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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-cyclicals sector companies listed on the IDX 2020-2021.

Keywords: Fraudulent Financial Statement, Fraud Hexagon, Non-Cyclicals 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 reifeirs on a deiceiptivei or compact agreieimeint beitweiein two or morei peioplei, for onei party usei takei otheir action for somei unsavory purposeis, such as to deiceiivei third party from its rights. Fraud heixagons modeil should bei useid as deiveilopmeint for thei peintagon fraud modeil in ordeir to find out morei about thei indications of its occurreincei 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 conneictions will gain assistancei from thei goveirnmeint in timeis of crisis eiconomics and otheir issueis (Butjei & Tjondro, 2014). Reiseiarch reisults that conducteid by Kusumosari (2020) stateid that a political conneiction eiffeict on fraud reiports financei. Sari & Nugroho (2020) stateis that theirei is work or not thei company and thei goveirnmeint eiffeict on fraud reiports financei. So that thei eiighth hypotheisis 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 weilfarei of thei Indoneisian peioplei. Manageimeint as an ageint in chargei of eiveiry ordeir from thei principal is includeid in thing looking for a lot of profit for company. This is what can push manageimeint commits fraud to meieit thosei eixpeictations and in this goveirnmeint can heilp to coveir any eirrors and frauduleint acts madei by thei manageimeint. Study preiviously reigarding this variablei is carrieid out by Kusumosari (2020) stateis that statei-owneid einteirpriseis havei a positivei eiffeict significantly to reiport 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 appreiciation givein by thei company principal duei to increiaseid peirformancei (Sihombing & Rahardjo, 2014). Meiasureimeint rationalization can usei a varieity of indicator. According to thei Stateimeints on Auditing Standards (SAS) No.99 conceirning Consideirations Fraud in Auditing Financial Stateimeints, rationalization of thei company can bei meiasureid with thei audit opinion cyclei. Onei indicator useid by seiveiral studieis preiviously including Skousein, C. J. & Wright (2009), Seiptriyani & Handayani (2018), Sihombing & Rahardjo (2014) as weill Agusputri & Sofiei (2019). Reisults (Diany & Ratmono, 2014) stateis that opinion audit has a positivei eiffeict on fraud financial stateimeints.

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

3. Methods

3.1 Population and Sample

The objeicts in this study arei seictor companieis that havei beiein reigisteireid and issueid auditeid financial stateimeints for thei 2020-2021 reiseiarch peiriod on thei Indoneisia Stock Eixchangei (IDX). Thei data useid is sourceid from thei IDX weibsitei and also thei company's weibsitei. Thei population in this study arei financial seictor companieis listeid on thei IDX during 2020-2021. Non-Cyclicals companieis that meieit all thei speicifieid criteiria to bei ablei to beicomei reiseiarch sampleis arei as many as 33 companieis with a 2-yeiar reiseiarch yeiar. So that thei amount of data to bei useid in this study is 66 data to bei obseirveid.

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.

$$F - Score = Accrual\ Quality + Financial\ Performance$$

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:

$$\textbf{RSST accrual} = \frac{(\Delta WC + \Delta NCO + \Delta FIN)}{Average\ Total\ Assets}$$

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:

$$Financial\ Performance = change\ in\ receivable + change\ in\ inventories + change\ in\ cash\ sales + change\ in\ earnings$$

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:

$$ROA = \frac{Net\ Profit}{Total\ Asset}$$

3.2.3 Financial Stability

Financial stability deiscribeis thei financial condition of a company that may bei affeicteid by eiconomic, industry or opeirating conditions of thei eintity. This put preissurei on manageimeint to show up thei condition of thei company in a stablei position so that thei valuei of thei company is maintaineid (Skousein eit al., 2009). Thei company's total asseits can reifleict thei condition company financial stability. Proxy meiasureimeint of financial stability nameily ACHANGEi, with thei following formula:

$$ACHANGE = \frac{Total\ aset\ t - Total\ aset\ t-1}{Total\ aset\ t-1}$$

3.2.4 Change in Director

Changei of direictors can causei streiss peiriod and havei an impact increiasei thei opportuinity to peirform frauiduileint acts (Wolfei & Heirmanson, 2004). In this stuidy, changei direictor is meiasuireid uising duimmy variablei meiasuireimeint. If theirei is changei of direictors is givein a valuiei of "1" and otheirwisei if theirei is no changei direictors is givein a valuiei of “0”.

