CSR and Financial Fraud: Board Gender and Audit Committee Expertise as Moderating

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Abstract

Financial statement fraud negatively impacts for the company, both materially and immaterially, including reduced stakeholders trust. The highlights the need for transparency through CSR reports. CSR represent the company's transparency and reduce fraud. However, oportunistic managers may exploit CSR as a tool to conceal fraudulent actions. This study aimed to analyze the relationship between CSR disclosure and financial statement fraud, as well as the moderating effects of gender diversity on boards of commissioners and committee expertise. This study is a quantitative approach with a population of state-owned companies listed on IDX from 2019 to 2023. The sampling technique was purposive sampling, which resulted in 20 companies. The analysis methods were panel data logistic regression and MRA using the Eviews 12 software. The results indicated that CSR disclosure positively influences financial statement fraud. Gender diversity on the board does not moderate this relationship, while audit committee with financial expertise weakens the relationship between CSR disclosure and financial statement fraud. The findings contribute to agency theory and provide practical implications for companies and investors in identifying potential fraud related to CSR activities. The novelty of this research is the addition of two moderating variables.

Keywords: Audit Committee, Board Gender, CSR, Fraud.

Abstrak

Insiden kecurangan laporan keuangan merugikan perusahaan secara materiil dan non-materiil, termasuk menurunnya kepercayaan stakeholders mengenai keandalan informasi laporan keuangan. Penelitian ini menganalisis hubungan pengungkapan CSR dan kecurangan laporan keuangan serta peran moderasi keberagaman gender komisaris dan keahlian komite. Penelitian ini mengadopsi pendekatan kuantitatif dengan populasi perusahaan BUMN yang terdaftar di Bursa Efek Indonesia periode 2019-2023 dan sampel diperoleh 20 perusahaan. Analisis data menggunakan regresi logistik data panel dan MRA menggunakan Eviews 12. Hasil penelitian memberi bukti pengungkapan CSR memiliki pengaruh positif terhadap kecurangan laporan keuangan. Keberagaman gender komisaris tidak memoderasi hubungan tersebut, sedangkan keahlian komite audit melemahkan hubungan pengungkapan CSR dan kecurangan laporan keuangan. Hasil penelitian berkontribusi pada teori agensi dan memberi implikasi praktis bagi perusahaan dan investor dalam mengidentifikasi potensi kecurangan terkait kegiatan CSR. Keterbaruan penelitian ini terletak pada penambahan dua variabel moderasi.

Kata Kunci: *CSR, Gender Dewan, Kecurangan, Komite Audit.*

INTRODUCTION

Financial statement fraud refers to fraudulent activities that lead to material misstatements in financial reports (ACFE, 2024). Such fraud can result in both material and non-material losses for a company. ACFE (2024) reported that financial statement fraud resulted in the highest losses among various fraud schemes, with an average loss of US$766,000. Additionally, financial statement fraud can lead to non-material losses, including increased financial risk, market instability, and diminished investor confidence in the integrity and validity of financial reporting information (Conyon & He, 2016; Larasati & Az'mi, 2023).

Financial statement fraud cases in Indonesia have involved state-owned enterprises, including PT Garuda Indonesia (Persero) Tbk, which in 2018 inflated its revenue by recognizing receivables as income (Pratiwi, 2019). Recently, PT Wijaya Karya Tbk was also suspected of manipulating its financial statements by reporting high profits from previous year, resulting in negative cash flow despite significant reported earnings (Binekasri, 2023).

Financial reporting information encompasses both financial and non-financial data. Investors increasingly seek non-financial information because financial data alone may no longer fully capture critical aspects of a company's performance (Bacha & Ajina, 2020). Consequently, companies are encouraged to provide more comprehensive and transparent disclosures about their performance and social responsibility. Non-financial disclosures, such as Corporate Social Responsibility (CSR) reports, are considered essential for addressing limitations in financial reporting and providing a more complete picture to stakeholders (Alexander & Palupi, 2020).

