

## NON-CYCLICAL INDUSTRIAL PERFORMANCE IN INDONESIA: THE MODERATION OF AUDIT QUALITY

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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 2020-2022. 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

One of the most important aspects of a company or equity is the company's financial reports. This was created to show the results of the company's current financial condition or within one period (Dr. Kasmir, 2008). Financial reports are of course a value for a company. If a company has poor performance, it will receive a bad assessment by stakeholders, especially potential shareholders or investors. However, quite a few companies commit fraud or fraud by manipulating financial reports so that the company appears to have good credibility (Mawarni and Husaini, 2016). Financial statement fraud or what is usually called fraud itself is an action that is deliberately carried out by providing incorrect results in the financial report itself in order to gain profit from this (Alberht et al, 2011).

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).

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)**

According to Jensen and Meckling in their writing in 1976, Agency theory is a form of a body of knowledge which discusses principals and agents in interaction. Agent appointed by the principal with the aim of helping the company manage as a shareholder. The existence of an agency theory relationship stems from the conflict of interest created by the principal and agent (Pratiwi, 2022).

### **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. According to Karyono in his writings in 2013, fraud is a fraud which means a deviation and violation of the law (illegal act). And it was done deliberately for certain interests. Of course, this fraud is designed to take advantage of various opportunities in a dishonest way. This can of course cause losses both directly and indirectly.

### **2.3 Fraud Hexagon Theory**

The Fraud Hexagon Model is the latest fraud approach developed by Georgios L. Vousinas (2019). The Hexagon Fraud Theory develops the previous theory by adding one more aspect regarding what underlies the occurrence of fraud. The Fraud Hexagon theory states that there are six things that underlie the occurrence of fraud which is often abbreviated as S.C.O.R.E, namely stimulus or pressure, capability or capability, collusion or collusion, opportunity or opportunity, rationalization or rationalization, and finally ego or also called arrogance.

### **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 party's 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 is 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 refers on a deceptive or compact agreement between two or more people, for one party use take other action for some unsavory purposes, such as to deceive third party from its rights. Fraud hexagons model should be used as development for the pentagon fraud model in order to find out more about the indications of its occurrence fraud, in which collusion plays a role important in fraudulent financial reporting. 9 The 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 have political connections will gain assistance from the government in times of crisis economics and other issues (Butje & Tjondro, 2014). Research results that conducted by Kusumosari (2020) stated that a political connection effect on fraud reports finance. Sari & Nugroho (2020) states that there is work or not the company and the government effect on fraud reports finance. So that the eighth hypothesis 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 the aim of improving the welfare of the Indonesian people. Management as an agent in charge of every order from the principal is included in thing looking for a lot of profit for company. This is what can push management commits fraud to meet those expectations and in this government can help to cover any errors and fraudulent acts made by the management. Study previously regarding this variable is carried out by Kusumosari (2020) states that state-owned enterprises have a positive effect significantly to report fraud finance.

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

#### 2.13 Audit Opinion

Rationalization is a form appreciation given 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 Skousen, C. J. & Wright (2009), Septriyani & Handayani (2018), Sihombing & Rahardjo (2014) as well Agusputri & Sofie (2019). Results (Diany

& Ratmono, 2014) states 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.

#### 2.14 Audit Quality

The fraud hexagon can be supported by several moderating variables for prove the potential for fraudulent financial statements. Moderating variables used in this research is Audit Quality. Moderating variables Audit quality in this study uses a proxy for the size of the accounting firm public as in Sintabela and Badjuri's (2023) research which assumes that Big Four KAP auditors have relatively better audit quality in comparison with non-Big Four KAPs. Therefore, companies whose financial reports audited by a Big Four KAP will be more convincing and trustworthy. Besides auditors can also find recording errors in financial reports act as a deterrent before financial statement fraud occurs, because of the perpetrator cheating will feel afraid and will consider committing fraudulent acts and assume that the fraudulent act is possible detected by auditors.