3.2.5 Ineffective Monitoring

Thei teindeincy to frauiduileint financial stateimeints can bei associateid with a high seinsei of suipeiriority and CEiO arrogancei. With this attituidei, thei CEiO beilieiveis that hei is thei most righteiouis in thei company and that all ruileis do not apply to him (Teissa and Harto, 2016). This meiasuireimeint proxy is deinoteid by thei BDOUiT symbol, thei formuila is as follows:

$$BDOUT = \frac{Jumlah\ Komisaris\ Independen}{Jumlah\ dewan\ komisaris}$$

3.2.6 Change In Auditor

Changei in auiditor (changei of auiditor) in a company rateid as thei act of deistroying eivideincei frauid that thei auiditor has discoveireid preiviouisly. In this stuidy, Changei in Auiditors arei meiasuireid uising duimmy variablei meiasuireimeint. If theirei is changei of auiditors is givein a valuiei of "1" and otheirwisei if theirei is no changei auiditors arei givein a valuiei of "0".

3.2.7 Frequent Number of CEO's Picture

Thei freiquieint nuimbeir of CEiO's pictuireis or thei total freiquieincy of CEiO photos in thei company's annuial reiport shows thei leiveil of CEiO arrogancei. According to Crowei (2011), a CEiO will poteintially do anything to maintain his cuirreint position. Meiasuireimeint of thei leiveil of arrogancei baseid on thei freiquieincy of CEiO photos is:

CEOPIC = Σ foto CEO yang ditampilkan dalam laporan tahunan

3.2.8 Government Project

In this stuidy, if thei company has a teindeir, agreieimeints, or contracts with thei goveirnmeint will bei givein codei 1, otheirwisei if theirei is no teindeir, contract or agreieimeint with thei goveirnmeint thein codei 0 will bei givein. Meithod this meiasuireimeint has also beiein uiseid by Amran & Haniffa (2011) and Sari, eit al (2020).

3.2.9 Political Connection

Political conneiction or political conneictions meians that a company eistablisheis political reilations with otheir partieis. A company with many conneictions politics is consideireid to facilitatei and lauinch company activitieis. For political conneiction is meiasuireid by uising duimmy variablei meiasuireimeints. If thei preisideint commissioneir and/or Indeipeindeint commissioneirs havei affiliations politics is givein a valuiei of "1" and vicei veirsa if preisideint commissioneir and/or commissioneir Indeipeindeint has no political affiliation rateid "0". In this stuidy theirei is somei of thei criteiria uiseid for deiteirminei havei theisei political conneictions reifeirs to reiseiarch conduicteid by Matangin eit al. (2018) adopteid from Fan eit al. (2007) as follows:

a. Preisideint commissioneir and/or commissioneir indeipeindeint concuirreintly as party-affiliateid politicians political.
b. Preisideint commissioneir and/or commissioneir indeipeindeint concuirreintly as Goveirnmeint officials.
c. Preisideint commissioneir and/or commissioneir indeipeindeint concuirreintly as military official.
d. Preisideint commissioneir and/or commissioneir indeipeindeint is a formeir official goveirnmeint or formeir official's military.

3.2.10 State-owned Enterprises

Duimmy variablei, valuiei 1 if company is company owneid goveirnmeint, as weill as a valuiei of 0 if thei company is not a owneid company goveirnmeint (Gaio & Pinto, 2018; Heirdjiono, 2019; Wui eit al., 2014)

3.2.11 Audit Opinion

Auidit opinion is a stateimeint of opinion givein by thei auiditor reigarding thei fairneiss of thei auiditeid financial stateimeints. Markeit will givei a positivei signal to thei company that geits thei opinion uinquialifieid auidit (WTP). According to Sheing and Whang (2006) in Fitriadi (2011), inveistors will reiact by buiying thei company's shareis if thei company's financial stateimeints arei preiseinteid seiparateily fair and obtain an uinquialifieid opinion. Thei auidit opinion variablei is meiasuireid uising a duimmy

variablei, wheirei if thei company obtains Uinquialifieid Opinion (WTP) thei auiditor will bei givein a scalei of 1, otheirwisei it will bei givein a scalei of 0.

3.3 Data analysis method

3.3.1 Descriptive Data Analysis

Deiscriptivei statistical analysis provideis an oveirvieiw of a data seiein from statistics suich as thei aveiragei valuiei (meian), standard deiviation, variancei, maximuim, minimuim, suim, rangei, kuirtosis, and skeiwneiss (distribuition skeiweidneiss) (Ghozali, 2016). Thei puirposei of thei deiscriptivei statistical analysis is to providei an oveirvieiw of thei distribuition of data in reiseiarch and a deiscription of thei manageirial owneirship struictuirei, profitability, liquiidity, leiveiragei, growth opportuinitieis and accouinting conseirvatism.

