THE EFFECT OF FRAUD HEXAGON ON FRAUDULENT FINANCIAL STATEMENTS: EMPIRICAL STUDY OF NON-CYCLICALS COMPANIES IN INDONESIA

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Abstract

This study aims to analyze the factors of hexagon fraud in detecting financial statement fraud in non-cyclical sector companies listed on the Indonesia Stock Exchange (IDX) for the 2020-2021. Based on the purposive sampling method, the number of companies sampled in this study was 33 research criteria of non-cyclical companies with a total of 66 observations. The results of this study found that the element of pressure proxied by government projects had a significant effect on fraudulent financial statements. Meanwhile, financial targets, financial stability, changes in directors, ineffective monitoring, change in auditors, frequent number of CEO's pictures, political connections, state-owned enterprises, and audit opinions have no significant effect on fraudulent financial reports in non-cyclical sector companies listed on the IDX 2020-2021.

Keywords: Fraudulent Financial Statement, Fraud Hexagon, Non-Cyclical Companies

1. Introduction

Financial statements are part of the means of communication between managers and stakeholders (stakeholders) to provide an overview of company performance in an accounting period. This financial report is prepared to provide company financial information including financial performance, financial position, and company cash flow (Mawarni and Husaini, 2016). However, in reality, many business actors intentionally commit fraud or fraud by manipulate financial statement information so that the company has good performance and looks healthy (Mawarni and Husaini, 2016). Fraud in the company's financial statements has previously been described in Section 316 of the Auditing Standards (PSA Number 70) which reveals that fraud in the company's financial statements can be in the form of misstatements or omissions of a certain component in the financial statements intentionally to deceive users. financial reports, misrepresentation or deletion from financial reports such as events, transactions, or significant information, as well as intentional mis implementation of accounting principles related to amounts, presentation methods, disclosures and classifications (IAI, 2011).

Cases of fraudulent financial reporting of companies that go public are one of the factors in the poor economy of a country. In Indonesia, it is known that several companies have committed corrupt practices, fraudulent financial reporting, including the cases of PT Kimia Farma Tbk, PT Kereta Api Indonesia Tbk, PT Waskita Karya Tbk. Cases of
manipulation of financial reports abroad have also been recorded by Xeroc (2000), Enron (2001) and Worldcom (2002) which caused the United States public to doubt the integrity and credibility of business actors. Recently there was a case of financial reporting fraud committed by PT Timah (Persero) who was charged with manipulating the financial statements of the first half of 2015 which stated that while there was a positive increase in performance, there was a loss of IDR 59 billion (Okezone Finance, 2016). Another case of fraudulent financial reporting was carried out by Toshiba Corporation, which in 2015 was proven to generate a profit bubble equivalent to 1.22 billion USD in five years.

2. Theoretical Background

2.1 Agency Theory (Grand Theory)

Agency relationships occur when one or more people (principals) hire different people (agents) to perform a service and then give the agent the power to make decisions. As a party that is given responsibility, management (agent) is obliged to fulfill its obligations to shareholders (principal) (Jensen and Meckling, 1967). However, between shareholders (principal) and management (agent) conflicts often arise as a result of differences in interests between the two parties which can be referred to as agency conflicts (agency theory).

2.2 Fraud

The Association of Certified Fraud Examiners (ACFE) states that fraud is an act of deception or intentional mistakes made in order to gain benefits for individuals and groups that either directly or indirectly cause other parties to suffer losses. Based on Standards Audit Statement No. 99 explains if Fraud is an intentional act that can trigger component misstatements in the company's financial statements (Susanti, 2014). Misstatement or omission of information in the preparation of an organization's financial statements is defined as fraudulent financial reporting by the ACFE as an act taken by a person with intent to cause such omission. From the understanding above, it can be concluded that fraud is an illegal act committed to deceive other people for their own benefit.

2.3 Fraud Hexagon Theory

Fraud theory was first discovered in 1953 by Donal R. Cressey called the fraud triangle. Cressey stated that people who commit fraud are caused by financial problems (pressure) by taking advantage of existing opportunities (opportunity). Cressey also said that the perpetrators of fraud actually knew that their actions were wrong and unlawful, but the perpetrators changed their perspective and mindset for various reasons and stated that their actions were reasonable and legal (rationalization). Wolfe and Hermanson in 2004 developed a new theory, namely the fraud diamond, in which the theory added a new variable, namely capability, meaning that a person would not be able to commit fraud if that person did not have the ability. Fraud pentagon theory is a theory developed by Crowe Horwarth in 2011, where the theory adds the arrogance variable, namely someone who has an attitude of arrogance and authoritarianism that causes him to feel that supervision and regulation.

2.4 Financial Targets

Pressure can be measured using financial targets that are usually reflected through the acquisition of a profit rate company that can be calculated through value ROA (Return On Assets) (Skousen et al., 2009). Putri and Ira Lestari (2021) and Kusumosari (2020) proves that financial targets have a positive effect on detection of fraudulent financial
statements. Meanwhile, according to research Suprayogi and Purnamasari (2021), financial targets negative effect on fraudulence financial statements.

H1: Financial target has an effect on fraudulent financial statements

2.5 Financial Stability

Financial stability is a condition for check the company's financial condition in a stable state or not. Skousen et al. (2009) argue that this can be measured by looking at changes in total assets company from year to year and states when a manager feels The company's financial stability is under pressure various situations, it can trigger it do various ways to beautify appearance of the company as fraudulent financial statements. Research results from Kusumosari (2020) states that financial stability has a positive effect against fraudulent financial reporting.

