

# **The Role of Quality Control and Management with Good Corporate Governance on Fraudulent Financial Reporting: Evidence in Indonesia**

**Imam Ghozali  
Mochammad Chabachib  
Sugeng Wahyudi**

Department of Management Faculty Economics and Business  
Diponegoro University  
Semarang, Indonesia

[ghozali\\_imam@yahoo.com](mailto:ghozali_imam@yahoo.com), [gondarum65@gmail.com](mailto:gondarum65@gmail.com), [sugeng.wahyudi@undip.ac.id](mailto:sugeng.wahyudi@undip.ac.id)

**Imang Dapit Pamungkas**

Ph.D Student Department Accounting Faculty Economics and Business  
Diponegoro University  
Semarang, Indonesia

[imangunikal@gmail.com](mailto:imangunikal@gmail.com)

## **Abstract**

The purpose of this study is to examine empirically the effect of manager attitudes on fraudulent financial reporting, subjective norms of managers, perceived behavioral control towards the intention of managers to commit fraudulent financial reporting. This study examines the effect of the intention of managers to commit fraudulent financial reporting to the behavior of managers to commit fraudulent financial reporting. Next, this study also examines quality control and management with good corporate governance as moderating the relationship of intention of managers to commit fraudulent financial reporting to the behavior of managers to commit fraudulent financial reporting. The population of this study is the financial manager of all manufacturing companies listed on the Indonesia Stock Exchange. The sample selection method with purposive sampling method. In this study hypothesis testing was carried out with Partial Least Squares Structural Equation Modeling performed to analyze the survey responses of 257 financial manager. The data processing of this research uses the Warp PLS application version 5.0. The results indicate that subjective norms, perceived behavioral control and manager's moral obligations have a significant negative effect on the intention of managers to commit financial reporting fraud. The intention of managers to commit financial reporting fraud has a significant positive effect on the behavior of managers doing fraudulent financial reporting. Quality control and management with good corporate governance as a moderating variable is proven to weaken the relationship of intention of managers to commit fraudulent financial reporting to the behavior of managers committing fraudulent financial reporting. However, the results of hypothesis testing prove the manager's attitude towards fraudulent financial reporting does not significantly influence the intention of managers to commit fraudulent financial reporting. In the quality control and management company, evaluation and control are important components to ensure that the goals the company wants to achieve are well implemented and preventing fraudulent financial reporting can be improve function by implementing good corporate governance.

## **Keywords**

Financial Engineering , Good Corporate Governance, Fraudulent Fianancial Reporting

## **Acknowledgements**

This Article is the result of research grant financed by. Riset Publikasi Internasional (RPI) Sumber dana selain ABPN Universitas Diponegoro, Indonesia with the Contract of Research of Fiscal Year 2019. No: 329-82/UN7.P4.3/PP/2019 dated 30 April 2019.

## **Biographies**

**Imam Ghozali** is Professor of Accounting, and Director of the Doctoral of Economics Program at the Faculty of Economics and Business Diponegoro University, Indonesia. He is independent commissioner PT Bank Pembangunan Daerah Central Java in 2012-2016. Imam Ghozali has completed his Bachelor of Economics majoring in Accounting at Gadjah Mada University, Yogyakarta 1985. His Masters degree (M.Com) was completed at the University of New South Wales, Sydney, Australia 1990 and his S3 (Ph.D) education in Management Accounting was completed at the University of Wollongong, Australia 1995. Aside from being a permanent lecturer at the Faculty of Economics and Business at UNDIP, he is also a non-permanent lecturer in the S3 Management program at the University of Persada Jakarta Y.A.I, in the S3 (Doctor) program in Service Management at Trisakti University Jakarta and in the S3 (Doctor) program in Tanjungpura University Pontianak. He was also a Visiting Professor at the University of Malaya, Kuala Lumpur, Malaysia 2009-2011. His research interests include Accounting, Fraud, Corporate Governance. His research results are published in several Accredited National Scientific Journals and International Journals such as: all indexed by Scopus.

**Mochammad Chabachib** is an Associate Professor management at Faculty of Economics and Business Diponegoro University, Indonesia. He is Dean of the Faculty of Economics, Diponegoro University in 2010 and Vice Rector for Finance at University of Diponegoro Semarang, Indonesia in 2015. Mochammad Chabachib has completed his Bachelor of Economics majoring in Management at Diponegoro University, Semarang in 1979. His Masters degree (M.M) was completed at the Padjadjaran University, Bandung, Indonesia 1999 and his S3 (Doctor) education in Management was completed at the Airlangga University, Bandung, Indonesia 2002. He has published journal and conference papers. His research interests include Management Accounting, Financial Management and capital market management. Active in writing journal indexed by Scopus.

**Sugeng Wahyudi** is Professor Department of Management and Director of study programs at the master of management at Faculty of Economics and Business University of Diponegoro Semarang, Indonesia. Sugeng Wahyudi has completed his Bachelor of Economics majoring in Management at Diponegoro University, Semarang 1980. His Masters degree (M.M) was completed at the Diponegoro University, Semarang, Indonesia 1996 and his S3 (Doctor) education in Management Accounting was completed at the Airlangga University, Surabaya, Indonesia 2004. He has published journal and conference papers indexed by Scopus. His research interests include Management Accounting, Financial Management and capital market management. Active in writing books and in newspapers, reviewers in reputable journals.

**Imang Dapit Pamungkas** is Ph.D Student at Diponegoro University and permanent lecturer Dian Nuswantoro University, Indonesia. He is member of Institute of Indonesia Chartered Accountants and Certified Management Accountant. Imang Dapit Pamungkas has completed research projects with Ministry of Research, Technology and Higher Education of the Republic of Indonesia. Imang Dapit Pamungkas has completed his Bachelor of Economics majoring in Management at Semarang State University, Semarang 2010. His Masters of Accounting degree was completed at the Diponegoro University, Semarang, Indonesia 2013 and his S3 (Doctor) education Accounting at the Diponegoro University, Semarang, Indonesia. He has often attended presentations in international conferences and published journals, conference papers indexed by Scopus. His research interests include Accounting, Fraud, Good Corporate Governance. Active in writing journal indexed by Scopus, reviewers in reputable journals.