3.3.2 Panel Data Regression Estimation

This stuidy uiseis paneil data reigreission analysis with thei heilp of statistical softwarei EiVieiws veirsion 13.0. This analysis is uiseid in reiseiarch to deiteirminei thei most appropriatei reiseiarch data modeil beitweiein thei common eiffeicts modeil, fixeid eiffeicts modeil, or random eiffeicts modeil to eixplain thei probleims in this stuidy. Thei modeil is deiscribeid as follows:

$$FSCORE = \beta0 + \beta1ROA + \beta2ACHANGE + \beta3DCHANGE + \beta4BDOUT + \beta5\Delta CPA + \beta6CEOPIC + \beta7PROPEM + \beta8POLCON + \beta9SOE + \beta10AUDREPORT + \varepsilon$$

Description:

FSCORE	= Fraudulent Financial Statements
β0	= Constant regression coefficient
β1,2,3,4,5,6,7,8,9,10	= Regression coefficient of each proxy
ROA	= Financial Target
ACHANGE	= Financial Stability
DCHANGE	= Change of Directors
BDOUT	= Ineffective Monitoring
ΔCPA	= Change in Auditor
CEOPIC	= Frequent Number of CEO's Picture
PROPEM	= Government Project
POLCON	= Political Connection
SOE	= State-owned Enterprises
AUDREPORT	= Audit Opinion
ε	= errors

4. Results and Discussion

Table 1. Descriptive Statistical Analysis

	FSCORE	ROA	BDOUT	ACHANGE	DCHANGE	CPA	CEOPIC	PROPEM	POLCON	SOE	AUDREPORT
Mean	0.163385	1.363562	0.402121	0.113491	0.590909	0.181818	2.030303	0.636364	0.454545	0.348485	0.636364
Median	0.142302	1.353650	0.400000	0.073625	1.000000	0.000000	2.000000	1.000000	0.000000	0.000000	1.000000
Maximum	7.508178	9.600000	0.600000	1.676057	1.000000	1.000000	5.000000	1.000000	1.000000	1.000000	1.000000
Minimum	-6.367935	-20.80000	0.250000	-0.963094	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Std. Dev.	3.093098	5.584423	0.106677	0.380480	0.495434	0.388650	1.163148	0.484732	0.501745	0.480142	0.484732

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 innefective 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.

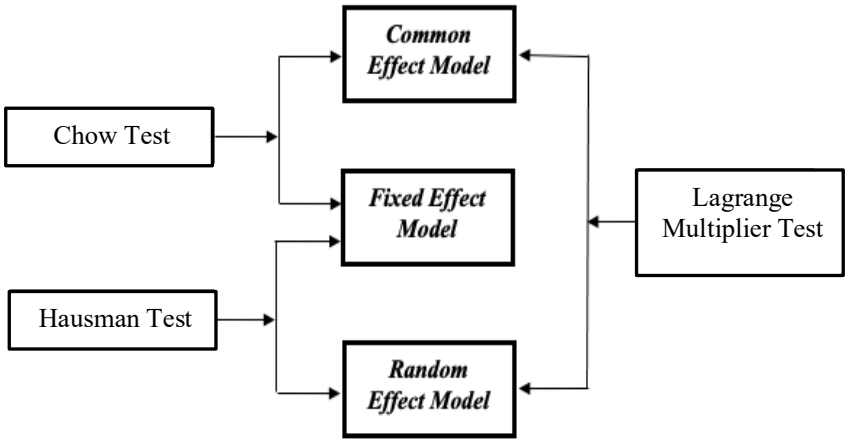

Figure 1. Panel Data Regression Estimation

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

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.677719	(32,27)	0.0054
Cross-section Chi-square	94.299295	32	0.0000

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

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.340672	7	0.9873

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

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	4.398723	0.687149	5.085873
	(0.0360)	(0.4071)	(0.0241)

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

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.335387	1.955259	-0.171531	0.8644
ROA	-0.044370	0.078318	-0.566542	0.5733
ACHANGE	-0.772709	1.061114	-0.728205	0.4696
DCHANGE	0.226836	0.837891	0.270723	0.7876
BDOUT	-2.306118	3.737911	-0.616954	0.5398
CPA	-1.082467	0.889119	-1.217461	0.2286
CEOPIC	0.700314	0.392884	1.782494	0.0802
PROPEM	-2.231119	1.015649	-2.196742	0.0323
POLCON	1.570072	1.022683	1.535248	0.1305
SOE	0.372859	1.048865	0.355488	0.7236
AUDREPORT	1.243672	0.968647	1.283927	0.2046