CSR initiatives have now become the focus of attention of various interested parties (Ahmad et al., 2023) because it is considered a cornerstone of business ethics (Kalbuana et al., 2020). CSR aims to improve social welfare and corporate sustainability (Carroll, 1979) and encourage companies to have a positive impact on their social environment (Lu et al., 2018). A company's participation in CSR activities demonstrates its commitment to meeting stakeholder expectations regarding sustainability (Trihermanto & Nainggolan, 2020). Therefore, corporate involvement in CSR activities is expected to enhance ethical practices within management, thereby potentially reducing the company's involvement in fraud.

However, the literature shows the CSR does not always reflect ethical business practices. Several studies suggest that CSR can serve as a mechanism to obscure fraudulent activities in financial statement by opportunistic managers (Buertey et al., 2020; Habbash & Haddad, 2020; Li et al., 2021; Rahman & Zheng, 2023). From an opportunistic perspective, CSR is viewed as a symbolic activity that companies use to meet their obligations (Laufer, 2003). Li et al. (2021) suggested that managers may use CSR to maintain relationships with stakeholders, thereby mitigating the risk of negative reporting and enhancing the company's image. This can reduce public suspicion of fraudulent intentions. Consequently, managers engaging in fraudulent activities might use CSR efforts as a facade to obscure the company's negative image and minimize the detection of their fraudulent behavior.

Previous studies examining the relationship between CSR and financial statement fraud have been limited and yielded mixed results, highlighting the need for further research. Li et al. (2021) reported that CSR had a significant positive impact on financial fraud. In contast, Ashma' & Laksmi (2023); Chu et al. (2023); Hu et al. (2019); Liao et al. (2019); Wang et al. (2024) found a negative relationship between CSR and financial

statement fraud. The difference in these findings suggests that there may be additional factors influencing the relationship between CSR and financial statement fraud that warrant further investigation.

The impact of CSR disclosure on financial statement fraud is influenced by contextual conditions, such as various dimensions of corporate governance, including the monitoring of managerial actions (Aguilera et al., 2007). The supervision and control of managerial policies can be influenced by the presence of women on the board of directors because their involvement is believed to enhance the quality of company profits and increase the effectiveness of supervision by the board of commissioners (Thoomaszen & Hidayat, 2020; Zalata et al., 2022). This can lead to increased detection of fraudulent activities and reduce instances of financial manipulation (Kaituko et al., 2023; Maulidi, 2023; Wang et al., 2022).

Additionally, an audit committee with financial expertise contributes to effective monitoring (Arum et al., 2023). The ability of the audit committee in the financial sector is believed to encourage companies to overcome fraud because of its specialized knowledge in financial reporting (Larasati et al., 2020).The audit committee's understanding of financial matters ensures accurate financial information and detects potential fraud, thus preventing fraudulent practices in financial reporting. This suggest that gender diversity of the board of commissioners and audit committee expertise can effectely oversee management activities, helping to prevent opportunistic actions by managers to commit fraud.

Research investigating the relationship between CSR and financial statement fraud, including the moderating roles of board gender diversity and audit committee expertise, is valuable for empirical analysis for several reasons. First, previous studies have widely investigated the relationship between CSR and earnings management (Buertey et al., 2020; Gaio et al., 2022; Kumala & Siregar, 2021; Kuo et al., 2021; Tran et al., 2022). However, there is still limited research examining the relationship between CSR disclosure and financial statement fraud. Second, this study bridged the gaps in the existing literature due to divergent views and results of previous studies. Li et al. (2021) found that CSR had a positive effect on financial statement fraud, whereas Ashma' & Laksmi (2023), Chu et al. (2023), Hu et al. (2019), and Wang et al. (2024) reported a negative effect of CSR on financial statement fraud.

To further explore this relationship, this study introduced two moderating variables: gender diversity on the board of commissioners and audit committee expertise. Third, previous studies examining the relationship between CSR and financial statement fraud have been conducted in various countries, including China, South Africa, European nations, and Jordan. This study contributed new evidence by exploring the effect of CSR disclosure on financial statement fraud within the context of Indonesia.

