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Research Article

The Effect of *Hexagon Fraud* in Detecting *Fraud Financial Statements* (Empirical Study on Financial Sector Companies Listed on the Indonesia Stock Exchange 2017-2021)

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ABSTRACT

This study aims to determine the effect of hexagon fraud (stimulus, opportunity, rationalization, capability, ego, and collusion) in detecting financial statement fraud. The dependent variable used in this study is financial statement fraud as proxied by earning management, while the independent variables are financial target, financial stability, change in directors, ineffective monitoring, change in auditors, frequent number of CEO's picture, and political connection. This study uses secondary data in the form of financial reports and annual reports. The population in this study is the financial sector companies listed on the Indonesia Stock Exchange in 2017-2021 as many as 89 companies. The sampling technique used purposive sampling method with a sample of 19 companies. The data analysis technique uses panel data regression analysis which is processed using the Eviews 12 program. The results of this study indicate that simultaneously financial targets, financial stability, change in directors, ineffective monitoring, change in auditors, frequent number of CEO's picture, and political connection have an effect on detecting financial statement fraud. Furthermore, partially financial targets and financial stability have a positive effect in detecting financial statement fraud. Meanwhile, change in director, ineffective monitoring, change in auditor, frequent number of CEO's picture, and political connection have no effect in detecting financial statement fraud.

Keywords: *Earning Management, Financial Statement Fraud, Fraud Hexagon*

Introduction

Financial statements are one of the important instruments for the operations of a company. The financial condition of a company can be seen from the company's financial statements. Financial statements are a form of

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communication tool used by companies to contain financial data and operational activities as well as the company's financial condition for a certain period. Financial reports are also used as a benchmark for the efficiency and effectiveness of a company's performance for *stakeholders*. This makes the company compelled to present its financial statements as well as possible (Yanti and Munari, 2021).

Financial *statement fraud* is described as financial statement fraud which generally refers to a deliberate alteration of a company's financial statements to portray a different company image and often with the intent to mislead users of financial information (Owusu *et.al.*, 2021). Based on the results of the 2019 Indonesia *Fraud Survey,* financial statement fraud is *the third most detrimental fraud* after corruption and asset misappropriation. This too supported by *Report to the Nations 2020 Global Study on Occupational Fraud and abuse* that state that *financial statement fraud* is *fraud* which have the smallest percentage of cases at 10 percent but with the largest loss of USD954,000 (ACFE, 2020).

One of the biggest accounting scandals in history was the Enron Company scandal. In this case, Enron's management deliberately *marked up its* revenues by US$600 million and concealed its US$1.2 billion debt with an *off-balance sheet technique*. Cases of engineering financial statements (*window dressing*) also involve companies in the financial sector in Indonesia, such as the case of PT SNP *Finance* who experienced credit problems to their creditors or also called *NonPerforming Loans* (NPL) which caused SNP *Finance management* to falsify data and manipulate financial statements by creating fictitious receivables through fictitious sales. this case indicates that still vulnerable occur *financial statement fraud* on financial sector companies in Indonesia. This is reinforced by the results of the 2019 Indonesia *Fraud Survey* which showed that the institutions most disadvantaged due to *fraud* were the financial and banking industries as much as 41.4 percent (ACFE, 2020).

The phenomenon of *financial statement fraud* in financial sector companies, which is increasing and is exacerbated by the *COVID-19 pandemic,* requires companies and users of financial statements to be able to monitor and check the performance of management and the results of the company's financial statements. Karpoff (2021) argues that the emergence of the *covid-19 pandemic* in the last two years has influenced the *fraud* that occurred because the impact of the *covid-19 pandemic* causes changes in economic conditions that can impose large costs and threaten the business continuity (*going concern*) of a company, thus creating many opportunities for *fraud to occur*. These conditions motivate researcher for to do study this with develop something model which can used in detect *financial statement fraud*. In Thing this, variable *financial statement fraud* is proxied by *earnings management*.