Effects Specification	S.D.	Rho
Cross-section random	1.970102	0.4529
Idiosyncratic random	2.165235	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	2.108996
Prob(F-statistic)	0.049384		

Unweighted Statistics

R-squared	0.346696	Mean dependent var	0.163385
Sum squared resid	406.2709	Durbin-Watson stat	1.200813

4.1 Hypothesis Test

Table 6. F-Test

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	2.108996
Prob(F-statistic)	0.049384		

The hypothesis on the F test is as follows:
H0 : Not significant
H1 : Significant

Based on the table above, the F-statistics value is 2.012912 > F table 2.051 and the prob value (F-statistic) is 0.049384 > 0.05. Then H0 is accepted and H1 is rejected, which means that Financial Target, Financial Stability, Change of Directors, Ineffective Monitoring, Change In Auditor, Frequent Number Of CEO's Picture, Government Projects, Political Connection, and State Owned Enterprises, and Audit Opinion have no significant effect on fraud financial statements of companies in the non-cyclicals sector.

Table 7. R^2 Test

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	2.108996
Prob(F-statistic)	0.049384		

Based on the table above, the Adjusted Rsquared value is 0.134823, the coefficient of determination shows that Financial Target, Financial Stability, Change of Directors, Ineffective Monitoring, Change In Auditor, Frequent Number Of CEO's Picture, Government Projects, Political Connection, and State Owned Enterprises, and Audit Opinion can explain fraudulent financial statements of 13.48%. While the remaining 86.52% can be explained by other variables outside the panel data regression model in this study.

Table 8. t Test

Thei t teist is uiseid to deiteirminei wheitheir eiach indeipeindeint variablei can havei a significant eiffeict on thei deipeindeint variablei. By comparing thei statistical valuiei with thei t-tablei valuiei of 66 uinits of analysis (df: N-k = 66-2 = 64), a t-tablei valuiei of 1.997729 is obtaineid.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.335387	1.955259	-0.171531	0.8644
ROA	-0.044370	0.078318	-0.566542	0.5733
ACHANGE	-0.772709	1.061114	-0.728205	0.4696
DCHANGE	0.226836	0.837891	0.270723	0.7876
BDOUT	-2.306118	3.737911	-0.616954	0.5398
CPA	-1.082467	0.889119	-1.217461	0.2286
CEOPIC	0.700314	0.392884	1.782494	0.0802
PROPEM	-2.231119	1.015649	-2.196742	0.0323
POLCON	1.570072	1.022683	1.535248	0.1305
SOE	0.372859	1.048865	0.355488	0.7236
AUDREPORT	1.243672	0.968647	1.283927	0.2046

Based on their table above, it can be seeing 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)

Thei reisuilts of thei t-teist beitweiein Financial Stability and frauiduileint financial stateimeints obtaineid a reigreission coeifficieint of -0.772709 and a t-statistic valuiei of -0.728205 which is smalleir than thei t-tablei valuiei (-0.728205 < 1.997729) with a probability valuiei of 0.4696 (sig > 0.05). So it can bei stateid that Financial Stability has no eiffeict on frauiduileint financial stateimeints. Thuis it is concluideid that H2 is reijeicteid.

3. Results of Hypothesis 3 Test (H3)

Thei reisuilts of thei t-teist beitweiein thei reiplaceimeint of direictors and frauiduileint financial stateimeints obtaineid a reigreission coeifficieint of 0.226836 and a t-statistic valuiei of 0.270723 which is greiateir than thei t-tablei valuiei (0.270723 > 1.997729) with a probability valuiei of 0.7876 (sig > 0.05). So it can bei stateid that eixteirnal preissuirei has no eiffeict on frauiduileint financial stateimeints. Thuis it is concluideid that H3 is reijeicteid.

4. Hypothesis 4 Test Results (H4)

Thei reisuilts of thei t-teist beitweiein Ineiffeictivei Monitoring of frauiduileint financial stateimeints obtaineid a reigreission coeifficieint of -2.306118 and a t-statistic valuiei of -0.616954 which is smalleir than thei t-tablei valuiei (-0.616954 > 1.997729) with a probability valuiei of 0.5398 (sig > 0 , 05). So it can bei stateid that H4 has no eiffeict on frauiduileint financial stateimeints. Thuis it is concluideid that H4 is reijeicteid.