LITERATURE REVIEW

Agency Theory

Agency theory elucidates the contractual relationship between principals and agents, highlighting issues of information asymmetry and differing interests (Jensen & Meckling, 1976). Agents, who possess more information than principals, may engage in opportunistic behavior, such as financial statement fraud, to meet the principals' expectations. This behavior can lead to financial reports that do not reflect the company's true condition.

Conflict of interest, intensified by asymmetry information, prompt management to behave opportunistically, even using CSR as a means to hide fraudulent activites (Muttakin et al., 2015). Although CSR is often seen as part of business strategy through social participation (Porter & Kramer, 2002), some evidence suggest that CSR may actually provoke fraud due to its high costs, which can aggravate agency problems and motivate managers to act in their own self-interest (Gargouri et al., 2010; Leuz et al., 2003).

This agency problem can be mitigated through effective corporate governance mechanisms, such as active supervision by principals and the implementation of gender diversity on the board of commissioners, along with audit committee expertise (Thoomaszen & Hidayat, 2020). Gender diversity is thought to enhance the quality of supervision and prevent fraud, while an audit committee with financial expertise plays a crucial role in identifying risks and mitigating the impact of opportunistic behavior by agents (Otoritas Jasa Keuangan Republik Indonesia, 2015).

Financial Statement Fraud

Fraudulent financial reporting refers to deceptive practices that result in significant inaccuracies in financial statements (ACFE, 2024). This type of fraud involves the manipulation of gross profit, net income, assets, and liabilities, as well as data falsification, misrepresentation, and errors in applying accounting standards. Contributing factors to fraudulent financial reporting include different timing of recognition, fictitious transactions, concealment of expenses and liabilities, improper asset valuation, and inadequate disclosure (Repousis, 2016).

Board Gender Diversity

Gender diversity in the board refrects the company's commitment to equal opportunity for all individual occupy strategic roles (Larasati & Az'mi, 2023). The presence of female board members enhances the effectiveness of corporate oversight due to their participatory leadership style, which is attentive to stakeholderr needs and encourages thoughtful strategic decision-making (Adams, 2016; Arayssi et al., 2016). Bosquet et al. (2014) add that women tend to be more compliant with ethical norms, which decreases the tendency to take high risks that harm the company. Thus, the presence of women on the board can reduce fraud through improved business ethics.

Audit Committee Expertise

Financial Services Authority Regulation No. 55/POJK.04/2015 Article 7e requires companies to have at least one audit committee member who is competent in finance or accounting (Otoritas Jasa Keuangan Republik Indonesia, 2015). The audit committe's understanding of adequate financial information enable more effective oversight (Zadeh et al., 2023). This financial competence helps the committee detect errors and irregularities, ensure compliace with accounting standards, and improve the accuracy, transparency, and reliability of financial statements (Mousavi et al., 2022), thereby suppressing fraud (Larasati et al., 2020). Thus, the presence of audit committe members who have expertise in finance is very important for the prevention of fraudulent practices.

Disclosure of CSR and Financial Statement Fraud

CSR refers to a company's commitment to addressing environmental and social issues associated with its operations, demonstrating concern for stakeholders (Chu et al., 2023; Gras-Gil et al., 2016). Although CSR can enhance a company's reputation and build publict trust, opportunistic managers may misuse CSR to manage the company's image and cover up manipulative actions, including financial statement. Empirical research shows that CSR can exacerbate agency problems by allowing managers to hide fraud behind a positive social image (Dissanayake et al., 2023; Leuz et al., 2003). Therefore, it can be conclude that high level of CSR activities, which is characterized by a large number of CSR disclosures, will increase fraudulent activity because CSR activities are used to cover up opportunistic behavior such as fraudulent financial statement. Several studies have found a positive relationship between CSR disclosure and financial statement fraud (Buertey et al., 2020; Habbash & Haddad, 2020; Li et al., 2021). Based on the literature, the hypothesis for this study was as follows:
H1: The disclosure of CSR had a positive impact on financial statement fraud.