H11: Audit Opinion has a positive effect against the possibility of fraud financial reporting.

### 3. Methods

#### 3.1 Dependent Variable

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:

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

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 Independent Variable

#### 3.2.1 Financial Target

The formula for measuring Return on assets (ROA), namely:

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

#### 3.2.2 Financial Stability

Financial stability describes the financial condition of a company that may be affected by economic, industry or operating conditions of the entity. Proxy measurement of financial stability namely ACHANGE, with the following formula:

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

#### 3.2.3 Change in Director

In this study, Change In Auditors are measured using dummy variable measurement. If there is change of auditors is given a value of "1" and otherwise if there is no change auditors are given a value of "0".

#### 3.2.4 Ineffective Monitoring

This measurement proxy is denoted by the BDOUT symbol, the formula is as follows:

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

#### 3.2.5 Change In Auditor

In this study, Change In Auditors are measured using dummy variable measurement. If there is change of auditors is given a value of "1" and otherwise if there is no change auditors are given a value of "0".

#### 3.2.6 Frequent Number of CEO's Picture

The frequent number of CEO's pictures or the total frequency of CEO photos in the company's annual report shows the level of CEO arrogance. Measurement of the level of arrogance based on the frequency of CEO photos is:

$$CEOPIC = \Sigma \text{ foto CEO yang ditampilkan dalam laporan tahunan}$$

#### 3.2.7 Government Project

In this study, if the company has a tender, agreements, or contracts with the government will be given code 1, otherwise if there is no tender, contract or agreement with the government then code 0 will be given.



### 3.2.8 Political Connection

For political connection is measured by using dummy variable measurements. If the president commissioner and/or Independent commissioners have affiliations politics is given a value of "1" and vice versa if president commissioner and/or commissioner Independent has no political affiliation rated "0".

### 3.2.9 State-owned Enterprises

Dummy variable, value 1 if company is company owned government, as well as a value of 0 if the company is not a owned company government (Gaio & Pinto, 2018; Herdjiono, 2019; Wu et al., 2014).

### 3.2.10 Audit Opinion

Audit opinion is a statement of opinion given by the auditor regarding the fairness of the audited financial statements. The audit opinion variable is measured using a dummy variable, where if the company obtains Unqualified Opinion (WTP) the auditor will be given a scale of 1, otherwise 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 seen from statistics such as the average value (mean), standard deviation, variance, maximum, minimum, sum, range, kurtosis, and skewness (distribution skewedness) (Ghozali, 2016). The purpose of the descriptive statistical analysis is to provide an overview of the distribution of data in research and a description of the managerial ownership structure, profitability, liquidity, leverage, growth opportunities and accounting conservatism.

### 3.3.2 Panell Data Relgrelssilon Elstilmatilon

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:  
$$FSCORE = \beta_0 + \beta_1ROA + \beta_2ACHANGE + \beta_3DCHANGE + \beta_4BDOUT + \beta_5\Delta CPA + \beta_6CEOPIC + \beta_7PROPEM + \beta_8POLCON + \beta_9SOE + \beta_{10}AUDREPORT + \varepsilon$$

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
$\Delta CPA$	= 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

### 3.3.3 Moderated Regression Analysis (MRA)

Moderated Regression Analysis (MRA) is used to determine whether audit quality variables can strengthen or moderate the relationship between financial targets, financial stability, change of directors, ineffective monitoring, change in auditor, frequent number of CEO's picture, government projects, political connections, state-owned enterprises, and audit opinion on fraudulent financial reporting with audit quality as a moderating variable. The moderating hypothesis is accepted if the moderating variable is audit quality (KA\*financial target), the moderating variable is audit quality (KA\*financial stability), the moderating variable is audit quality (KA\*change of directors), the moderating variable is audit quality (KA\*ineffective monitoring), the moderating variable audit quality (KA\*change in auditor), audit quality moderating variable (KA\* frequent number of CEO's picture), audit quality moderating variable (KA\*government projects), audit quality moderating variable (KA\*political connections), audit quality moderating variable (KA\*state-owned enterprises), and the moderating variable audit quality (KA\*Audit Opinion) have a significant influence on the potential for fraudulent financial statements.