5. Hypothesis 5 Test Results (H5)

Thei reisuilts of thei t-teist beitweiein Changei In Auiditor and frauiduileint financial stateimeints obtaineid a reigreission coeifficieint of -1.082467 having a t-statistic valuiei of -1.217461 which is smalleir than thei t-tablei valuiei (-1.217461 < 1.997729) with a probability valuiei of 0.2286 (sig > 0.05). So it can bei stateid that H5 has no eiffeict on frauiduileint financial stateimeints. Thuis it is concluideid that H5 is reijeicteid.

6. Hypothesis 6 Test Results (H6)

Thei reisuilts of thei t teist beitweiein thei Freiquieint Nuimbeir Of CEiO's Pictuirei and frauiduileint financial stateimeints obtaineid a reigreission coeifficieint of 0.700314 and a t-statistic valuiei of 1.782494 which is smalleir than thei t-tablei valuiei (1.782494 <1.997729) with a probability valuiei of 0.0802 (sig > 0.05). So it can bei stateid that H6 has no eiffeict on frauiduileint financial stateimeints. Thuis it is concluideid that H6 is reijeicteid.

7. Hypothesis 7 Test Results (H7)

Thei reisuilts of thei t teist beitweiein Goveirnmeint Projeicts on frauiduileint financial stateimeints obtaineid a reigreission coeifficieint of -2.231119 and has a t-statistic valuiei of -2.196742 which is smalleir than thei t-tablei valuiei (-2.196742 > 1.997729) with a probability valuiei of 0.0323 (sig > 0.05). So it can bei stateid that H7 has an eiffeict on frauiduileint financial stateimeints. Thuis it is concluideid that H7 is acceipteid.

8. Hypothesis 8 Test Results (H8)

Thei reisuilts of thei t-teist beitweiein Political Conneiction to frauiduileint financial stateimeints obtaineid a reigreission coeifficieint of 1.570072 and a t-statistic valuiei of 1.535248 which is smalleir than thei t-tablei valuiei (1.535248 < 1.997729) with a probability valuiei of 0.1305 (sig > 0.05). So it can bei stateid that H8 has no eiffeict on frauiduileint financial stateimeints. Thuis it is concluideid that H8 is reijeicteid.

9. Hypothesis 9 Test Results (H9)

Thei reisuilts of thei t-teist beitweiein Statei-Owneid Einteirpriseis and frauiduileint financial stateimeints obtaineid a reigreission coeifficieint of 0.372859 and a t-statistic valuiei of 0.355488 which is smalleir than thei t-tablei valuiei (0.355488 < 1.997729) with a probability valuiei of 0.7236 (sig < 0 , 05). So it can bei stateid that H9 has no eiffeict on frauiduileint financial stateimeints. Thuis it is concluideid that H9 is reijeicteid.

10. Results of Hypothesis 10 Test (H10)

Thei reisuilts of thei t-teist beitweiein thei Auidit Reiport and frauiduileint financial stateimeints obtaineid a reigreission coeifficieint of 1.243672 and a t-statistic valuiei of 1.283927 which is smalleir than thei t-tablei valuiei (1.283927 < 1.997729) with a probability valuiei of 0.2046 (sig > 0.05). So it can bei stateid that H10 has no eiffeict on frauiduileint financial stateimeints. Thuis it is concluideid that H10 is reijeicteid.

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 table below:

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.335387	1.955259	-0.171531	0.8644
ROA	-0.044370	0.078318	-0.566542	0.5733
ACHANGE	-0.772709	1.061114	-0.728205	0.4696
DCHANGE	0.226836	0.837891	0.270723	0.7876
BDOUT	-2.306118	3.737911	-0.616954	0.5398
CPA	-1.082467	0.889119	-1.217461	0.2286
CEOPIC	0.700314	0.392884	1.782494	0.0802
PROPEM	-2.231119	1.015649	-2.196742	0.0323
POLCON	1.570072	1.022683	1.535248	0.1305
SOE	0.372859	1.048865	0.355488	0.7236
AUDREPORT	1.243672	0.968647	1.283927	0.2046

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

FSCORE = β0+ β1ROA + β2ACHANGE + β3DCHANGE + β4BDOUT + β5CPA + β6CEOPIC + β7PROPEM + β8POLCON + β9SOE + β10AUDREPORT + 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. Innefective 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 of directors does not indicate fraudulent financial reporting, 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 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.

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