The model that the researcher wants to use is the latest model in detecting *financial statement fraud*, namely the *hexagon fraud theory* developed by Georgios L. Vousinas in 2019. This theory is a development of previous theories, namely the *fraud triangle theory* by Cressey (1950), *fraud diamond* by Wolfe and Hermanson (2004), and *the fraud pentagon* by Crowe (2011) so that it is expected to provide good results more maximum in detect *fraud* report finance (Jannah *et.al.*, 2021). The elements in the *fraud hexagon* include *stimulus*, *opportunity*, *rationalization*, *capability*, *ego*, and *collusion*. The proxy used in detecting the occurrence of *fraud* in study this Among other *stimulus* which proxied with *financial target* and *financial stability* ; *opportunity* proxied by *ineffective monitoring* ; *capability* proxied by *change in director* ; *rationalization* proxied by *change in auditor* ; *ego* as proxied by *frequent number of CEO's picture* ; and *collusion* which is proxied by *political connections* .

Theoretical Studies and Hypotheses

Agency Theory (Agency Theory)

Jensen and Meckling in their research entitled *Theory of the Firm: Managerial Behavior, Agency Cost and Ownership Structure* in 1976 explained that agency theory is related to the contractual relationship between members of a company or organization. This theory assumes that individuals (both *principal* and *agent*) optimize their respective utilities (satisfaction). In a *principal - agent relationship*, the *agent* is

contracted to maximize the utility of the *principal*. However, agency theory assumes that *agents* will behave opportunistically, namely maximizing their own interests (Ghozali, 2020).

Financial Statement Fraud

Financial *statement fraud* is described as financial statement fraud which generally refers to a deliberate alteration of a company's financial statements to portray a different company image and often with the intent to mislead users of financial information (Owusu *et.al.*, 2021). According to *the American Institute of Certified Public Accountants* (2002) in Jannah *et.al.* (2021), fraudulent financial reporting is something that is done intentionally to manipulate, replace or even destroy material facts and accounting data, these actions can influence investment decisions so that it will harm other parties.

Hexagon Fraud

fraud hexagon is the latest fraud approach theory developed by Georgios L. Vousinas (2019). *Fraud Hexagon* elaborates the *fraud theory* behind someone committing fraud by perfecting the discovery of Cressey's (1953) fraud theory called the *fraud triangle*, a fraud theory that found by Wolf and Hermanson (2004) which named *fraud diamonds*, as well as the theory of *fraud pentagon* refined by Crowe (2011).

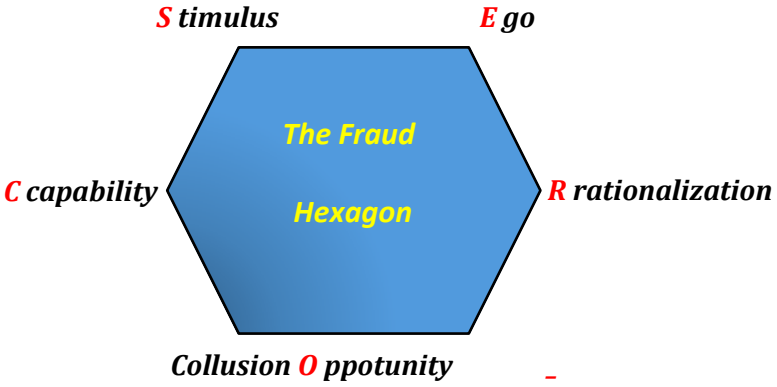

Figure 1. Fraud Hexagon Model (SCCORE)
Source: Vousinas (2019)

1. Stimulus

a. Financial Target

Financial target interpreted as target achievements finance company which has been determined. Based on SAS 99, financial targets can create pressure on both management and employees which results in fraudulent financial reporting. Financial targets are closely related to company performance. Management must achieve the financial goals that have been determined so that could reflects the company's good performance. Research by Mukaromah and Budiwitjaksono (2021) and Sagala and Siagian (2021) states that *financial targets* affect *financial statement fraud*, while research by Handoko (2021) shows that *financial target* no take effect to *financial statement fraud*.

Based on this description, the hypothesis can be formulated as following.

Ha 1 : *Financial targets have a* positive effect on detecting *financial statement fraud.*

b. Financial Stability

Financial stability describes the company's financial condition in a stable condition which is a benchmark for company performance. If the financial situation is not stable, it causes management to experience pressure because the management of the company's assets and sources of funds is not optimal. SAS 99 explains that when the financial situation is unstable due to the company's operations, the company's economic and industrial conditions will put pressure on management. Research

conducted by Mukaromah and Budiwitjaksono (2021) and Octani *et.al.* (2021) shows that *financial stability* has a positive effect on *financial statement fraud*. However, the research of Jannah *et.al.* (2021) stated that financial stability has no effect on fraudulent financial statements. Based on this explanation, the hypothesis can be formulated as follows.

