of the professional relationship between auditor and client, has the potential to reduce auditor independence. Over an extended period, auditors may become overly familiar with their clients, which can compromise objectivity and reduce diligence in uncovering financial statement fraud. Therefore, setting time limits on audit engagements is necessary to prevent the risk of auditors neglecting their professional responsibilities (Meidiyustiani & Lestari, 2021).

Referring to Peraturan Pemerintah No. 20 Tahun 2015 concerning the Practice of Public Accountants, Article 11 paragraph (1) states that there is no longer any limitation on how long a Public Accounting Firm (PAF) may audit a single entity. However, the Otoritas Jasa Keuangan through POJK Nomor 13 Tahun 2017 which governs the use of audit services in the financial services industry, stipulates that companies in this sector may only use the same public accountant for a maximum of three consecutive annual reporting periods (Auliyah *et al.*, 2022).

In practice, the Indonesian government has implemented such tenure limits to prevent and address harmful practices such as corruption and collusion that may stem from manipulated financial reports (Putri, 2024). The tenure between auditor and client can have various impacts on the audit process and its outcomes, including the detection of financial statement fraud. While appropriate tenure can help auditors more effectively identify signs of manipulation or misstatement, excessively long tenure can compromise auditor independence, thereby increasing the risk of fraud.

Previous studies have also produced mixed findings. (Tantri & Chariri, 2023) found no effect of audit tenure on financial statement fraud, (Nejad *et al.*, 2024) found negative effect of audit tenure on financial statement fraud, (Suryani *et al.*, 2023) and (Adhitama *et al.*, 2023) found no effect of audit tenure on financial statement fraud, (Okoye & Ogbodo, 2023) found no significant positive influence of audit tenure on financial statement fraud.

Audit fee refers to the compensation auditors receive for providing audit services to clients. However, the magnitude of this fee often places auditors in a dilemmatic position. On one hand, auditors are expected to maintain their independence and provide objective opinions on audited financial statements. On the other hand, there is pressure to meet client expectations, especially from clients who provide substantial fees, which may compromise independence and professionalism in the interest of preserving long-term relationships (Auliyah *et al.*, 2022).

Following the disclosure of fraudulent activities by clients, the average audit fee tends to increase significantly. This increase is generally attributed to the greater time and effort required during the audit process, rather than additional premiums. Adjustments to audit fees are often highly dependent on the auditor's bargaining power in negotiations with the client (Tantri & Chariri, 2023; Lee & Ha, 2021).

High audit fees can reflect the complexity of a company and the level of effort required by the auditor to conduct a thorough examination. In some cases, high audit fees may encourage auditors to deliver higher-quality services, which ultimately helps in detecting and preventing financial statement fraud. However, on the other hand, high audit fees may also raise concerns about auditor independence, particularly if the auditor becomes financially dependent on a specific client. Conversely, low audit fees may indicate limitations in the scope of the audit or the resources utilized, potentially leading to ineffectiveness in detecting financial statement manipulation.

Additionally, audit fees can also indicate the level of commitment from the auditor in providing objective and accurate opinions on the company's financial statements. Therefore, it can be assumed that companies paying low audit fees may face a higher risk of financial statement fraud, as auditors might limit the scope of the audit or reduce the intensity of testing performed. Previous studies have produced differing results. For instance, (Tantri & Chariri, 2023) found that audit fee has no effect on financial statement fraud, while (Nejad *et al.*, 2024) found that audit fee has a positive effect on financial statement fraud.

According to agency theory, engaging a large Public Accounting Firm (PAF) helps reduce agency problems. This is because large PAFs have greater capabilities in detecting earnings management compared to smaller PAFs (Putri, 2024). The services provided by Public Accounting Firms are viewed by companies as being delivered by independent professional entities with adequate capabilities. This is important because undetected fraud in audited financial statements may compromise the accuracy of the reports and damage public trust in both the auditing profession and the financial information presented (Tantri & Chariri, 2023).