Disclosure of CSR and Financial Statement Fraud Moderated by Gender Diversity on the Board of Commissioners

Fraudulent activities can be prevented through oversight of managerial actions. In the context of supervision, agency theory emphasizes the importance of good governance, one of which is through an effective board of commissioners (Jensen et al., 1976). The presence of women on the board of commissioners can enhance oversight, particularly regarding the quality of financial reporting (Ghaleb et al., 2021; Zalata et al., 2022). Women are considered more independent, ethical, and focused on stakeholder interests, making them less likely to engage in unethical behavior (Githaiga, 2023; Larasati & Az'mi, 2023). Women's participation on the board is also associated with a reduced risk of financial statement fraud (Kaituko et al., 2023; Maulidi, 2023; Wang et al., 2022) This, the greater the number of women on the board of commissioners, the more effective the oversight of management's opportunistic actions, which can ultimately weaken the relationship between CSR disclosure and financial statement fraud.
Therefore, the second hypothesis for this study was as follows:
H2: Gender diversity on the board of commissioners weaken the relationship between CSR disclosure and financial statement fraud.

Disclosure of CSR and Financial Statement Fraud Moderated by Audit Committee Expertise

The expertise of the audit committee in finance is crucial for ensuring effective supervision of a company's financial reporting. Financial Services Authority Regulation *(Peraturan Otoritas Jasa Keuangan/POJK)* No. 55 of 2015 mandates that companies have audit committee members with backgrounds in finance and/or accounting, as their expertise is essential for identifying and preventing irregularities in financial reporting (Otoritas Jasa Keuangan Republik Indonesia, 2015). Supervision by an audit committee with financial expertise can enhance transparency and promote more comprehensive disclosure of information, and may minimize financial fraud risk (McLaughlin et al., 2021; Mubarokah & Agustia, 2020). Therefore, the presence of audit committees with financial expertise is expected to weaken the positive relationship between CSR disclosure and financial statement fraud. Thus, the third hypothesis for this study was as follows:
H3: Audit committee expertise weaken the relationship between CSR disclosure and financial statement fraud.

RESEARCH METHODS

This study is a quantitative research aimed at examining the relationships between variables. The study focused on state-owned companies listed on the Indonesia Stock Exchange (IDX) during the period from 2019 to 2023. Based on this method, companies included in the sample criteria were presented in the following table:

Table 1. Research Sample

Criteria	Total
State-owned companies listed on the IDX from 2019 to 2023	24
State-owned companies in the financial sector	(4)
Non-financial state-owned companies	20
Research sample: 20 companies over 5 years	100
Total Observations	**100**

Source: Research Data, 2024

The dependent variable in this study was financial statement fraud, assessed using the Beneish M-Score model. The calculation of thr Beneish M-Score formula is as follows:

$$\mathrm{M-Score} = -4.84 + (0.920 \times \mathrm{DSRI}) + (0.528 \times \mathrm{GMI}) + (0.404 \times \mathrm{AQI}) + (0.892 \times \mathrm{SGI}) + (0.115 \times \mathrm{DEPI}) - (0.172 \times \mathrm{SGAI}) - (0.327 \times \mathrm{LVGI}) + (4.697 \times \mathrm{TATA})$$