Ha 2 : *Financial stability* has a positive effect in detecting *financial statement fraud.*

2. Capability

c. Change in Director

Not always the change of directors will encourage the company's performance to be better. Changes in directors can cause a *stress period* that can increase the possibility of *fraud* occurring. In other words, the change of directors can be an effort to eliminate the track by trying to get rid of the directors who are believed to have knowledge of the fraud that occurred. Research by Jannah *et.al.* (2021) who found that changes in directors had an effect on fraudulent financial statements. This is contrary to the research of Sagala and Siagian (2021) which states that *change in director* has no effect on *financial statement fraud* . Based on this description, the hypothesis can be formulated as follows.

Ha 3 : *Change in director* has a positive effect in detecting *financial statement fraud.*

3. Opportunity

d. Ineffective Monitoring

In the supervision of the company is very closely related to the board of commissioners. Action *fraud* in in company could prevented with the more big ratio board of Commissioners. This is supported by research by Mukaromah and Budiwitjaksono (2021) which shows that *ineffective monitoring has an* effect on *financial statement fraud*. However, not with the research of Octani *et.al.* (2021) which shows that *ineffective monitoring* has no effect on fraudulent financial statements. Based on this explanation, the hypotheses found are as follows: following.

Ha 4 : *Ineffective monitoring* has a positive effect in detecting *financial statement fraud.*

4. Rationalization

e. Change in Auditor

Change in auditor variable is used to proxy the rationalization *element*. The old auditor may be more able to detect any possible fraud committed by management, either directly or indirectly. However, with the change of auditors, the possibility of fraud will increase. The change of auditors used by the company can be considered as a form of action in erasing the fraud *trail that* has been done by the previous auditor. This tendency encourages companies to replace their independent auditors to cover up fraud in the company (Octani *et.al.*, 2021). Research conducted by Yanti and Munari (2021) shows that *change in auditors* has a significant effect on *fraudulent financial reporting*. However, Handoko's (2021) research failed to show any effect of *change in auditor* on *financial statement fraud*. Thus, the fifth hypothesis can be formulated as follows.

Ha 5 : *Change in auditor* has a positive effect in detecting *financial statement fraud.*

5. Ego

f. Frequent Number of CEO's Picture

Frequent number of CEO's picture is a proxy for the *ego element in the fraud hexagon* theory. *Ego* is an attitude of superiority or greed of people who believe that internal control does not apply personally. Sari and Nugroho (2020) also explained that there are many CEO photos displayed in the annual report companies can present their level of arrogance or superioritythe CEO. The more many amount photo CEO which displayed in a report This can indicate a high level of CEO arrogance in the company. The *ego* can trigger the occurrence of *financial statement fraud* by using and utilizing the authority it has. Any *internal control system* cannot limit the actions and behavior of a CEO because of the power he has. The results of research conducted by Utami and Pusparini (2019) show that the *frequent number of CEO's picture* has a positive effect on *fraudulent financial reporting*. However, research by Siddiq and Suseno (2019) states that *the frequent number of CEO's picture* has no effect on financial statement fraud. Therefore, it can be concluded that the hypothesis is following.

Ha 6 : *Frequent number of CEO's picture* has a positive effect in detecting *financial statement fraud.*

6. Collusion

g. Political Connection

Political connection is described as a condition for companies to have political connections. This relationship is considered beneficial for the company because it will make it easier for companies to borrow money from third parties and sign contracts with the government (Utami and Pusparini, 2019). Even if the company's financial status is bad, the company's continuity can still be maintained, so that in an effort to maintain reputation company to public, party company To do act fraud so that the performance looks good. Nadziliyah and Primasari (2022) support this research because state existence influence positive Among *political connection* with *fraudulent financial reporting*. Thus, the seventh hypothesis can be formulated as follows.