The size of a Public Accounting Firm refers to its classification based on operational scale and service scope, typically categorized into two groups: Big Four and non-Big Four (Auliyah *et al.*, 2022). Large Public Accounting Firms with global reputations are generally known as the Big Four. These four audit networks have affiliations in Indonesia, namely: (1) PricewaterhouseCoopers (PwC), affiliated with Tanudiredja, Wibisana & Rekan; (2) Ernst & Young (EY), partnered with Purwanto, Suherman & Surja; (3) Deloitte Touche Tohmatsu, collaborating with Osman Bing Satrio & Rekan; and (4) Klynveld Peat Marwick Goerdeler (KPMG), partnered with Siddharta & Widjaja (Yusuf *et al.*, 2023).

Large Public Accounting Firms generally have better reputations, greater resources, and stricter quality control systems, making them more capable of conducting audits thoroughly and professionally. Large companies tend to engage large, reputable PAFs with sufficient resources to perform comprehensive audits. In contrast, smaller companies may opt for smaller or independent PAFs, whose effectiveness in detecting irregularities may vary.

When a company is audited by a large firm, such as one of the Big Four, it is considered less likely to commit fraud, as auditors from larger firms possess the expertise, experience, and resources to perform thorough and independent audits. In this case, firm size serves as an indicator of an auditor's ability to detect material misstatements in financial reports. Large PAFs are believed to be more thorough and assertive in evaluating financial reporting, as they have reputations to uphold and are therefore more likely to identify and report indications of fraud during the audit process. Previous studies, such as (Tantri & Chariri, 2023) found that PAF

size has an effect on financial statement fraud, while (Suryani *et al.*, 2023) found PAF size has no effect on financial statement fraud.

3. RESEARCH METHODS

This research adopts a quantitative methodology, focusing on empirical analysis based on secondary data. The study population includes all mining sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2019 to 2021. Data were sourced from the official IDX website (www.idx.co.id) and the respective official websites of the companies selected for analysis. The analytical technique applied is binary logistic regression. Data processing was conducted using SPSS version 27. The sample was determined through purposive sampling, targeting mining sector companies that met predefined criteria. The criteria applied in selecting the sample for this research are as follows:

1. Mining sector companies listed on the Indonesia Stock Exchange during the 2019–2023 period.
2. Mining sector companies that were delisted from the IDX during the 2019–2023 period.
3. Mining sector companies that did not have complete information related to the research variables during the 2019–2023 period.

To measure indications of financial statement fraud, this study applies the Beneish M-Score model. This model was chosen because it is capable of identifying the likelihood of financial statement manipulation based on eight specific financial ratios. These ratios are calculated using specific formulas designed to detect indications of fraudulent financial reporting by an entity.

Indicator	Description	Formula
DSRI	Days sales in receivable index	$DSRI = \frac{Receivables_t / Sales_t}{Receivables_{t-1} / Sales_{t-1}}$
GMI	Gross margin index	$GMI = \frac{Sales_{t-1} - Cost\ of\ goods\ sold_{t-1} / Sales_{t-1}}{Sales_t - Cost\ of\ goods\ sold_t / Sales_t}$
AQI	Asset quality index	$AQI = \frac{1 - (Current\ assets_t + PP\&E) / Total\ assets_t}{1 - (Current\ assets_{t-1} + PP\&E) / Total\ assets_{t-1}}$
SGI	Sales Growth Index	$SGI = \frac{Sales_t}{Sales_{t-1}}$
DEPI	Depreciation index	$DEPI = \frac{Depreciation_{t-1} / (Depreciation_{t-1} + PP\&E_{t-1})}{Depreciation_t / (Depreciation_t + PP\&E_t)}$
SGAI	Sales general administrative index	$SGAI = \frac{Sales,\ general,\ and\ administrative\ expense_t / Sales_t}{Sales,\ general,\ and\ administrative\ expense_{t-1} / Sales_{t-1}}$
LVGI	Leverage index	$LVGI = \frac{LTD_t + Current\ Liabilities_t / Total\ assets_t}{LTD_{t-1} + Current\ Liabilities_{t-1} / Total\ assets_{t-1}}$
TATA	Total accruals to total assets	$TATA = \frac{\Delta Current\ assets_t - \Delta Cash_t - (\Delta Current\ liabilities_t - \Delta Current\ maturities\ of\ LTD_t - \Delta Income\ tax\ payable_t) - Depreciation\ and\ amortization_t}{Total\ assets_t}$