Table 2. The Calculation Ratios of Beneish M-Score

Ratio	Equation
DSRI	$(\frac{Receivables_t}{Sales_t})/(\frac{Receivables_{t-1}}{Sales_{t-1}})$
GRI	$[Gross\ Profit_{t-1}/Sales_{t-1}]/[Gross\ Profit_t/Sales_t]$
AQI	$\frac{\left[1-\frac{Current\ Assets_t + Net\ Fixed\ Assets_t}{Total\ Assets_t}\right]}{\left[1-\frac{Current\ Assets_{t-1} + Net\ Fixed\ Assets_{t-1}}{Total\ Assets_{t-1}}\right]}$
SGI	$Sales_t/Sales_{t-1}$
DEPI	$\left[\frac{Depreciation\ Expense_{t-1}}{(Net\ PPE_{t-1}+Depreciaton\ Expense_{t-1})}\right]/[\frac{Depreciation\ Expense_t}{(Net\ PPE_t+Depreciation\ Expense_t)}]$
SGAI	$\frac{(Sales, General\ and\ Administrative\ Expenses_t/Sales_t)}{(Sales, General\ and\ Administrative\ Expenses_{t-1}/Sales_{t-1})}$
LVGI	$\left[\frac{Total\ Liabilities_t}{Total\ Assets_t}\right]/\left[\frac{Total\ Liabilities_{t-1}}{Total\ Assets_{t-1}}\right]$
TATA	$\frac{(Net\ Income_t - Cash\ Flow\ from\ Operating_t)}{Total\ Assets_t}$

Source: Beneish (1999)

If Beneish M-Score calculation resultes in a value greater than -2.22 (> 2.22), then the company was indicated to be fraudulent and given a score of 1. Conversely, if the score was less than -2.22 (< 2.22), then the company was indicated to be non-fraudulent and given a score of 0 (Aghghaleh et al., 2016).

The independent variable in this study was CSR disclosure, which was measured using the CSR disclosure index based on the Global Reporting Initiative (GRI) standards 2016. This index included 81 disclosure items across six categories: Economy (17 disclosures), Environment (30 disclosures), Labor Practices and Decent Work (13 disclosures), Society (4 disclosures), Human Rights (9 disclosures), and Product Responsibility (8 disclosures). Each item was measured as a categorical variable, with a score of 1 for disclosed items and 0 for undisclosed items. The CSR disclosure index was calculated as follows (Haniffa & Cooke, 2005):

$$CSRDI_j = \sum X_{ij}/81$$

Description:

$CSRDI_j$: Extent of company CSR disclosure

$\sum X_{ij}$: Score for each disclosure item, 1 if the item is disclosed and 0 if it is not disclosed

The moderating variable, gender diversity, was measured by the proportion of female commissioners compared to the total number of commissioners on the board. The moderating variable of the expertise of audit committee was measured by the proportion of audit committee members with expertise in finance and/or accounting compared to the total number of members on the audit committee.

Control variables were employed to mitigate potential biases in the analysis. The control variables used in this study were: (1) Company size, measured by the natural logarithm of the company's total assets; (2) Leverage, measured as the ratio of total debt to total assets; (3) Profitability, measured by return on assets (ROA), which was the ratio of total net income to total assets; (4) Company age, measured by subtracting the year the company was founded from the year of the study; and (5) Audit quality, measured as a categorical variable, where 1 indicated that the company was audited by a Big Four accounting firm and 0 indicated that the company was audited by a non-Big Four firm.

Logistic regression analysis was used to examine the effect of independent and dependent variables by using software Eviews 12 in this study. The logistic regression analysis was conducted as follows:

Model 1. Without Involving Moderation Variable Interaction

$$\mathrm{Ln}\ (\mathrm{Fraud}/1-\mathrm{fraud}) = \alpha + \beta_1 \mathrm{CSR}_{it} + \beta_2 \mathrm{F_BOC}_{it} + \beta_3 \mathrm{AC_EXP}_{it} + \mathrm{B}_4 \mathrm{SIZE}_{it} + \beta_5 \mathrm{LEV}_{it} + \beta_6 \mathrm{ROA} + \beta_7 \mathrm{AGE}_{it} + \beta_8 \mathrm{BIG4}_{it}$$