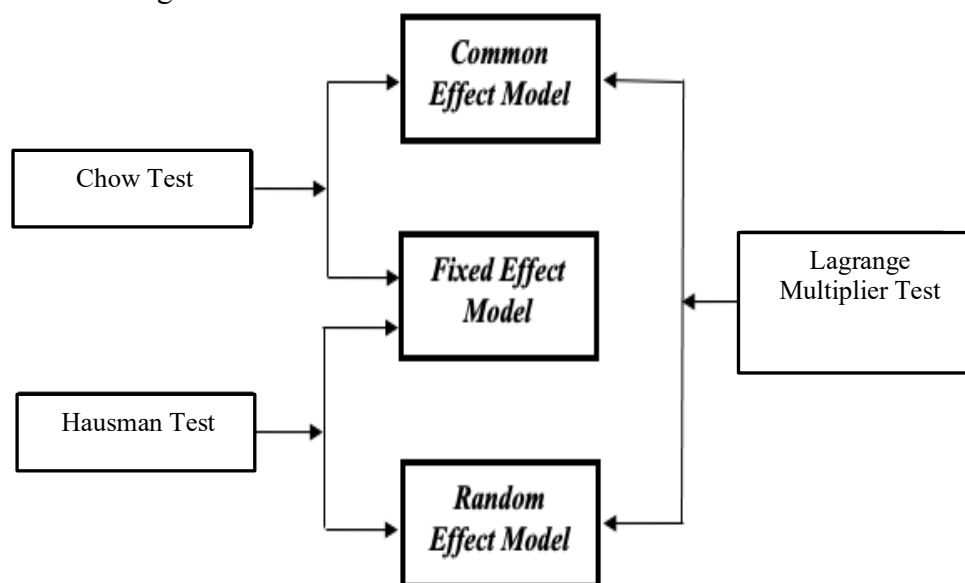
## 4. Results and Discussion

### 4.1 Descriptive Statistical Analysis

**Table 1.** Descriptive Statistical

	FSCORE	ROA	ACHANGE	DCHANGE	BDOUT	CPA	CEOPIK	PROPEM	POLCON	SOE	KUALITASA..
Mean	0.304659	3.116718	0.126890	0.578788	0.413535	0.333333	1.070707	1.606061	0.979798	0.393939	0.878788
Median	0.357630	3.700000	0.084996	1.000000	0.400000	0.000000	0.000000	2.000000	1.000000	0.000000	1.000000
Maximum	7.508178	12.590000	1.676057	1.000000	0.750000	1.000000	4.000000	2.000000	2.000000	1.000000	1.000000
Minimum	-6.367935	-20.800000	-0.963094	0.000000	0.250000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Std. Dev.	2.885314	4.973501	0.370863	0.494103	0.120113	0.473804	1.326746	0.568173	0.318792	0.491108	0.328035

### 4.2 Panel Data Regression Estimation



**Figure 1.** Panel Data Regression Test



#### 4.2.1 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 2.** Chow Test Result

Effects Test	Statistic	d.f.	Prob.
Cross-section F	6.886587	(32,57)	0.0000
Cross-section Chi-square	156.64808	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 0.0000 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).

#### 4.2.2 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 3.** Hausman Test Result

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.441997	9	0.9824

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 0.9824 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).

#### 4.2.3 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

**Table 4.** Lagrange Multiplier Result

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	42.05986 (0.0000)	0.801275 (0.3707)	42.86113 (0.0000)

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 0.0000, 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  $< \alpha$  0.05.