Source: Beneish (1999)

Image 1: Beneish M-Score Indicators

The Beneish M-Score is calculated using the following formula :

$$\text{MScore} = -4,840 + 0,920\text{DSRI} + 0,528\text{GMI} + 0,404\text{AQI} + 0,892\text{SGI} + 0,115\text{DEPI} - 0172\text{SGAI} + 4,679\text{TATA} - 0,327\text{LVGI}$$

In the interpretation of the Beneish M-Score model, if the resulting score is less than -2.22, the company is categorized as not showing indications of financial statement fraud. If the M-Score is greater than -2.22, the company is indicated to have the potential to commit manipulation in its financial reporting. This M-Score value is then classified into two categories and used as a dummy variable: a code of 1 is assigned to companies that are indicated to have committed fraud, and a code of 0 is assigned to companies that show no indication of fraud (Tantri & Chariri, 2023).

Auditors with industry specialization are identified using a dummy variable, where auditors who have specialization are assigned a value of 1, and those without specialization are assigned a value of 0. The assessment of auditor industry specialization refers to the method used by Evans (2017), which applies a market share approach. This approach is carried out by comparing the total assets of companies audited by a specific auditor within an industry to the total assets of all companies in that industry. An auditor is considered to have industry specialization if their market share reaches or exceeds 15% in that industry.

$$SPEC_{ik} = \frac{\sum_{j=1}^{J^{ik}} Total\ Asset_{ijk}}{\sum_{k=1}^K \sum_{j=1}^{J^{ik}} Total\ Asset_{ijk}}$$

Image 2: SPEC Indicator

Descriptions :	
i	= Auditor firm (Public Accounting Firm) indicator
j	= Client company indicator
k	= Client industry indicator
K	= Total number of auditor firms in industry K
J	= Number of clients audited by auditor firm i in industry k
Total Asset = Total assets of client j audited by auditor i in industry k	

auditors with industry specialization, and 0 to those without)
 X2 = Audit Tenure (measured by the number of years the company has been engaged with the Public Accounting Firm)
 X3 = Audit Fee (LnFee; the natural logarithm of the audit fee)
 X4 = Size of the Public Accounting Firm (dummy variable, where Big Four = 1 and Non-Big Four = 0)
 ε = Residual error

Audit tenure describes the period over which an auditor has maintained a professional engagement with a particular client. In this research, audit tenure is

assessed based on how long the sample company has been audited by the same Public Accounting Firm (PAF), expressed in the number of consecutive years the PAF

has provided audit services to the respective company (Tantri & Chariri, 2023).

The audit fee represents the monetary compensation paid by the client to the auditor for the audit services rendered. In this study, the audit fee is quantified by applying the natural logarithm (ln) to the total amount paid by each sample company for audit services (Tantri & Chariri, 2023). This approach is used to reduce excessive data variation and to provide a more normally distributed dataset. The size of the Public Accounting Firm is measured using a dummy variable, with a value of 1 assigned to companies audited by one of the Big Four firms, and a value of 0 for those audited

by non-Big Four accounting firms (Tantri & Chariri, 2023).

Hypothesis testing in this study uses the logistic regression method. This method, also known as logistic regression, is an analytical procedure that does not rely on normality tests or other classical assumptions (Putri, 2024). Consequently, within the framework of logistic regression analysis, it is not necessary to perform normality, heteroscedasticity, or other classical assumption tests on the independent variables (Tantri & Chariri, 2023).

The logistic regression model applied is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Description:

Y = Financial statement fraud (dummy variable, 1 if the company shows indications of committing financial statement fraud, 0 if it shows no such indication, based on the Beneish M-Score)

α = Constant

β_i = Regression coefficient

X1 = Auditor Industry Specialization (SPEC; dummy variable, with a score of 1 assigned to

4. DISCUSSION

The results obtained from the descriptive statistical test conducted on the sample used in this study.