H2: Financial stability has an effect on potential for fraudulent in the financial statements

2.6 Capabilities

The capabilities described here are the ability of perpetrators of fraud to commit fraud without the knowledge of the parties company controller. According to Wolfe & Hermanson (2004) states that no maybe personal who do not have individual abilities or capabilities can carry out acts of fraud. It's not always a change of directors drive the company's performance to be better. Ruankaew (2016) and Saputra (2016) prove that the change of directors’ positive effect on reporting fraudulent finance. According to Wolfe and Hermanson (2004) position someone in the company provides capacity for act fraudulently.

H3: Change of directors has an effect on fraudulent financial statements

2.7 Ineffective Monitoring

Under very close supervision of the company relation to the board of commissioners. Siddiq et al. (2017) explained that acts of fraud within the company can be prevented by the greater the ratio of the board of commissioners. Matter this is supported by research results research from Santoso (2019) proves that the ineffectiveness of supervision is not positive effect on fraud financial statements. While the research results from Kusumosari (2020) shows that the ineffectiveness of oversight effect positive towards fraud reports finance. While in research. Rengganis et al., (2019) proves the ineffectiveness of supervision affects fraudulent financial reporting negatively.

H4: Ineffective monitoring effect against fraudulent financial statements

2.8 Change In Auditors

Auditor's responsibility in supervision financial statements are very crucial, where opinion auditors can be used as a basis. evaluation of users of financial statements. This matter supported by research results from Santoso (2019) shows that Change in Auditors have a positive effect on financial statement fraud. Septriyani and Handayani (2018) proves that financial statement fraud caused due to a change of auditors. There is change of auditors is considered capable hide traces of the cheating that has been discovered by previous auditors. While the results of research from Sagala and Siagian (2021) shows that Change in Auditor has a negative effect on financial statement fraud.

H5: Change in auditor has an effect on fraudulent financial statements
2.9 Frequent number of CEO's picture

The number of CEO photos attached to the company's annual report can showing arrogance and superiority to the CEO himself (Tessa and Harto, 2016). The arrogant attitude of a CEO can make himself feel that everything forms of supervision and regulation of the company will not affect it because of his position in the company very high and important. So there is the likelihood that the CEO will do anything to maintain his position and status within the company including doing fraudulent financial statements (Howarth, 2011). According to research results from Wijayani and Ratmono (2020), and Syifani (2021) it is said that the frequent number of CEO's pictures have a positive effect on possibility of financial fraud reporting.

H6: frequent number of CEO's pictures positive effect on probability occurrence of fraudulent financial reports.

2.10 Government Project

According to Vousinas (2019), collusion referirs on a deieceiptivei or compact agreeieinent bieitweiein two or morei peiopele, for onei party usei takei otheir action for somei unsavory purposeis, such as to deiceiivei third party from its rights. Fraud heixagons modeli should be used as deiveilopment for thei pentagon fraud modele in ordeir to find out morei about thei indications of its occureincei fraud, in which collusion plays a role important in fraudulent financial reporting. Their results of research conducted by Sari & Nugroho (2020) states that collusion positive effect on fraudulent financial reporting. Based on the explanation from this, the hypothesis is concluded:

H7: Cooperation with government projects positive effect on fraudulent financial reports.

2.11 Political Connections

Political connections are likely to give profit for the company, company that havei political connecciones will gain assistance from thei goveirneiment in timeis of crisis economics and otheir issueis (Butjei & Tjondro, 2014). Reiseiearch reiults that conducied by Kusumosari (2020) stateid that a political conneiction efieict on fraud reiorps financei. Sari & Nugroho (2020) stateis that theire is work or not thei company and thei goveirneiment efieict on fraud reiorps financei. So that the eiith hypothesiis is:

H8: Political connections have an effect on fraudulent financial statements.

2.12 State-Owned Enterprises

State-owned enterprises are state-owned company engaged in various sectors of the Indonesian economy with thei aim of improving thei welfare of thei Indonesias peiopele. Manageiemeint as an ageint in chargei of eiveiry ordeir from thei principal is includeid in thiiing looking for a lot of profit for company. This is what can push manageiemeint commits fraud to meiei thesi eixepeciations and in this goveirneiment can help to coveir any errors and frauduleiint acts madei by thei manageiemeint. Study preiiviously reigarding this variablei is carried out by Kusumosari (2020) stateis that statei-owned einteirprisei havei a positive efieict signifiicantly to reiorp fraud financei.

H9: state-owned enterprises are influential positive about the probability of occurrence fraudulent financial reporting.

2.13 Audit Opinion
Rationalization is a form appreciation givein by the company principal due to increased performance (Sihombing & Rahardjo, 2014). Measurement rationalization can use a variety of indicator. According to the statements on Auditing Standards (SAS) No.99 concerning Considerations Fraud in Auditing Financial Statements, rationalization of the company can be measured with the audit opinion cycle. One indicator used by several studies previously including Skousein, C. J. & Wright (2009), Seiptriyani & Handayani (2018), Sihombing & Rahardjo (2014) as well Agusputri & Sofie (2019). Results (Diany & Ratmono, 2014) stateis that opinion audit has a positive effect on fraud financial statements.

H10: Audit Opinion has a positive effect against the possibility of fraud financial reporting.

3. Methods
3.1 Population and Sample
The objects in this study are sector companies that have been registered and issues audit financial statements for the 2020-2021 research period on the Indonesian Stock Exchange (IDX). The data used is sourced from the IDX website and also the company's websites. The population in this study are financial sector companies listed on the IDX during 2020-2021. Non-Cyclicals companies that meet all the specified criteria to be able to become research samples are as many as 33 companies with a 2-year research year. So that the amount of data to be used in this study is 66 data to be observed.