Ha 7 : *Political connection* has a positive effect in detecting *financial statement fraud.*

Research Methods

Study this use method study quantitative with data secondary in the form of annual reports and financial statements of financial sector companies. The data used is sourced from the IDX and company *websites.* The population in this study are financial sector companies listed on the Indonesia Stock Exchange in 2017-2021. Sample selection is done by *purposive sampling method* with criteria as following.

a. Financial sector companies listed on the Indonesia Stock Exchange period 2017-2021.
b. Company publish report annual and report finance which has audited period 2017-2021.
c. The company did not experience a loss during the period 2017-2021.
d. Required data related to research variables are available and complete during the period 2017-2021.

The variables in this study consist of the dependent variable, namely *financial statement fraud* which is proxied by *earning management* and measured using *discretionary accruals*. The independent variables are arranged according to the 6 elements of the *Fraud Hexagon*. The *stimulus* element is proxied by *financial target* and *financial stability*. The *capability* element is proxied by *change in director*. The *opportunity* element is proxied by *ineffective monitoring*. Elements of *rationalization* are proxied by *change in auditors*. The *ego* element is proxied by the *frequent number of CEO's picture*, and the collusion element *is* proxied by *political connection*.

Results and Discussion

1. Descriptive Statistical Analysis

Table 1. Descriptive Statistical Analysis

	DA	FT	FS	DC	IM	Air conditioning	CP	PC
Mean	0.014961	0.025044	0.089031	0.221053	1.607018	0.094737	2.652632	0.673684
Median	0.023089	0.013560	0.092630	0.000000	1.500000	0.000000	3,000000	1.0000000
Maximum	0.446166	0.407050	0.744750	1.0000000	4000000	1.0000000	5.000000	1.0000000
Minimum	-0.486843	-0.304990	-0.397960	0.000000	0.666667	0.000000	1.0000000	0.000000
Std. Dev.	0.143609	0.069299	0.161310	0.417157	0.730910	0.294405	0.782364	0.471352
Observations	95	95	95	95	95	95	95	95

Source: Data processed, 2022

Based on Table 2, descriptive statistical analysis shows that the *mean value of financial statement fraud* (DA) is 0.01 and the standard deviation value is 0.14. *The financial target* has a *mean value* of 0.03 and a standard deviation of 0.07. *Financial stability has a mean* value of 0.09 and a standard deviation of 0.16. *Change in director* has a *mean value* of 0.22 and a

standard deviation of 0.42. *Ineffective monitoring* has a *mean value* of 1.61 and a standard deviation of 0.73. *Change in auditor* has a *mean value* of 0.09 and a standard deviation of 0.29. *Frequent number of CEO's picture* has a *mean value* of 2.65 and a standard deviation of 0.78. *Political connection* has a *mean value* of 0.67 and a standard deviation of 0.47.

2. Panel Data Regression Model Selection Method

a. **Chow Test**

Table 2. Chow Test

Effects Test	Statistics	df	Prob.
Cross-section F	0.471924	(18.69)	0.9618
Cross-section Chi-square	11.029704	18	0.8931

Source: Data processed, 2022

Based on Table 4 the results of the *chow test* state that the value of the *Cross-section Probability Chi-square* as big as 0.89 or more big from level significance 0.05 (0.89 > 0.05) so it is the right model to test *the financial target, financial stability, change in director, ineffective monitoring, change in auditor, frequent number of CEO's picture*, and *political connection* to *financial statement fraud* is *Common Effect Models* (CEM). Based on these tests, if the selected CEM becomes the model that appropriate so required for To do testing advanced with *Lagrange Multiplier Test* to determine the most appropriate *Common Effect Model* (CEM) or *Random Effect Model* (REM) to be used in this study.

b. **Lagrange Multiplier Test**

Table 3. Lagrange Multiplier Test

	Hypothesis Test		
	Cross-section	Time	Both
Breusch-Pagan	4.458794	1.554668	6.013462
	(0.0347)	(0.2124)	(0.0142)

Source: Data processed, 2022

Based on Table 5, the results of the *Langrange multiplier test* state that the value of *Both Breusch-Pagan* is 0.01 or less than the 0.05 significance level (0.01 < 0.05) so that the appropriate model chosen to be used in this study is the *Random Effect Model.* (BRAKE).