Each variable is defined by its respective measurement indicator. These descriptive statistics provide an initial illustration of the characteristics of each variable used.

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Kecurangan Laporan Keuangan	200	.00	1.00	.2250	.41863
Spesialisasi Industri Auditor	200	.00	1.00	.3150	.46568
Audit Tenure	200	1.00	20.00	5.9800	3.98611
Audit Fee	200	18.13	24.07	20.6433	1.19663
Ukuran Kantor Akuntan Publik	200	.00	1.00	.3800	.48660
Valid N (listwise)	200				

Image 3: Descriptive Statistics

Based on Image 3, This study utilizes a total of 200 data points spanning the research period from 2019 to 2023. For the dependent variable, financial statement fraud the mean value observed is 0.2250. This indicates that the number of companies not showing any indication of fraud in their financial reporting (code 0) is 155, which is more dominant compared to the 45 companies that are indicated to have committed fraud (code 1). The standard deviation of 0.41863 indicates a moderate level of data dispersion. For the independent variables, the average

value of auditor specialization is 0.3150, showing that approximately 31.5% or 63 of the total sample were audited by auditors with specialization in the mining industry. The remaining 68.5% or 137 companies used auditors without industry specialization. The standard deviation of 0.46568 indicates a fairly even distribution between companies using specialized and non-specialized auditors.

For audit tenure, the average value of 5.980 indicates that, on average, Public Accounting Firms in this sample had an engagement period of approximately 6 years with their clients. The relatively high standard deviation of 3.98611 reflects significant variation in the duration of the auditor-client relationship, indicating notable differences in audit engagement length among the sample companies. The audit fee has an average value of 20.6433, which means the average audit cost in this industry ranges between approximately IDR 921,900,000 and IDR 925,000,000. The standard

deviation of 1.19663, which is relatively moderate, also indicates a fairly stable data distribution.

The size of the Public Accounting Firm shows an average of 0.38, indicating that about 38% or 76 companies in the sample used services from Big Four firms, while the remaining 62% or 124 companies were audited by non-Big Four firms. The standard deviation of 0.48660 indicates moderate and relatively balanced dispersion between companies audited by Big Four and non-Big Four firms.

Hosmer and Lemeshow Test			
Step	Chi-square	df	Sig.
1	10.633	8	.223

Image 4: Hosmer and Lemeshow Goodness of Fit Test

In Image 4, the results of the Hosmer and Lemeshow Goodness of Fit Test show a significance value of 0.223. Since this value is greater than 0.05, it indicates that the regression model used is appropriate for the data and can be accepted. As a result, the null

hypothesis (H_0) is accepted, and the alternative hypothesis (H_1) is rejected, indicating that there is no statistically significant discrepancy between the model's predicted outcomes and the observed data.

Omnibus Tests of Model Coefficients				
		Chi-square	df	Sig.
Step 1	Step	5.558	4	.235
	Block	5.558	4	.235
	Model	5.558	4	.235

Image 5: Omnibus Test of Model Coefficients

Referring to the Omnibus Test of Model Coefficients presented in Image 5, the chi-square statistic is 5.558 with 4 degrees of freedom and a significance level of 0.235. Because the significance value exceeds

the 0.05 threshold, it suggests that the independent variables do not exert a statistically significant influence on the dependent variable.

Variables in the Equation						
		B	S.E.	Wald	df	Sig.
Step 1 ^a	Spesialisasi Industri Auditor	.834	1.148	.527	1	.468
	Audit Tenure	-.014	.047	.092	1	.762
	Audit Fee	.044	.197	.050	1	.822
	Ukuran Kantor Akuntan Publik	-1.575	1.073	2.154	1	.142
	Constant	-1.782	3.961	.202	1	.653

a. Variable(s) entered on step 1: Spesialisasi Industri Auditor, Audit Tenure, Audit Fee, Ukuran Kantor Akuntan Publik.