3.2 Definition and Measurement of Variable
3.2.1 Fraudulent Financial Statement
The dependent variable in this study is fraudulent financial statements. According to (Ak et al., 2013) the f-score is a method that is very accurate in assessing the risk of fraudulent financial statements because it will obtain the highest level of truth. Calculation of the value of the f-score is done by adding up the accrual quality calculated by accrual RSST and financial performance.

\[
F - \text{Score} = \text{Accrual Quality} + \text{Financial Performance}
\]

Accrual quality is calculated using RSST Accruals. RRST is an abbreviation the name of the researcher who put forward the formula of these, namely Richardson, Sloan, Soliman, and Tuna (Richardson et al., 2005). Formula the calculation is as follows:

\[
RSST \text{ accrual} = \frac{(\Delta WC + \Delta NCO + \Delta FIN)}{Average \ Total \ Assets}
\]

Financial performance can be known through changes in receivables, accounts cash sales, inventory accounts, and earnings before the formulated tax and interest through the following equation:

\[
\text{Financial Performance} = \text{change in receivable} + \text{change in inventories} + \text{change in cash sales} + \text{change in earnings}
\]
3.2.2 Financial Target

Skousen et al. (2009) stated that Return on assets (ROA) is frequent used in assessing the performance of managers and how to determine bonuses, salary increase, and others. The higher the ROA determined by the company, then the higher the level of management in manipulating earnings in reports corporate finance which is one form of fraud so it has positive relationship with fraudulent financial reporting. The formula for measuring Return on assets (ROA), namely:

\[
ROA = \frac{\text{Net Profit}}{\text{Total Asset}}
\]

3.2.3 Financial Stability

Financial stability describes the financial condition of a company that may be affected by economic, industry, or operating conditions of the entity. This puts pressure on management to show up the condition of the company in a stable position so that the value of the company is maintained (Skousen et al., 2009). The company's total assets can reflect the condition company financial stability. Proxy measurement of financial stability namely ACHANGEi, with the following formula:

\[
ACHANGE = \frac{\text{Total asset}_t - \text{Total asset}_{t-1}}{\text{Total asset}_{t-1}}
\]

3.2.4 Change in Director

Changes in directors can cause stress periods and have an impact on increasing the opportunities to perform fraudulent acts (Wolfe & Heirmanson, 2004). In this study, change in director is measured using dummy variable measurement. If the company is better than the previous one, the value of "1" and otherwise if the company is no change in directors is givein a value of "0".

3.2.5 Ineffective Monitoring

The tendency to fraudulent financial statements can be associated with high sense of superiority and CEO arrogance. With this attitude, the CEO believes that he is the most righteous in the company and that all rules do not apply to him (Teissa and Harto, 2016). This measurement proxy is denoted by the BDOUiT symbol, the formula is as follows:

\[
BDOUiT = \frac{\text{Jumlah Komisaris Independen}}{\text{Jumlah dewan komisaris}}
\]

3.2.6 Change In Auditor

Changes in auditor (change in auditor) in a company rateid as the act of destroying evidence of fraud that the auditor has discovered previously. In this study, Change in Auditors are measured using dummy variable measurement. If the company is better than the previous one, the value of "1" and otherwise if the company is no change in auditors are givein a value of "0".
3.2.7 Frequent Number of CEO’s Picture
The frequeiient nuniheir of CEiO's picture is or thei total frequeiency of CEiO photos in thei company's annui al report shows thei leivei of CEiO arroganeci. According to Crowei (2011), a CEiO will potenially do anything to maintain his cuurrei nt position. Mea suireimeint of thei lievei of arroganeci baseid on thei frequeiency of CEiO photos is:

\[
\text{CEOPIC} = \sum \text{foto CEO yang ditampilkan dalam laporan tahunan}
\]

3.2.8 Government Project
In this study, if thei company has a teindeir, agreeemetery, or contracts with thei govei nirmeint will be givein codei 1, otheriwise if theirei is no teindeir, contract or agreeemetery with thei govei nirmeint thei codei 0 will be givein. Meothd this mea suireimeint has also beinei useid by Amran & Haniffa (2011) and Sari, eit al (2020).

3.2.9 Political Connection
Political connection or political connections mei ans that a company eis tablishes political reiations with othe ir parties. A company with many connections politics is consideireid to faci litatei and launich company activi tieis. For political connection is mea suired by using dumi m variablei mea sui reimeints. If thei preisideint commissioneir and/or Indeipeindeint commissi oneirs have affilia tions politics is givein a valuiei of "1" and vicei vei rsi if preisideint commissi oneir and/or commissi oneir Indeipeindeint has no political affilia tion rateid “0”. In this study theirei is somei of thei criteiriia useid for deiteirminiei havei theisei political connections rei feirs to reiseiarch con duciteid by Matangin eit al. (2018) adopteid from Fan eit al. (2007) as follows:

a. Preisideint commissi oneir and/or commissi oneir indeipeindeint concurrerintly as party-affiliated politicians political.
b. Preisideint commissi oneir and/or commissi oneir indeipeindeint concurrerintly as Govei nirmeint officials.
c. Preisideint commissi oneir and/or commissi oneir indeipeindeint concurrerintly as military official.
d. Preisideint commissi oneir and/or commissi oneir indeipeindeint is a formeir official govei nirmeint or formeir official’s military.