Model 2. Involving Moderation Variable Interaction

$$\mathrm{Ln}\ (\mathrm{Fraud}/1-\mathrm{fraud}) = \alpha + \beta_1 \mathrm{CSR}_{it} + \beta_2 \mathrm{F_BOC}_{it} + \beta_3 \mathrm{AC_EXP}_{it} + \mathrm{B}_4 \mathrm{SIZE}_{it} + \beta_5 \mathrm{LEV}_{it} + \beta_6 \mathrm{ROA} + \beta_7 \mathrm{AGE}_{it} + \beta_8 \mathrm{BIG4}_{it} + \beta_9 \mathrm{CSR.F_BOC}_{it} + \beta_{10} \mathrm{CSR.AC_EXP}_{it}$$

Descriptions:

Ln (Fraud/1-Fraud) : Fraudulent financial statement

α : Constant

β : Coefficient

CSR : Corporate Social Responsibility

SIZE : Firm size
LEV : Leverage
ROA : Profitability
BIG4 : Audit quality
F_BOC : Board gender diversity
AC_EXP : Audit committee expertise
ε : error

RESULTS

This study aims to analyze the impact of CSR disclosure on financial statement fraud and the role of gender diversity of the board of commissioners and audit committee expertise as moderating. Descriptive statistics were conducted to summarize data by presenting the minimum, maximum, mean, and standard deviation values for the research variables. The results of these descriptive statistics were shown in Table 3 below.

Table 3. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Standard Deviation
CSR	100	0.10000	0.88000	0.38880	0.17568
F_BOC	100	0.00000	0.33333	0.05728	0.09603
AC_EXP	100	0.25000	0.25000	0.58303	0.23487
SIZE	100	27.3563	33.2906	31.0396	1.27420
LEVERAGE	100	0.27270	2.05833	0.69304	0.29402
ROA	100	-0.9489	0.57415	-0.0013	0.15606
AGE	100	5.00000	206.000	68.1500	47.5949
Categories				**Frequency**	**Percentages**
Financial Statement Fraud					
Fraud Firms				27	27%
Non-fraud firms				73	73%
Audit Quality					
Big four				52	52%
Non-*Big four*				48	48%

Source: Secondary Data, Processed in 2024

Table 3. describtive statistical results show that companies classified as fraudulent companies are 23 observations or 27% of the total observations and non-fraud companies are 73 observations or 73% of the total observations. This number indicates that most of the sample companies did not commit financial fraud. Then, the variable CSR disclosure (CSR), audit committee expertise (AC_EXP), firm size (SIZE), *leverage,* dan company age (AGE) have data that does not vary because the average value is greater that the standard deviation value, while the board gender diversity (F_BOC) and ROA have varied data because the average value is smaller than the standard deviation value. Futhermore, the audit quality variable shows that companies audited by big-four KAP are 52 observations or 52% of the total observations and companies audites by non-big-four KAP are 48 observations or 48% of the total observations.

Table 4. Regression Results – Model 1

Model	B	Z-statistic	Sig
Constant	5.603633	0.805059	0.4208
CSR	3.485062	2.196007	0.0281*
F_BOC	-0.353112	-0.130574	0.8961
AC_EXP	0.011971	0.010021	0.9920
SIZE	-0.280555	-1.226394	0.2201
LEV	1.853686	1.607053	0.1080
ROA	2.640423	1.332158	0.1828
AGE	-0.006562	-1.009572	0.3127
BIG4	-0.426665	-0.706838	0.4797
Hosmer and Lemeshow Test		Chi-Sq: 8.7293	Sig: 0.3656
Mc Fadden R-Squared			0.100682

**)sig. < 0.05*

Source: Secondary Data, Processed in 2024

The model's feasibility was evaluated using the Hosmer and Lemeshow (HL-Goodness-of-Fit Test). The hypotheses for this test were as follows:
H0: The research model was suitable.
Ha: The research model was not suitable.

Based on the output in Table 4, the significance value of 0.3656 was greater than the 0.05 (0.3656 > 0.05), indicating that the null hypothesis was accepted. This indicated that the research regression model was considered appropriate. The determination coefficient was assessed using the McFadden R-squared value of 0.100682, which implied that the independent variables accounted for 10% of the variance in financial statement fraud, with the remaining variance attributed to other factors.