Image 6: Logistic Regression Analysis Results

Based on Image 6 The test results indicate that auditor industry specialization does not significantly influence financial statement fraud, as evidenced by a p-value of 0.468, which exceeds the 0.05 significance threshold. Consequently, the null hypothesis (H_0) is

accepted, while the alternative hypothesis (H_a) is rejected. This finding implies that an auditor's expertise or focus within a specific industry does not inherently diminish the occurrence of fraudulent financial reporting. These results align with the conclusions drawn

by (Tantri & Chariri, 2023), which stated that auditor industry specialization has no effect on financial statement fraud.

In (Tantri & Chariri, 2023), it was revealed that efforts to identify fraudulent actions in financial statements can be influenced by the role of industry-specialized auditors. In such cases, the desire to preserve long-term client relationships can potentially undermine the auditor's independence and impartiality in performing their responsibilities. This familiarity may compromise the auditor's ability to remain objective throughout the audit process. In this context, even though an auditor has specific knowledge of the client's industry, it does not necessarily lead to increased effectiveness in detecting fraud.

Therefore, specialized auditors do not always have an advantage in uncovering fraud, especially if their independence is compromised by conflicts of interest. However, this finding contrasts with (Astrawan & Achmad, 2023) who stated that auditor industry specialization has a positive effect on financial statement fraud and argued that focusing auditor competencies on a specific sector is believed to produce more precise and credible information.

The results for the audit tenure variable show The results show that audit tenure does not exhibit a statistically significant effect ($p\text{-value} = 0.762 > 0.05$), leading to the acceptance of the null hypothesis (H_0) and the rejection of the alternative hypothesis (H_a). It is therefore known that the length of the relationship between the auditor and the client (audit tenure) does not significantly contribute to deviations in financial statements. This is in line with (Tantri & Chariri, 2023), who stated that audit tenure has no effect on financial statement fraud. The lack of influence of audit tenure on financial statement fraud shows that the length of professional interaction between the auditor and client is not a main determinant in triggering vulnerability to fraud during the reporting process. (Tantri & Chariri, 2023).

This finding is also consistent with (Revaldi & Simbolon, 2023), (Suryani *et al.*, 2023) dan (Adhitama *et al.*, 2023) who stated that audit tenure does not affect financial statement fraud. These findings indicate that the duration of the auditor-client engagement does not consistently influence the probability of management engaging in fraudulent activities. On the contrary, other aspects such as the effectiveness of internal control, the company's ethical values, and external pressure may play a more dominant role in driving fraud in financial reporting. This finding contradicts (Meidiyustiani & Lestari, 2021) who stated that audit tenure has a positive effect on financial statement fraud. There is a perspective suggesting that a longer audit engagement period could enhance the auditor's understanding of the client's

characteristics, which may in turn strengthen the auditor's ability to identify signs of fraud.

The analysis of the audit fee variable reveals no significant effect on financial statement fraud, as indicated by a $p\text{-value}$ of 0.822, which exceeds the 0.05 threshold. This result supports the acceptance of the null hypothesis (H_0) and the rejection of the alternative hypothesis (H_a). Therefore, it can be concluded that the size of the audit fee does not impact the likelihood of fraudulent financial reporting. This outcome is consistent with the findings of (Tantri & Chariri, 2023), which stated that audit fee has no effect on financial statement fraud. This indicates that the amount paid by a company for audit services does not directly affect the auditor's effectiveness in detecting fraud in financial statements.

The amount of the audit fee does not automatically improve the auditor's effectiveness in identifying fraud, because audit quality is more influenced by the auditor's level of independence than by the compensation received. In other words, the auditor's integrity and objectivity are the main factors determining the success of the audit process, not the audit fee amount itself (Tantri & Chariri, 2023).

Auditors continue to carry out their duties professionally, in accordance with applicable auditing standards, regardless of the fee amount. Furthermore, the size of the audit fee does not directly represent the quality of the audit results or the effectiveness of the auditor in identifying potential fraud. This is because auditors operate under professional regulations and standards regardless of compensation. In practice, auditors are bound by a professional code of ethics and are supervised by regulatory bodies such as the OJK and professional associations like IAPI, which promote integrity in audit implementation.