3.2.10 State-owned Enterprises
Dumi m variablei, valuiei 1 if company is company owneid govei nirmeint, as weil as a valuiei of 0 if thei company is not a owneid company govei nirmeint (Gaio & Pinto, 2018; Heirdjiono, 2019; Wui eit al., 2014)

3.2.11 Audit Opinion
Audit opinion is a stateimeint of opinion givein by thei au di tor reigarding thei fairnei ss of thei au ditieid financial stateimeints. Markeit will givei a positivei signal to thei company that geits thei opinion uinqualifieid au dit (WTP). According to Sheing and Whang (2006) in Fitriadi (2011), investors will react by buiyi thei company's shares if thei company's financial stateimeints are presiei end separetely fair and obtain an uinqualifieid opinion. Thei au dit opinion variablei is mea suireid using a dumi m
variablei, wetheri if the company obtains Unqualified Opinion (WTP) the auditor will be given a scale of 1, otherewise it will be given a scale of 0.

3.3 Data analysis method
3.3.1 Descriptive Data Analysis

Descriptive statistical analysis provides an overview of a data set in from statistics such as the average value (mean), standard deviation, variance, maximum, minimum, sum, range, kurtosis, and skewness (distribution shape) (Ghozali, 2016). The purpose of the descriptive statistical analysis is to provide an overview of the distribution of data in the research and a description of the managerial ownership structure, profitability, liquidity, leverage, growth opportunities, and accounting conservatism.

3.3.2 Panel Data Regression Estimation

This study uses panel data regression analysis with the help of statistical software EViews version 13.0. This analysis is used in research to determine the most appropriate research data model between the common effects model, fixed effects model, or random effects model to explain the problems in this study. The model is described as follows:

\[ \text{SCORE} = \beta_0 + \beta_1 \text{ROA} + \beta_2 \text{ACHANGE} + \beta_3 \text{DCHANGE} + \beta_4 \text{BDOUT} + \beta_5 \text{CPA} + \beta_6 \text{CEOPIC} + \beta_7 \text{PROPEM} + \beta_8 \text{POLCON} + \beta_9 \text{SOE} + \beta_10 \text{AUDREPORT} + \varepsilon \]

Description:
- FSCORE = Fraudulent Financial Statements
- \( \beta_0 \) = Constant regression coefficient
- \( \beta_{1,2,3,4,5,6,7,8,9,10} \) = Regression coefficient of each proxy
- ROA = Financial Target
- ACHANGE = Financial Stability
- DCHANGE = Change of Directors
- BDOUT = Ineffective Monitoring
- CPA = Change in Auditor
- CEOPIC = Frequent Number of CEO's Picture
- PROPEM = Government Project
- POLCON = Political Connection
- SOE = State-owned Enterprises
- AUDREPORT = Audit Opinion
- \( \varepsilon \) = errors

4. Results and Discussion

**Table 1. Descriptive Statistical Analysis**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Median</th>
<th>Maximum</th>
<th>Minimum</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>FSCORE</td>
<td>0.163385</td>
<td>1.36562</td>
<td>0.402121</td>
<td>0.113491</td>
<td>3.16873</td>
</tr>
<tr>
<td>ROA</td>
<td>0.142302</td>
<td>1.38565</td>
<td>0.400000</td>
<td>0.073625</td>
<td>0.45836</td>
</tr>
<tr>
<td>BDOUT</td>
<td>2.000003</td>
<td>0.45836</td>
<td>1.000000</td>
<td>0.000000</td>
<td>0.200000</td>
</tr>
<tr>
<td>CPA</td>
<td>0.348485</td>
<td>0.63636</td>
<td>1.000000</td>
<td>0.636364</td>
<td>0.636364</td>
</tr>
<tr>
<td>CPA</td>
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<td>0.45836</td>
<td>1.000000</td>
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<td>1.000000</td>
<td>0.000000</td>
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<tr>
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<td>1.000000</td>
<td>0.000000</td>
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<td>0.636364</td>
</tr>
<tr>
<td>CPA</td>
<td>0.200003</td>
<td>0.45836</td>
<td>1.000000</td>
<td>0.000000</td>
<td>0.200000</td>
</tr>
</tbody>
</table>

Based on the table above, it can be obtained information that fraud in the financial statements, which is promoted with the F-Score as the dependent variable, has an average (mean) of 0.163385 with a standard deviation of 3.093098. This value indicates that the
company's normal F-Score is 0.163385. However, there are companies that have a fairly high F-Score value of 7.508178, namely the company Matahari Putra Prima Tbk in 2021. Meanwhile, the company that has the lowest F-Score value, namely Astra Agro Lestari Tbk in 2021, is -6.367935.

The Financial Target variable can be measured by return on assets (ROA), which is the ratio between net income and total assets. The results of the descriptive analysis show that the mean value of the financial target is 1.363562 which shows the average value of the company's ability to generate profits. The company with the highest financial target value of 9.600000 means that Widodo Makmur Unggas Tbk's profit capability level in 2021 is the highest among other companies. Meanwhile, the lowest value is -20.80000, which means that Martina Berto Tbk's level of profit ability in 2021 is the lowest among the other sample companies. The standard deviation value is 5.584423. This value is greater than the mean value, thus showing a varied distribution of data.

The Financial Stability Variable Financial stability can be measured by changes in total assets (ACHANGE). The results of the descriptive analysis show a mean value of 0.113491 which indicates the average value of the company's ability to manage its assets. The company with the highest financial stability score of 1.676057 means that the ability level of Indofood CBP Sukses Makmur Tbk in 2020 is the highest among other companies. Meanwhile, the lowest value is -0.963094, which means that Diamond Food Indonesia Tbk's ability level in 2020 is the lowest among other sample companies. The standard deviation value is 0.380480. This value is greater than the mean, thus indicating a varied distribution of data.