3. Data Regression Analysis Panel

Table 4. Random Effect Model (REM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FT	0.309065	0.055655	5.553256	0.0000
FS	0.354099	0.084243	4.203296	0.0001
DC	0.028634	0.028777	0.995016	0.3225
IM	-0.214677	0.199312	-1.077086	0.2844
air conditioning	-0.026660	0.038981	-0.683915	0.4958
CP	0.010266	0.015174	0.676599	0.5005
PC	-0.012436	0.025373	-0.490115	0.6253
C	-0.029107	0.042701	-0.681636	0.4973
R-squared	0.538854	F-statistics		14.52289
Adjusted R-squared	0.501750	Prob(F-statistic)		0.000000

Source: Data processed, 2022

The panel data regression equation in table 6 can be explained as follows.

DA = –0.029107 + 0.309065FT + 0.354099FS + 0.028634DC – 0.214677IM – 0.026660AC + 0.010266CP – 0.012436PC +

The analysis of the influence of the independent variable on the dependent variable can be explained as follows.

a. Score coefficient regression variable *Financial Target* (FT) worth positive as big as 0.31. This means that if the *Financial Target* (FT) increases by 1%, the *financial statement fraud* will experience enhancement as big as 0.31 with assumption another variable is worth permanent.
b. Score coefficient regression variable *Financial Target* (FT) worth positive as big as 0.35. This means that if *Financial Stability* (FS) has increased by 1%, the *financial statement fraud* will experience enhancement as big as 0.35 with assumption another variable is worth permanent.
c. The regression coefficient value of the *Change in Director* (DC) variable is positive at 0.03. This means that if *Change in Director* (DC) has increased by 1% then *financial statement fraud* will experience enhancement as big as 0.03 with assuming other variables are worth permanent.
d. Score coefficient regression variable *Ineffective Monitoring* (IM) worth negative as big as -0.21. This means that if *Ineffective Monitoring* (IM) increases by 1%, the *financial statement fraud* will decrease by 0.21 assuming other variables are fixed.
e. The regression coefficient value of the *Change in Auditor* (AC) variable is negative at -0.03. It means if *Change in Auditor* (AIR CONDITIONING) experience increase 1% so *financial statement fraud* will decrease by 0.07 assuming other variables are worth permanent.
f. The regression coefficient value of the *Frequent Number of CEO's Picture* (CP) variable is positive at 0.01. This means that if *the Frequent Number of CEO's Picture* (CP) increases by 1%, the *financial statement fraud* will increase by 0.01 assuming other variables are worth permanent.
g. The regression coefficient value of the *Political Connection* (PC) variable is negative as big as -0.01. This means that if the *Political Connection* (PC) increases by 1%, the *financial statement fraud* will decrease by 0.01 with the assumption that other variables have a fixed value.
h. The constant value of -0.03 means that if the variable independent value is fixed, then the dependent variable (*financial statement fraud*) is -0.03.

4. Assumption Test Classic

a. Test Normality

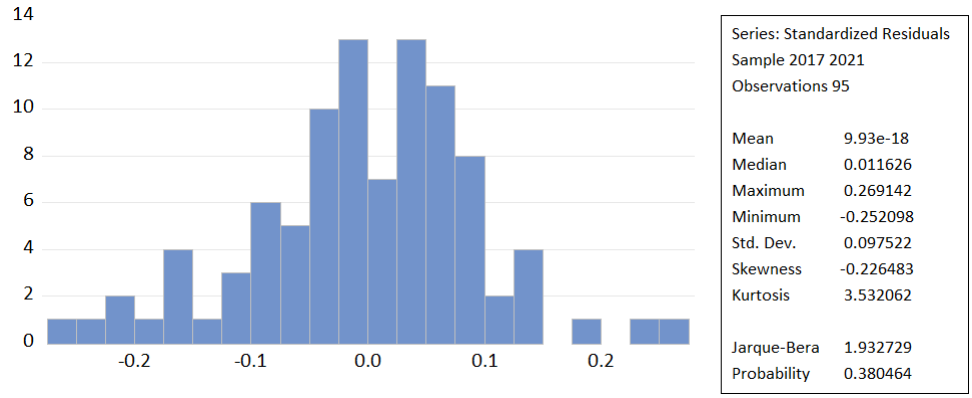

Figure 2. Normality Test
Source: Data processed, 2022

Based on Figure 2, the normality test shows that the probability value of the research variables is 0.38. The probability value is greater than the significance level of 0.05 (0.38 > 0.05) so it can be concluded that the distribution of the data in this study is normally distributed.