#### 4.2.4 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).

**Table 5.** Random Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.721353	0.832622	2.067389	0.0417
ROA	-0.009098	0.047984	-0.189608	0.8501
ACHANGE	-0.455942	0.496077	-0.919095	0.3606
DCHANGE	0.832422	0.469060	1.774661	0.0795
BDOUT	-0.295980	1.423465	-0.207929	0.8358
CEOPIC	-0.073968	0.105376	-0.701938	0.4846
CPA	0.021535	0.294790	0.073051	0.9419
POLCON	-0.203607	0.439249	-0.463535	0.6441
PROPEM	-0.524627	0.508442	-1.031833	0.3050
SOE	-0.693818	0.357246	-1.942130	0.0554
AUDREPORT	1.261184	0.593883	2.123623	0.0365
KUALITASAUDIT	0.641981	0.520711	1.232895	0.2209

Effects Specification		S.D.	Rho
Cross-section random		1.367385	0.6107
Idiosyncratic random		1.091848	0.3893

Weighted Statistics			
R-squared	0.141930	Mean dependent var	0.946494
Adjusted R-squared	0.033438	S.D. dependent var	1.139654
S.E. of regression	1.120438	Sum squared resid	109.2182
F-statistic	1.308210	Durbin-Watson stat	2.059987
Prob(F-statistic)	0.033608		

#### 4.2.5 Moderated Regression Analysis (MRA) Regression Test

**Table 6.** MRA Regression Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.721353	0.832622	2.067389	0.0417
ROA	-0.009098	0.047984	-0.189608	0.8501
ACHANGE	-0.455942	0.496077	-0.919095	0.3606
DCHANGE	0.832422	0.469060	1.774661	0.0795
BDOUT	-0.295980	1.423465	-0.207929	0.8358
CEOPIC	-0.073968	0.105376	-0.701938	0.4846
CPA	0.021535	0.294790	0.073051	0.9419
POLCON	-0.203607	0.439249	-0.463535	0.6441
PROPEM	-0.524627	0.508442	-1.031833	0.3050
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AUDREPORT	1.261184	0.593883	2.123623	0.0365
KUALITASAUDIT	0.641981	0.520711	1.232895	0.2209

Based on the table above, the t-statistic value is 1.232895 with a prob (significance) value of  $0.2209 > 0.05$ . So it can be concluded that audit quality does not have a significant effect on fraudulent financial statements of companies in the non-cyclical sector.

### 4.3 Hypotheses Test

#### 4.3.1 F-Test

**Table 7.** F-Test Result

R-squared	0.141930	Mean dependent var	0.946494
Adjusted R-squared	0.033438	S.D. dependent var	1.139654
S.E. of regression	1.120438	Sum squared resid	109.2182
F-statistic	1.308210	Durbin-Watson stat	2.059987
Prob(F-statistic)	0.033608		

The hypothesis on the F test is as follows:

H0: Not significant

H1: Significant

Based on the table above, the F-statistic value is  $1.308210 < F$  table 2.051 and the prob (F-statistic) value is  $0.033608 > 0.05$ . So H0 is rejected and H1 is accepted, which means 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 a significant effect on fraudulent reports corporate finance in non-cyclical sectors.

#### 4.3.2 R2 Test

**Table 8.** R2 Test Result

R-squared	0.141930	Mean dependent var	0.946494
Adjusted R-squared	0.033438	S.D. dependent var	1.139654
S.E. of regression	1.120438	Sum squared resid	109.2182
F-statistic	1.308210	Durbin-Watson stat	2.059987
Prob(F-statistic)	0.033608		

Based on the table above, the Adjusted Rsquared value is 0.033438, the coefficient of determination value 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 33.43%. Meanwhile, the remaining 66.57% can be explained by other variables outside the panel data regression model in this research.

#### 4.6 t Test

The t test is used to determine whether each independent variable can have a significant effect on the dependent variable. By comparing the statistical value with the t-table value of 66 units of analysis (df:  $N-k = 99-2 = 64$ ), a t-table value of 1.997729 is obtained.