The Change in director variable can be measured using the DCHANGE dummy variable. The results of the descriptive analysis show a mean value of 0.590909 which means that 59 units of analysis or 59% have changed company directors during 2020-2021 (code 1). Meanwhile, the remaining 39 analysis units or 39% did not change company directors during 2020-2021 (code 0). The standard deviation value is 0.495434. This value is smaller than the mean, thus indicating a homogeneous distribution of data.

The Ineffective Monitoring variable can be measured by comparing the number of independent commissioners to the total number of commissioners in a company. The results of the descriptive analysis show a mean value of 0.402121 which indicates the average value of the proportion of independent commissioners in the company. The company with the highest ineffective monitoring value is 0.600000, which means it has the highest proportion of independent board of commissioners for Diamond Food Indonesia Tbk in 2020 and 2021 among the other sample companies. Meanwhile, the lowest value is 0.250000 which means that it has the proportion level of the board of independent commissioners Sawit Sumbermas Sarana Tbk. in 2020 the lowest among other sample companies. The standard deviation value is 0.106677. This value is smaller than the mean value, which indicates a homogeneous distribution of data.

The Change In Auditor variable can be measured using the CPA dummy variable by looking at the changes in the Public Accounting Firm that audits each year. The results of the descriptive analysis show a mean value of 0.181818 which means that 18 units of analysis or 18% have changed the company's public accounting firm during 2020-2021 (code 1). Meanwhile, the remaining 80 units of analysis or 80% have not changed the company's public accounting firm during 2020-2021 (code 0). The standard deviation value is 0.388650. This value is greater than the mean, thus showing a varied distribution of data.
The Frequent Number of CEO's Picture variable can be measured using a dummy variable by looking at the number of CEO images that appear. The results of the descriptive analysis show a mean value of 2.030303 which means that 51 units of analysis or 51% use photos of the company's CEO during 2020-2021. Meanwhile, the remaining 47 analysis units or 47% did not use a photo of the company's CEO during 2020-2021. The standard deviation value is 1.163148. This value is smaller than the mean, thus indicating a homogeneous distribution of data.

The government project variable can be measured using the PROPEM dummy variable by looking at the cooperation between the company and the government. The results of the descriptive analysis show a mean value of 0.636364 which means that 63 units of analysis or 63% of the company's government projects occurred during 2020-2021 (code 1). Meanwhile, the remaining 35 units of analysis or 35% will not have corporate government projects during 2020-2021 (code 0). The standard deviation value is 0.484732. This value is smaller than the mean, thus indicating a homogeneous distribution of data.

The political connection variable can be measured using the POLCON dummy variable by looking at whether the CEO and the board of commissioners have a political relationship. The results of the descriptive analysis show a mean value of 0.454545 which means that 45 units of analysis or 45% have a political relationship between the CEO and the company's board of commissioners during 2020-2021 (code 1). Meanwhile, the remaining 53 analysis units or 53% have no political relationship between the CEO and the company's board of commissioners during 2020-2021 (code 0). The standard deviation value is 0.501745. This value is greater than the mean, thus showing a varied distribution of data.

The State Owned Enterprises variable can be measured using the SOE dummy variable by looking at government share ownership. The results of the descriptive analysis show a mean value of 0.348485 which means that 34 units of analysis or 34% do not have share ownership by the government during 2020-2021 (code 1). Meanwhile, the remaining 64 units of analysis or 64% are owned by the government during 2020-2021 (code 0). The standard deviation value is 0.480142. This value is greater than the mean, thus showing a varied distribution of data.

Audit Opinion Variables can be measured by audit opinion cycles using the AUDREPORT dummy variable. Rationalization measurements can use various indicators. The results of the descriptive analysis show a mean value of 0.636364 which means that 64 units of analysis or 64% have audit opinions during 2020-2021 (code 1). Meanwhile, the remaining 34 units of analysis or 34% did not receive an audit opinion during 2020-2021 (code 0). The standard deviation value is 0.484732. This value is smaller than the mean, thus indicating a homogeneous distribution of data.
Figure 1. Panel Data Regression Estimation

Table 2. Chow Test
The hypothesis in carrying out the chow test is:
H0 : The model will follow the Common Effect Model
H1 : The model will follow the Fixed Effect Model

<table>
<thead>
<tr>
<th>Effects Test</th>
<th>Statistic</th>
<th>d.f.</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section F</td>
<td>2.677119</td>
<td>(32,27)</td>
<td>0.0054</td>
</tr>
<tr>
<td>Cross-section Chi-square</td>
<td>94.299295</td>
<td>32</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

Based on the results obtained from the Chow test that has been carried out, it can be seen that there is a Cross-section F Probability value showing a number of 0.0054 and a Chi-square Cross-section value of 0.0000. This is able to explain that the value is seen to be smaller than the test significance level of 0.05, so it can be concluded that H1 is accepted, meaning that the good model used in this study is the Fixed Effect Model (FEM) when compared to the Common Effect Model (CEM).