b. **Test Multicollinearity**

Table 5. Multicollinearity Test

	FT	FS	DC	IM	Air conditioning	CP	PC
FT	1.0000000	0.432317	-0.160304	0.445446	-0.226249	-0.043529	0.033776
FS	0.432317	1.0000000	-0.010363	0.503992	0.008591	-0.063900	-0.092525
DC	-0.160304	-0.010363	1.0000000	-0.180531	0.087534	-0.185968	0.208442
IM	0.445446	0.503992	-0.180531	1.0000000	-0.040233	0.093451	-0.118139
air conditioning	-0.226249	0.008591	0.087534	-0.040233	1.0000000	0.005834	-0.004842
CP	-0.043529	-0.063900	-0.185968	0.093451	0.005834	1.0000000	0.208618
PC	0.033776	-0.092525	0.208442	-0.118139	-0.004842	0.208618	1.0000000

Source: Data processed, 2022

Based on Table 6 test multicollinearity show that score correlation between any two independent variables there is no more than 0.80 so it can be concluded that the regression model in this study is free from problems multicollinearity.

c. **Test Heteroscedasticity Test *White***

White Test

F-statistics	2.517369	Prob. F(32,62)	0.0009
Obs*R-squared	53.68285	Prob. Chi-Square(32)	0.0095
Scaled explained SS	49.35364	Prob. Chi-Square(32)	0.0257

Source: Data processed, 2022

Based on Table 7, the *white test* shows that the *Obs*R-squared value has a Chi-square* probability value of 0.01 which means that the value is smaller than the 0.05 significance level (0.01 < 0.05) thus indicating that the data in the study It has heteroscedasticity problem. Data that has heteroscedasticity problems need to be corrected so that the results of hypothesis testing are not misleading (Ghozali and Ratmono, 2017). The correction can be done by testing heteroscedasticity using the *Breusch-Pagan-Godfrey* (BPG) test as follows.

Breusch-Pagan-Godfrey Test

Table 6. *Breusch-Pagan-Godfrey. Test*

F-statistics	1.364821	Prob. F(7.87)	0.2304
Obs*R-squared	9.400006	Prob. Chi-Square(7)	0.2252
Scaled explained SS	8.641949	Prob. Chi-Square(7)	0.2794

Source: Data processed, 2022

Based on Table 8 test *breusch-pagan-godfrey* show that score *Obs*R-squared has a Chi-square* probability value of 0.23 which means that the value is greater than the 0.05 significance level (0.23 > 0.05) thus indicating that the data in this study are free from problems. heteroscedasticity.

5. Test Hypothesis

Table 7. Random Effect Model (REM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FT	0.309065	0.055655	5.553256	0.0000
FS	0.354099	0.084243	4.203296	0.0001
DC	0.028634	0.028777	0.995016	0.3225
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PC	-0.012436	0.025373	-0.490115	0.6253
C	-0.029107	0.042701	-0.681636	0.4973
R-squared	0.538854	F-statistics		14.52289
Adjusted R-squared	0.501750	Prob(F-statistic)		0.000000

Source: Data processed, 2022

a. Simultaneous Significance Test (Statistic F)

Based on table 9 show that score *Prob(F-statistic)* as big as 0.00. Prob value *(F-statistic)* 0.00 < 0.05 which indicates that the alternative hypothesis (Ha) is accepted. This means that the *financial target variable, financial stability, change in director, ineffective monitoring, change in auditors, frequent number of CEO's pictures*, and *political connection* simultaneously has an effect on detecting *financial statements fraud*.

b. Individual Parameter Significant Test (Statistics t)