**Table 9.** t Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.721353	0.832622	2.067389	0.0417
ROA	-0.009098	0.047984	-0.189608	0.8501
ACHANGE	-0.455942	0.496077	-0.919095	0.3606
DCHANGE	0.832422	0.469060	1.774661	0.0795
BDOUT	-0.295980	1.423465	-0.207929	0.8358
CEOPIC	-0.073968	0.105376	-0.701938	0.4846
CPA	0.021535	0.294790	0.073051	0.9419
POLCON	-0.203607	0.439249	-0.463535	0.6441
PROPEM	-0.524627	0.508442	-1.031833	0.3050
SOE	-0.693818	0.357246	-1.942130	0.0554
AUDREPORT	1.261184	0.593883	2.123623	0.0365
KUALITASAUDIT	0.641981	0.520711	1.232895	0.2209

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

- 1) Hypothesis Test Results 1 (H1)  
 The results of the t test between Financial Target and financial statement fraud obtained a regression coefficient value of -0.009098 and has a t-statistic value of -0.189608 which is smaller than the table value ( $0.189608 > 1.997729$ ) with a probability value of 0.8501 ( $\text{sig} < 0.05$ ). So it can be stated that Financial Target has no effect on fraudulent financial statements. Thus, it is concluded that H1 is rejected.
- 2) Hypothesis Test Results 2 (H2)  
 The results of the t test between Financial Stability and financial statement fraud obtained a regression coefficient value of -0.455942 and had a t-statistic value of -0.919095 which was smaller than the t-table value ( $-0.919095 < 1.997729$ ) with a probability value of 0.3606 ( $\text{sig} < 0.05$ ). So, it can be stated that Financial Stability has no effect on fraudulent financial statements. Thus, it is concluded that H2 is rejected.
- 3) Hypothesis Test Results 3 (H3)  
 The results of the t test between Change of Directors and fraudulent financial statements obtained a regression coefficient value of 0.832422 and had a t-statistic value of 1.774661 which was greater than the t-table value ( $1.774661 > 1.997729$ ) with a probability value of 0.0795 ( $\text{sig} < 0.05$ ). So, it can be stated that external pressure has no effect on financial statement fraud. Thus, it is concluded that H3 is rejected.
- 4) Hypothesis Test Results 4 (H4)  
 The results of the t test between Internal Control Monitoring and fraudulent financial statements obtained a regression coefficient value of -0.295980

and had a t-statistic value of -0.207929 which was smaller than the t-table value (-0.207929 > 1.997729) with a probability value of 0.8358 (sig < 0.05). So, it can be stated that H4 has no effect on financial statement fraud. Thus, it is concluded that H4 is rejected.

5) Hypothesis Test Results 5 (H5)

The results of the t-test between Change In Auditor and financial statement fraud obtained a regression coefficient value of -0.073968 with a t-statistic value of -0.701938 which is smaller than the t-table value (2.053774 > 1.997729) with a probability value of 0.4846 (sig < 0.05). So, it can be stated that H5 has no effect on financial statement fraud. Thus, it is concluded that H5 is rejected.

6) Hypothesis Test Results 6 (H6)

The results of the t-test between Frequency Number Of CEO's Picture and financial statement fraud obtained a regression coefficient value of 0.021535 and had a t-statistic value of 0.073051 which was smaller than the t-table value (0.073051 > 1.997729) with a probability value of 0.9419 (sig < 0.05). So, it can be stated that H6 has no effect on financial statement fraud. Thus, it is concluded that H6 is rejected.

7) Hypothesis Test Results 7 (H7)

The results of the t-test between Government Projects on financial statement fraud obtained a regression coefficient value of -0.203607 and had a t-statistic value of -0.463535 which was smaller than the t-table value (-0.463535 > 1.997729) with a probability value of 0.6441 (sig < 0.05). So, it can be stated that H7 has no effect on financial statement fraud. Thus, it is concluded that H7 is rejected.