The findings indicate that individual characteristics have a positive impact on job satisfaction. This finding aligns with research by Lumbanraja (2009), which states that individual characteristics directly influence job satisfaction and employee attitudes toward the organization. Research by Arifin (2010), Subyantoro (2009), and Nursiani *et al.*, (2010) also shows that individual characteristics have a direct and significant impact on job satisfaction. This indicates that individual characteristics have a significant impact on job satisfaction. Therefore, the first hypothesis in this study (H_1), which states that individual characteristics have a positive and significant impact on job satisfaction, is accepted.

However, this contradicts (Nejad *et al.*, 2024) who revealed that audit fee has a positive effect on financial statement fraud. Additionally (Astrawan & Achmad, 2023) stated that audit fee negatively affects the detection of fraud in financial reporting. However, in the same study, (Astrawan & Achmad, 2023) also

acknowledged that their research results conflict with agency theory and attribution theory, as they suggest an inverse relationship between the amount of audit fees and the auditor's ability to detect signs of fraud in financial statements.

The results related to the size of the Public Accounting Firm show no statistically significant impact on financial statement fraud, as indicated by a p-value of 0.142, which exceeds the 0.05 significance level. Accordingly, the alternative hypothesis (H_a) is not supported, and the null hypothesis (H_0) is upheld. This result aligns with the findings of (Suryani *et al.*, 2023), who concluded that the size of the audit firm does not influence the occurrence of financial statement fraud.

This implies that auditors from both Big Four and non-Big Four firms tend to adopt and implement similar auditing guidelines, are subject to regulatory oversight, and follow comparable auditing procedures in carrying out their audit work. Thus, the effectiveness of public accounting firms from both categories demonstrates a level of parity in performing their functions, particularly in a transparent and standardized environment. This finding suggests that the reputation and scale of an accounting firm are not automatically determinants of its success in detecting potential misstatements or irregularities in financial reporting.

However, this contradicts the findings of (Tantri & Chariri, 2023) who argued that the size of the Public Accounting Firm does affect financial reporting. According to their research, auditors affiliated with large accounting firms (Big Four) generally possess broader experience and greater access to operational resources, including the ability to provide more comprehensive financial audit services and other consulting engagements.

4. CONCLUSION

Based on the findings, it can be concluded that Auditor Industry Specialization, Audit Tenure, Audit Fee, and the Size of the Public Accounting Firm have no significant effect on Financial Statement Fraud. These conclusions are based on the measurements of SPEC, years of engagement, LnFee, Big Four/non-Big Four classification, and the Beneish M-Score. Referring to the coefficient of determination test (Nagelkerke R Square), as applied to the Financial Statement Fraud variable, it was found that the independent variables (Auditor Industry Specialization, Audit Tenure, Audit Fee, and Firm Size) can explain only 4.2% of the dependent variable. The remaining 95.8% is explained by other factors. This suggests that financial statement fraud is influenced by many other variables beyond auditor characteristics alone. Additionally, alternative methods may be required to obtain more robust insights.

This study also has several limitations. These include the limited availability of periodic financial

information on the Indonesia Stock Exchange website and the official websites of the business entities used as samples. Furthermore, for the Audit Fee variable, many companies did not disclose the audit fees paid for a single audit period. The logistic regression model applied is also relatively less sensitive, especially when using a 0.5 cut-off value with imbalanced data, where the majority class dominates and the minority (fraud) is underrepresented.

Based on the results and limitations of this research, several suggestions can be made for future studies on these factors. First, alternative analytical methods that are more sensitive to imbalanced data distributions should be considered, particularly for research involving rare events such as financial statement fraud. Second, adopting a mixed-method approach could provide more comprehensive insights—beyond statistical results—by integrating contextual understanding that reflects real auditing and reporting practices. It is also recommended to validate findings through interviews or case studies with auditors to enrich the interpretation of the research results. Third, future studies should examine the role of technology in the audit process, such as the use of data analytics-based audits or digital audit systems that are increasingly being implemented in modern audit practices. This would enhance and broaden research perspectives in the digital era.

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