1) The probability value of the *Financial Target* (FT) variable is 0.00 < 0.05, which means that the first alternative hypothesis (Ha 1) is accepted and H 0 is rejected. In this case, the independent variable *Financial Target* (FT) has a positive effect in detecting *Financial Statement Fraud* (DA).
2) The probability value of the *Financial Stability* (FS) variable is 0.00 <0.05, which means that the second alternative hypothesis (Ha 2) is accepted and H 0 is rejected. In this case, the independent variable *Financial Stability* (FS) has a positive effect in detecting *Financial Statement Fraud* (DA).
3) The probability value of the *Change in Director* (DC) variable is 0.32 > 0.05, which means that the third alternative hypothesis (Ha 3) is rejected and H 0 is accepted. In this case, the independent variable *Change in Director* (DC) has no effect in detecting *Financial Statement Fraud* (DA).
4) The probability value of the *Ineffective Monitoring* (FT) variable is 0.28 > 0.05, which means that the fourth alternative hypothesis (Ha 4) is rejected and H 0 is accepted. In this case, the variable independent *Ineffective Monitoring* (IM) no take effect in detect *Financial Statement Fraud* (DA).
5) The probability value of the *Change in Auditor* (AC) variable is 0.50 > 0.05, which means the fifth alternative hypothesis (Ha 5) is rejected and H 0 is accepted. In this case, the independent variable *Change in Auditor* (AC) has no effect in detecting *Financial Statement Fraud* (DA).
6) The probability value of the *Frequent Number of CEO's Picture* (CP) variable is 0.50 > 0.05, which means the sixth alternative hypothesis (Ha 6) is rejected and H 0 is accepted. In this case, the independent variable *Frequent Number of CEO's Picture* (CP) has no effect in detecting *Financial Statement Fraud* (DA).
7) Score probability variable *Political Connection* (PC) as big as 0.63 > 0.05 which it means hypothesis alternative seventh (Ha 7) rejected and H 0 received. In Thing this, variable independent *Political Connection* (PC) no take effect in detect *Financial Statement Fraud* (DA).

c. Coefficient of Determination Test (R2)

Based on table 9 shows that the value of *Adjusted R-squared* in this study is 0.50 or 50%. This shows that the ability of the *financial target variable, financial stability, change in director, ineffective monitoring, change in auditor, frequent number of CEO's picture*, and *political connection in explaining the financial statement fraud* variable is 50%. Meanwhile, the remaining 50% canexplained by other factors outside the model.

Discussion

The Effect of Financial Targets in Detecting Fraud Financial Statements

The test results in this study indicate that *the financial target* has a significant positive effect in detecting *financial statement fraud*. This can be seen from the probability value of the *financial target* in Table IV.18 which shows a value of 0.00. Probability value 0.00 more small from score significance = 0.05 (0.00 < 0.05) so that Based on the test results, Ha 1 is accepted and H 0 is rejected, which means that the *financial target* variable has a positive effect on detecting *financial statements fraud*.

This states that investors as principals expect the company's management to as agent for could manage company with good so that target which has been determined could achieved. However, when company in the operation no capable achieve the target, then this becomes a big pressure for management and management will fight for various ways to keep the company's performance looking good so it will tend to make *financial statements fraud.*

This research is in line with the research of Mukaromah and Budiwitjaksono (2021) and Sagala and Siagian (2021) which state that *financial targets have an* effect on detecting *financial statement fraud* because if management has difficulties in achieving ROA targets, it can trigger management to take *financial statement fraud actions.* This study is contradictory to the research conducted by Handoko (2021) which states that there is no influence of *financial targets* in detecting *financial statement fraud* because company with level target finance which tall it will improve the quality of the company's operations such as improving the quality of human resources, more effectiveand efficient information systems, and good policies in settlement problem.

The Effect of Financial Stability in Detecting Fraud Financial Statements

Results testing on study this show that *financial stability* significant positive effect in detecting *financial statement fraud*. This can be seen from the probability value of the *financial target* in Table IV.18 which shows a value of 0.00. Probability value 0.00 more small from score significance = 0.05 (0.00 < 0.05) so that Based on the test results, Ha 1 is accepted and H 0 is rejected, which means that the *financial stability* variable has a positive effect on detecting *financial statements fraud*.

Thing this state that party principal expect party management the company as an agent to be able to manage the company well so that the company's financial condition increases or at least does not decrease (stable). However, instabilityFinance can happen in a company. The financial instability experienced by the company can influence management to commit fraudulent actions in the presentation of its financial statements as an effort to overcome the financial condition to make it visible stable.