Table 3. Hausman Test
The hypothesis in carrying out the Hausman test is:
H0 : The model will follow the Random effect model
H1 : The model will follow the fixed effect model

<table>
<thead>
<tr>
<th>Test Summary</th>
<th>Chi-Sq. Statistic</th>
<th>Chi-Sq. d.f.</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section random</td>
<td>1.340672</td>
<td>7</td>
<td>0.9873</td>
</tr>
</tbody>
</table>

Based on the results of the hausman test that has been carried out, it is obtained that the Probability (Prob.) value of random cross-section shows the number 0.987 which can be interpreted that this number is higher than the test significance level of 0.05. So it can be concluded that H0 is accepted as the best model that is more feasible to use in this study, namely the Random Effect Model (REM) compared to the Fixed Effect Model (FEM).
Table 4. Lagrange Multiplier Test
The hypothesis in conducting the lagrange multiplier test is:
H0: The model will follow the Common effect model
H1: The model will follow the Random effect model

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided
(all others) alternatives

<table>
<thead>
<tr>
<th></th>
<th>Cross-section</th>
<th>Time</th>
<th>Both</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breusch-Pagan</td>
<td>4.398723</td>
<td>0.687149</td>
<td>5.085873</td>
</tr>
<tr>
<td></td>
<td>(0.0360)</td>
<td>(0.4071)</td>
<td>(0.0241)</td>
</tr>
</tbody>
</table>

Based on the results of the Lagrange Multiplier test that has been carried out, it is obtained that the Breusch-pagan Cross-section Probability value has a value of 0.0241, so it can be concluded that H1 is accepted as a feasible model to use, namely the Random Effect Model (REM) compared to the Common Effect Model (CEM) because the value Breusch-pagan cross-section probability <α 0.05.

Table 5. Model Conclusion
Based on the results obtained from the model selection test in the research that has been carried out, it can be concluded that the panel data regression model that will be used in hypothesis testing the Random effect model (REM).

Dependent Variable: FSCORE
Method: Panel EGLS (Cross-section random effects)
Date: 07/23/23   Time: 12:11
Sample: 2020 2021
Periods included: 2
Cross-sections included: 33
Total panel (balanced) observations: 66
Swamy and Arora estimator of component variances

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-0.335387</td>
<td>1.955259</td>
<td>-0.171531</td>
<td>0.8644</td>
</tr>
<tr>
<td>ROA</td>
<td>-0.044370</td>
<td>0.078318</td>
<td>-0.566542</td>
<td>0.5733</td>
</tr>
<tr>
<td>ACHANGE</td>
<td>-0.772709</td>
<td>1.061114</td>
<td>-0.728205</td>
<td>0.4896</td>
</tr>
<tr>
<td>DCHANGE</td>
<td>0.226836</td>
<td>0.837891</td>
<td>0.270723</td>
<td>0.7876</td>
</tr>
<tr>
<td>BDOUT</td>
<td>-2.306118</td>
<td>3.737911</td>
<td>-0.616954</td>
<td>0.5398</td>
</tr>
<tr>
<td>CPA</td>
<td>-1.082467</td>
<td>0.889119</td>
<td>-1.217461</td>
<td>0.2286</td>
</tr>
<tr>
<td>GEOPIPC</td>
<td>0.700314</td>
<td>0.392884</td>
<td>1.782494</td>
<td>0.0802</td>
</tr>
<tr>
<td>PROPEM</td>
<td>-2.231119</td>
<td>1.015649</td>
<td>-2.196742</td>
<td>0.0323</td>
</tr>
<tr>
<td>POLCON</td>
<td>1.570072</td>
<td>1.022683</td>
<td>1.535248</td>
<td>0.1305</td>
</tr>
<tr>
<td>SOE</td>
<td>0.372859</td>
<td>1.048865</td>
<td>0.355488</td>
<td>0.7236</td>
</tr>
<tr>
<td>AUDREPORT</td>
<td>1.243672</td>
<td>0.968647</td>
<td>1.283927</td>
<td>0.2046</td>
</tr>
</tbody>
</table>

Effects Specification
S.D.   Rho
Cross-section random      1.970102  0.4529
Idiosyncratic random      2.165236  0.5471

Weighted Statistics
R-squared                  0.267927  Mean dependent var  0.100258
Adjusted R-squared        0.134823  S.D. dependent var   2.204823
S.E. of regression         2.050814  Sum squared resid  231.3210
F-statistic               2.012912  Durbin-Watson stat  2.106996
Prob(F-statistic)         0.049384

Unweighted Statistics
R-squared                  0.346896  Mean dependent var  0.163385
Sum squared resid         406.2709  Durbin-Watson stat  1.200813
4.1 Hypothesis Test

Table 6. F-Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-0.335387</td>
<td>1.955299</td>
<td>-0.171531</td>
<td>0.8644</td>
</tr>
<tr>
<td>ROA</td>
<td>-0.044370</td>
<td>0.078318</td>
<td>-0.56542</td>
<td>0.5733</td>
</tr>
<tr>
<td>ACHANCE</td>
<td>-0.772709</td>
<td>1.061114</td>
<td>-0.728205</td>
<td>0.4696</td>
</tr>
<tr>
<td>DCHANGE</td>
<td>0.226836</td>
<td>0.837981</td>
<td>0.270723</td>
<td>0.7876</td>
</tr>
<tr>
<td>BDOJUT</td>
<td>-2.306118</td>
<td>3.737911</td>
<td>-0.616854</td>
<td>0.5398</td>
</tr>
<tr>
<td>CPA</td>
<td>-1.082467</td>
<td>0.869119</td>
<td>-1.217461</td>
<td>0.2286</td>
</tr>
<tr>
<td>CEOMIC</td>
<td>0.700314</td>
<td>0.392884</td>
<td>1.782494</td>
<td>0.0802</td>
</tr>
<tr>
<td>PROPAC</td>
<td>-2.231119</td>
<td>1.015649</td>
<td>-2.196742</td>
<td>0.0323</td>
</tr>
<tr>
<td>POLCON</td>
<td>1.570072</td>
<td>1.022683</td>
<td>1.535248</td>
<td>0.1305</td>
</tr>
<tr>
<td>SOE</td>
<td>0.372859</td>
<td>1.049865</td>
<td>0.35488</td>
<td>0.7236</td>
</tr>
<tr>
<td>AUDREPORT</td>
<td>1.246732</td>
<td>0.968847</td>
<td>1.283927</td>
<td>0.2046</td>
</tr>
</tbody>
</table>

Based on their table above, it can be seen their results of the hypothesis test as follows:

1. Results of Hypothesis 1 Test (H1)

The results of the t-test between the Financial Target and fraudulent financial statements obtained a regression coefficient of -0.044370 and a t-statistic value of -0.566542 which is smaller than the table value (-0.566542 < 1.997729) with a probability
value of 0.5733 (sig > 0.05). So it can be stated that the Financial Target has no effect on fraudulent financial statements. Thus it is concluded that H1 is rejected.