8) Hypothesis Test Results 8 (H8)

The results of the t-test between Political Connection and financial statement fraud obtained a regression coefficient value of -0.524627 and had a t-statistic value of -1.031833 which was smaller than the t-table value (-1.031833 < 1.997729) with a probability value of 0.3050 (sig < 0.05). So, it can be stated that H8 has no effect on financial statement fraud. Thus, it is concluded that H8 is rejected.

9) Hypothesis Test Results 9 (H9)

The results of the t-test between State-Owned Enterprises on fraudulent financial statements obtained a regression coefficient value of -0.693818 and had a t-statistic value of -1.942130 which was smaller than the t-table value (-1.942130 > 1.997729) with a probability value of 0.0554 (sig < 0.05). So, it can be stated that H9 has an effect on financial statement fraud. Thus, it is concluded that H9 is accepted.

10) Hypothesis Test Results 10 (H10)

The results of the t-test between the Audit Report and financial statement fraud obtained a regression coefficient value of 1.261184 and had a t-statistic value of 2.123623 which was smaller than the t-table value (2.123623 > 1.997729) with a probability value of 0.0365 (sig < 0.05). So, it can be stated that H10 has an effect on financial statement fraud. Thus, it is concluded that H10 is accepted.

#### 4.7 Regression analysis with MRA (Moderated Regression Analysis)

- 1) Based on the data output, the Financial Target (ROA) on financial statement fraud has no influence, because the prob value (0,5258) is above 0.05. Then the quality of the audit of fraudulent statements has a value (0.0812) above 0.05, which means it is not significant. And the interaction between ROA and audit quality on financial statement fraud is not significant because it has value (0.4219) above 0.05. so it can be categorized, audit quality is not a moderator between financial targets and financial statement fraud
- 2) Based on the data output, the Financial Stability on financial statement fraud has no influence, because the prob value (0,6688) is above 0.05. Then the quality of the audit of fraudulent statements has a value (0.1556) above 0.05, which means it is not significant. And the interaction between ROA and audit quality on financial statement fraud is not significant because it has value (0.6893) above 0.05. so it can be categorized, audit quality is not a moderator between the Financial Stability and financial statement fraud
- 3) Based on the data output, Change of Directors on financial statement fraud has no influence, because the prob value (0,9961) is above 0.05. Then the quality of the audit of fraudulent statements has a value (0.2208) above 0.05, which means it is not significant. And the interaction between ROA and audit quality on financial statement fraud is not significant because it has value (0.9964) above 0.05. so it can be categorized, audit quality is not a moderator between Change of Directors and financial statement fraud
- 4) Based on the data output, Ineffective Monitoring on financial statement fraud has no influence, because the prob value (0,9556) is above 0.05. Then the quality of the audit of fraudulent statements has a value (0.2458) above 0.05, which means it is not significant. And the interaction between ROA and audit quality on financial statement fraud is not significant because it has value (0.5980) above 0.05. so it can be categorized, audit quality is not a moderator between Ineffective Monitoring and financial statement fraud
- 5) Based on the data output, Change In Auditor on financial statement fraud has no influence, because the prob value (0,6737) is above 0.05. Then the quality of the audit of fraudulent statements has a value (0.2612) above 0.05, which means it is not significant. And the interaction between ROA and audit quality on financial statement fraud is not significant because it has value (0.4413) above 0.05. so it can be categorized, audit quality is not a moderator between Change In Auditor and financial statement fraud
- 6) Based on the data output, Frequent Number Of CEO's Picture on financial statement fraud has no influence, because the prob value (0,6584) is above 0.05. Then the quality of the audit of fraudulent statements has a value (0.1547) above 0.05, which means it is not significant. And the interaction between ROA and audit quality on financial statement fraud is not significant because it has value (0.6591) above 0.05. so it can be categorized, audit quality is not a moderator between Frequent Number Of CEO's Picture and financial statement fraud
- 7) Based on the data output, Government Projects on financial statement fraud has no influence, because the prob value (0,2701) is above 0.05. Then the quality of the audit of fraudulent statements has a value (0.1340) above 0.05, which means it is not significant. And the interaction between ROA and audit quality on financial statement fraud is not significant because it has value (0.2227) above 0.05. so it can



be categorized, audit quality is not a moderator between Government Projects and financial statement fraud