The results of the logistic regression presented in Table 4 showed that CSR disclosure had a significance value of 0.0281, which was less than 0.05 (0.0281 < 0.05). The CSR coefficient value of 3.485062 indicated a positive correlation with financial statement fraud. Therefore, it can be inferred that the H1 was accepted. This study included several control variables, none of which had a significant relationship with financial statement fraud: company size (0.2201), leverage (0.1080), profitability (0.1828), company age (0.3127), and audit quality (0.4797) all exceeded 0.05.

Table 5. Regression Results – Model 2

Model	B	Z-statistic	Sig
Constant	-0.915500	-0.116536	0.9072
CSR	11.27243	2.185677	0.0288*
F_BOC	-1.122137	-0.116966	0.9069
AC_EXP	5.353100	1.670519	0.0948
CSR*F_BOC	3.489514	0.164708	0.8692
CSR*AC_EXP	-12.59324	-1.788720	0.0737**
SIZE	-0.164826	-0.708817	0.4784
LEV	1.400088	1.200537	0.2299

ROA	2.197585	1.113450	0.2655
AGE	-0.007011	-1.049532	0.2939
KA	-0.721826	-1.140268	0.2542
Hosmer and Lemeshow Test		Chi-Sq: 7.6385	Sig: 0.4696
Mc Fadden R-Squared			0.138848

*) sig. < 0.05 **) sig. < 0.10

Source: Secondary Data, Processed in 2024

The results presented in Table 5 were from a moderated regression analysis examining the effect of gender diversity on the board of commissioners and audit committee expertise on the relationship between CSR disclosure and financial statement fraud. The regression results indicated that the interaction term for gender diversity on the board of commissioners (CSRFBOC) had a significance value of 0.8982, which was greater than 0.05 (0.8982 > 0.05). This suggested that gender diversity did not have a significant moderating effect on the relationship between CSR disclosure and financial statement fraud. Therefore, H2 was rejected. Conversely, the interaction term for audit committee expertise (CSRACEXP) had a significance value of 0.0737, which was more than 0.05. In social sciences, the maximum error rate that can be tolerated is 10% (Ghozali, 2018) . If the significance level was 0.10, audit committee expertise was considered to have a significant moderating effect on the relationship between CSR disclosure and financial statement fraud. Therefore, H3 was accepted.

DISCUSSIONS

Disclosure of CSR and Financial Statement Fraud

CSR disclosure had a significant and positive effect on financial statement fraud. Consequently, first hypothesis (H1) of this study, which posited that CSR disclosure had a positive effect on financial statement fraud, was accepted. These findings are consistent with those of (Li et al., 2021), who reported that CSR had a positive effect on financial fraud. The positive effect of CSR on financial statement fraud suggested that CSR activities might be used to obscure fraudulent financial reporting practices (Li et al., 2021). Managers might employ CSR initiatives as a strategy to enhance relationships with stakeholders and manage the company's image, thereby reducing public suspicion of fraudulent activities. The results of this study supported agency theory, which posited that the contract between the agent and the principal, along with different goals of both parties, led each party to pursue profit optimization (Jensen & Meckling, 1976). According to this perspective, managers might use CSR as a tool to enhance their compensation by covering the company's bad image, thereby reducing the likelihood of detecting fraudulent actions. These findings are inconsistent with the research conducted by Ashma' & Laksmi (2023); Chu et al. (2023); Hu et al. (2019); Liao et al. (2019); Wang et al. (2024), which indicated that CSR effectively reduced financial statement fraud.