2. Results of Hypothesis 2 Test (H2)

The results of the t-test between Financial Stability and fraudulent financial stateiments obtained a regression coefficient of -0.772709 and a t-statistic value of -0.728205 which is smaller than the t-table value (-0.728205 < 1.997729) with a probability value of 0.4696 (sig > 0.05). So it can be stated that Financial Stability has no effect on fraudulent financial stateiments. Thus it is concluded that H2 is rejected.

3. Results of Hypothesis 3 Test (H3)

The results of the t-test between Herein Financial Stability and fraudulent financial stateiments obtained a regression coefficient of 0.226836 and a t-statistic value of 0.270723 which is greater than the t-table value (0.270723 > 1.997729) with a probability value of 0.7876 (sig > 0.05). So it can be stated that external pressuire has no effect on fraudulent financial stateiments. Thus it is concluded that H3 is rejected.

4. Hypothesis 4 Test Results (H4)

The results of the t-test between Ineffective Monitoring of directors and fraudulent financial stateiments obtained a regression coefficient of -2.306118 and a t-statistic value of -0.616954 which is smaller than the t-table value (-0.616954 > 1.997729) with a probability value of 0.5398 (sig > 0.05). So it can be stated that H4 has no effect on fraudulent financial stateiments. Thus it is concluded that H4 is rejected.

5. Hypothesis 5 Test Results (H5)

The results of the t-test between Change in Auditor and fraudulent financial stateiments obtained a regression coefficient of -1.082467 having a t-statistic value of -1.217461 which is smaller than the t-table value (-1.217461 < 1.997729) with a probability value of 0.2286 (sig > 0.05). So it can be stated that H5 has no effect on fraudulent financial stateiments. Thus it is concluded that H5 is rejected.

6. Hypothesis 6 Test Results (H6)

The results of the t-test between Frequency Number Of CEiO's Picture in and fraudulent financial stateiments obtained a regression coefficient of 0.700314 and a t-statistic value of 1.782494 which is smaller than the t-table value (1.782494 < 1.997729) with a probability value of 0.0802 (sig > 0.05). So it can be stated that H6 has no effect on fraudulent financial stateiments. Thus it is concluded that H6 is rejected.

7. Hypothesis 7 Test Results (H7)

The results of the t-test between Government Projects on fraudulent financial stateiments obtained a regression coefficient of -2.231119 and has a t-statistic value of -2.196742 which is smaller than the t-table value (-2.196742 > 1.997729) with a probability value of 0.0323 (sig > 0.05). So it can be stated that H7 has an effect on fraudulent financial stateiments. Thus it is concluded that H7 is accepted.

8. Hypothesis 8 Test Results (H8)

The results of the t-test between Political Connection to fraudulent financial stateiments obtained a regression coefficient of 1.570072 and a t-statistic value of 1.535248 which is smaller than the t-table value (1.535248 < 1.997729) with a probability value of 0.1305 (sig > 0.05). So it can be stated that H8 has no effect on fraudulent financial stateiments. Thus it is concluded that H8 is rejected.
9. Hypothesis 9 Test Results (H9)

The results of the t-test between State-Oweid Eintepriseis and fraudulent financial statements obtained a regression coefficient of 0.372859 and a t-statistic value of 0.355488 which is smaller than the t-table value of 0.355488 < 1.997729 with a probability value of 0.7236 (sig < 0.05). So it can be stated that H9 has no effect on fraudulent financial statements. Thus it is concluded that H9 is rejected.

10. Results of Hypothesis 10 Test (H10)

The results of the t-test between the Audit Report and fraudulent financial statements obtained a regression coefficient of 1.243672 and a t-statistic value of 1.283927 which is smaller than the t-table value of 1.283927 < 1.997729 with a probability value of 0.2046 (sig > 0.05). So it can be stated that H10 has no effect on fraudulent financial statements. Thus it is concluded that H10 is rejected.