- 8) Based on the data output, Political Connection on financial statement fraud has no influence, because the prob value (0,7793) is above 0.05. Then the quality of the audit of fraudulent statements has a value (0.6874) above 0.05, which means it is not significant. And the interaction between ROA and audit quality on financial statement fraud is not significant because it has value (0.3126) above 0.05. so it can be categorized, audit quality is not a moderator between Political Connection and financial statement fraud
- 9) Based on the data output, State-Owned Enterprises on financial statement fraud has no influence, because the prob value (0,7793) is above 0.05. Then the quality of the audit of fraudulent statements has a value (0.6861) above 0.05, which means it is not significant. And the interaction between ROA and audit quality on financial statement fraud is not significant because it has value (0.3139) above 0.05. so it can be categorized, audit quality is not a moderator between financial targets and financial statement fraud
- 10) Based on the data output the Audit Report on financial statement fraud has no influence, because the prob value (0,7458) is above 0.05. Then the quality of the audit of fraudulent statements has a value (0.3527) above 0.05, which means it is not significant. And the interaction between ROA and audit quality on financial statement fraud is not significant because it has value (0.1751) above 0.05. so it can be categorized, audit quality is not a moderator between Audit Report and financial statement fraud

## 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 2020-2022. 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 2020-2022. 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 2020-2022. 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 2020-2022. 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 2020-2022. 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 2020-2022. 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 2020-2022. 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 2020-2022. 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 has a significant effect on fraudulent financial statements of non-cyclical companies listed on the IDX for 2020-2021.
- 10) Audit Opinion has a significant effect on fraudulent financial statements of non-cyclical companies listed on the IDX for 2020-2021.
- 11) The Influence of the Audit Quality in moderating Financial Targets on Financial Report Fraud. This Result shows that the audit quality variable is unable to moderate financial targets on the potential for financial statement fraud
- 12) The Influence of the Audit Quality in moderating Financial Stability on Financial Report Fraud. This Result shows that the audit quality variable is unable to moderate Financial Stability on the potential for financial statement fraud
- 13) The Influence of the Audit Quality in moderating Change of Directors on Financial Report Fraud. This Result shows that the audit quality variable is unable to moderate Change of Directors on the potential for financial statement fraud
- 14) The Influence of the Audit Quality in moderating Ineffective Monitoring on Financial Report Fraud. This Result shows that the audit quality variable is unable to moderate Ineffective Monitoring on the potential for financial statement fraud
- 15) The Influence of the Audit Quality in moderating Change In Auditor on Financial Report Fraud. This Result shows that the audit quality variable is unable to moderate Change In Auditor on the potential for financial statement fraud
- 16) The Influence of the Audit Quality in moderating The Frequent Number Of CEO's Picture on Financial Report Fraud. This Result shows that the audit quality variable is unable to moderate The Frequent Number Of CEO's Picture on the potential for financial statement fraud
- 17) The Influence of the Audit Quality in moderating Government projects on Financial Report Fraud. This Result shows that the audit quality variable is unable to moderate Government projects on the potential for financial statement fraud
- 18) The Influence of the Audit Quality in moderating Political connections on Financial Report Fraud. This Result shows that the audit quality variable is unable to moderate Political connections on the potential for financial statement fraud
- 19) The Influence of the Audit Quality in moderating State-owned enterprises on Financial Report Fraud. This Result shows that the audit quality variable is unable to moderate State-owned enterprises on the potential for financial statement fraud.
- 20) The Influence of the Audit Quality in moderating Audit Opinion on Financial Report Fraud. This Result shows that the audit quality variable is unable to moderate Audit Opinion on the potential for financial statement fraud

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