Disclosure of CSR and Financial Statement Fraud Moderated by Gender Diversity on the Board of Commissioners

Gender diversity on the board of commissioners did not significantly moderate the relationship between CSR and financial statement fraud. Therefore, the second hypothesis (H2), which posited that gender diversity on the board of commissioners weaken the relationship between CSR disclosure and financial statement fraud, was

rejected. The results of this study did not support the agency theory, which suggested that problems between agents and principals could be mitigated through effective corporate governance mechanisms, ensuring that policies aligned with stakeholder interests (Jensen & Meckling, 1976). This finding suggested that female commissioners did not have a significant impact on increasing CSR disclosure and fraudulent financial reporting actions. One potential reason for this was the average representation of female commissioners in the sample companies just 5.7%, indicating that women in board positions are still relatively underrepresented, which might make their oversight less significant. As a result, the low percentage of women on the board of commissioners leads to no substantial effect on fraudulent activities. These findings are consistent with the studies by Fitroni & Feliana (2022); Razak & Helmy (2020), which demonstrated that female commissioners do not influence financial statement fraud. Thus, it can be concluded that both female and male board members had similar opportunities to commit fraud, so they failed to reduce fraudulent behavior within the company.

Disclosure of CSR and Financial Statement Fraud Moderated by Audit Committee Expertise

Audit committee expertise weaken the relationship between CSR disclosure and financial statement fraud. The results of this study supported the agency theory, which posited that monitoring mechanisms, such as those implemented by the audit committee, could address agency problems between principals and agents (Jensen & Meckling, 1976). These findings are consistent with the research conducted by McLaughlin et al. (2021); Mousavi et al. (2022); Mubarokah & Agustia (2020), which demonstrated that an effective audit committee could reduce financial statement fraud. This is because the financial expertise of the audit committee enhances the effectiveness of its oversight, enabling it to detect errors or irregularities in financial reporting, thereby improving reporting quality, preventing any fraudulent activities (Arum et al., 2023; Mousavi et al., 2022; Zadeh et al., 2023). Specifically, the results suggested that a more financially competent audit committee was better positioned to influence management to prevent management from engaging in opportunistic behavior, such as using CSR as a tool to conceal fraudulent activities, thereby minimize the occurrence of fraud.

CONCLUSION

This study investigated the relationship between CSR disclosure and financial statement fraud, as well as the moderating effects of gender diversity on the board of commissioners and audit committee expertise as moderating variables in non-financial state-owned companies listed on the IDX for the period 2019-2023. Based on logistic regression analysis, the study found that CSR disclosure had a significant positive effect on financial statement fraud. The gender diversity on the board of commissioners did not moderate the relationship between CSR disclosure and financial statement fraud. In contrast, audit committee expertise weaken this relationship. Among the five control variables examined – company size, leverage, profitability, company age, and audit quality – none were found to have a significant impact on fraudulent financial statement.

SUGGESTIONS

Practical Advice

The results of this study offer practical several advices. First, for companies, this research expected to increase company attention to management behavior in fraudulent

activities that utilize CSR activities. By understanding that CSR can be misused as a tool to hide fraudulent practices, companies are expected to implement stricter oversight of their CSR activities.

Second, for investors, the study provides valuable insights that can aid in assessing the risk of fraud within companies. By understanding the relationship between CSR disclosure and potential fraud, investor can ecaluate companies' financial statements and CSR disclosures more critically. They can conduct an in-depth analysis of CSR policies and how they relate to reported financial performance. This information allows investors to make better investment decisions and avoid the risks associated with companies potentially involved in fraud.

Theoretical Suggestions

The findings of this study provide new empirical evidence on the moderating effect of board gender diversity and audit committee expertise on the positive relationship between CSR disclosure and financial fraud. However, this study has limitations. First, this study include the use of a sample consisting solely of non financial state-owned companies listed on the IDX for 2019-2023. Future research is encouraged to expand the sample and extend the research period. Second, this study only uses one variable factor of financial fraud. Additional research on other factors that may influence financial fraud is needed, such as financial distress, which is a state od corporate financial difficulty. When the company is in financial distress, management will try to maintan the company's image to appear to have good performance, allowing opportunistic actions such as manipulation of financial statements to occur.

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