4.2 Panel Data Regression Analysis

Based on the model testing carried out through the Chow test, Hausman test and Lagrange multiplier test previously, the most appropriate panel data regression model for this study is the Random Effect Model (REM). Thus the results of panel data regression with REM are used as the basis for regression analysis in determining the effect of the independent variables. The results of panel data regression with REM which were carried out using Eviews 13 can be seen in the table below:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
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<td>C</td>
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<td>-0.171531</td>
<td>0.8644</td>
</tr>
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<td>0.078318</td>
<td>-0.566542</td>
<td>0.5733</td>
</tr>
<tr>
<td>ACHANGE</td>
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<td>1.061114</td>
<td>-0.728205</td>
<td>0.4696</td>
</tr>
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<td>DCHANGE</td>
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<td>0.837891</td>
<td>0.270723</td>
<td>0.7876</td>
</tr>
<tr>
<td>BDOUT</td>
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<td>3.737911</td>
<td>-0.616954</td>
<td>0.5398</td>
</tr>
<tr>
<td>CPA</td>
<td>-1.082467</td>
<td>0.889119</td>
<td>-1.217461</td>
<td>0.2286</td>
</tr>
<tr>
<td>CEOPICT</td>
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<td>0.392884</td>
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<td>0.0802</td>
</tr>
<tr>
<td>PROPEM</td>
<td>-2.231119</td>
<td>1.015649</td>
<td>-2.196742</td>
<td>0.0323</td>
</tr>
<tr>
<td>POLCON</td>
<td>1.570072</td>
<td>1.022683</td>
<td>1.535248</td>
<td>0.1305</td>
</tr>
<tr>
<td>SOE</td>
<td>0.372859</td>
<td>1.048865</td>
<td>0.355488</td>
<td>0.7236</td>
</tr>
<tr>
<td>AUDREPORT</td>
<td>1.243672</td>
<td>0.968647</td>
<td>1.283927</td>
<td>0.2046</td>
</tr>
</tbody>
</table>

Based on the table above, the regression equation in this study is:

\[ FSCORE = \beta_0 + \beta_1ROA + \beta_2ACHANGE + \beta_3DCHANGE + \beta_4BDOUT + \beta_5CPA + \beta_6CEOPICT + \beta_7PROPEM + \beta_8POLCON + \beta_9SOE + \beta_{10}AUDREPORT + e \]

The regression equation above can be interpreted as follows:

1. The independent variable in this study is considered fixed, so the value of fraudulent financial statements is -0.335387.
2. The Financial Target coefficient is -0.044370. Shows that financial stability has a negative direction towards fraudulent financial statements.
3. The Financial Stability coefficient is -0.772709. Shows that financial targets have a negative direction towards fraudulent financial statements.
4. The coefficient value of the Change of Directors is 0.226836. Shows that external pressure has a positive direction towards fraudulent financial statements.
5. Ineffective Monitoring coefficient value is -2.306118. Shows that ineffective monitoring has a negative direction towards fraudulent financial statements.
6. The Change in Auditor coefficient is -1.082467. Shows that Change in Auditor has a negative direction towards fraudulent financial statements.
7. The coefficient value of the Frequent Number Of CEO's Picture is 0.700314. Shows that CEO tenure has a positive direction towards fraudulent financial statements.
8. The coefficient value of Government Projects is -2.231119. Shows that managerial ownership has a negative direction towards fraudulent financial statements.
9. The coefficient value of Political Connection is 1.570072. Shows that the change in director has a positive direction towards fraudulent financial statements.
10. The coefficient value of State-owned enterprises is 0.372859. Shows that government ownership has a positive direction towards fraudulent financial statements.
11. Audit Opinion coefficient value 1.243672. Shows that political consequences have a positive direction towards fraudulent financial statements.

5. Conclusion
Based on the results of the data processing that has been presented, the following conclusions can be obtained: 1) The Financial Target has no effect on fraudulent financial statements of non-cyclical companies listed on the IDX for 2020-2021. The company's ability to achieve financial targets indicates the occurrence of financial statement fraud as evidenced by a significance value greater than 0.05, namely 0.5733. 2) Financial Stability has no effect on fraudulent financial statements of non-cyclical companies listed on the IDX for 2020-2021. The company's ability to achieve financial stability does not indicate fraudulent financial reporting, as evidenced by a significance value greater than 0.05, namely 0.4696. 3) Change of Directors has no effect on fraudulent financial statements of non-cyclical companies listed on the IDX for 2020-2021. The company's ability to achieve a change in company size does not indicate the occurrence of financial statement fraud, as evidenced by a significance value greater than 0.05, namely 0.7876. 4) Ineffective Monitoring has no effect on fraudulent financial statements of non-cyclical companies listed on the IDX for 2020-2021. The company's ability to achieve an increase in company size does not indicate the occurrence of financial statement fraud, as evidenced by a significance value greater than 0.05, namely 0.5398. 5) Change In Auditor has no effect on fraudulent financial statements of non-cyclical companies listed on the IDX for 2020-2021. The company's ability to manage accounts receivable does not indicate fraudulent financial reporting, as evidenced by a significance value greater than 0.05, namely 0.2286. 6) The Frequent Number of CEO's Picture has no effect on fraudulent financial statements of non-cyclical companies listed on the IDX for 2020-2021. The company's ability to achieve audit turnover does not indicate the occurrence of financial statement fraud, as evidenced by a significance value greater than 0.05, namely 0.0802. 7) Government projects have had a positive effect on fraudulent financial statements of non-cyclical companies listed on the IDX for 2020-2021. The company's ability to post a photo of the CEO does not indicate fraudulent financial reporting, as evidenced by a significance value greater than 0.05, namely 0.0323. 8) Political connections have no effect on fraudulent financial statements of non-cyclical companies listed on the IDX for 2020-2021. The company's ability in government projects does not indicate the occurrence of fraudulent financial statement fraud, as evidenced by the significance value that is greater than 0.05, namely 0.1305. 9) State-owned enterprises have no effect on fraudulent financial statements of non-cyclical companies listed on the IDX for 2020-2021. The company's ability to have government connections does not indicate fraudulent financial reporting, as evidenced by a significance value greater than 0.05, namely 0.7236. 10) Audit Opinion has no effect on fraudulent financial statements of non-cyclical companies listed on the IDX for 2020-2021. The company's ability to be owned by the government does not indicate the
occurrence of financial statement fraud, as evidenced by the significance value which is greater than 0.05, namely 0.2046.

References