This research is supported by research by Mukaromah and Budiwitjaksono (2021) and Octani *et.al.* (2021) which shows that *financial stability* has a positive effect on detecting *financial statement fraud* because the assets used to measure the *financial stability variable* describe the wealth of the company so that it can be used to see the company's financial stability. If the financial situation is not stable, it can be an impetus for management to trigger *financial statement fraud*. Management uses financial statements as a tool to cover the situation unstable company so as not to be judged badly by *stakeholders*. Contrary to the research of Jannah *et.al.* (2021) which states that *financial stability* has no effect on fraudulent financial statements because when companies experience financial instability, company management does not always try to manipulate financial statements so that prospects company increase because Thing the precisely will make it worse condition company finances in the future come.

Effect of Change in Director in Detecting Fraud Financial Statements

The test results in this study indicate that *change in director* has no effect in detecting *financial statement fraud*. This can be seen from the probability value of *change in director* in Table IV.18 which shows a value of 0.32. Probability value 0.32 more big from score significance = 0.05 (0.32 > 0.05) so that Based on the test results, Ha 1 is rejected and H 0 is accepted, which means that the *change in director* variable has no effect in detecting *financial statement fraud*.

This research is supported by the research of Sagala and Siagian (2021) which states that *change in director* has no effect in detecting *financial statement fraud* because there is a possibility that the change of directors is caused by the expiration of the term of office, the acquisition of other positions, and the existence of regulations regarding the term of office of directors that have been regulated. by the Financial Services Authority (OJK). This study contradicts the research of Jannah *et.al.* (2021) which suggests that *change in director* has an effect on detecting *financial statement fraud* because a change in director will cause an unstable condition of supervision of company activities. Instability of supervision can be exploited by management who has the ability to plan strategies and the right time to take these advantages (fraud). Thus, with more frequent changes in directors, it will open up greater opportunities for *fraud to occur* and are more difficult to detect.

Effect of Ineffective Monitoring in Detecting Fraud Financial Statements

The test results in this study indicate that *ineffective monitoring* has no effect in detecting *financial statement fraud*. This can be seen from the probability value of *ineffective monitoring* in Table IV.18 which shows a value of 0.28. The probability value of 0.28 is greater than the significance value of = 0.05 (0.28 > 0.05) so that based on the test results, Ha 1 is rejected and H 0 is accepted, which means that the *ineffective monitoring variable has* no effect in detecting *financial statement fraud*.

This study is in line with the research of Octani *et.al.* (2021) which shows that *ineffective monitoring* has no effect in detecting *financial statement fraud* because company supervision becomes objective if there are a large number of independent commissioners. so that performance company capable upgraded through system supervision effective. This is contrary to the research of Mukaromah and Budiwitjaksono (2021) which showed that that *ineffective monitoring* take effect in detect *financial statement fraud* due to ineffective supervision makes management more free to take advantage of existing opportunities for their personal interests because there is no proper supervision strict.

Effect *of Change in Auditor* in Detecting *Fraud Financial Statements*

The test results in this study indicate that the *change in auditor* has no effect in detecting *financial statement fraud*. This can be seen from the *change in auditor probability value in* Table IV.18 which shows a value of 0.50. Probability value 0.50 more big from score significance = 0.05 (0.50 > 0.05) so that based on the test results Ha 1 is rejected and H 0 is accepted which means the *change in auditor* variable has no effect in detecting *financial statement fraud*.

This study is in line with the research by Handoko (2021) which shows that *change in auditors* has no effect in detecting *financial statement fraud* because the majority of the companies studied made auditor changes during the study period, but the entity made *changes in auditors* not on the grounds that the company wanted to cover the previous auditor's audit trail. who found fraud in the company. However, the previous auditor's performance was considered unsatisfactory for the company. This study contradicts the research of Yanti and Munari (2021) which shows that *change in auditors* has an effect on detecting *financial statement fraud* because auditor changes tend to cover up fraud that has been committed.

Effect of Frequent Number of CEO's Picture in Detecting Fraud Financial Statements

The test results in this study indicate that the *frequent number of CEO's picture* has no effect in detecting *financial statement fraud*. This can be seen from the probability value of the

frequent number of CEO's picture in Table IV.18 which shows a value of 0.50. The probability value of 0.50 is greater than the significance value of = 0.05 (0.50 > 0.05) so that based on the test results, Ha 1 is rejected and H 0 is accepted, which means that the *frequent number of CEO's picture* variable has no effect in detecting *financial statements fraud*.

This research is supported by research by Siddiq and Suseno (2019) which states that the *frequent number of CEO's picture* has no effect in detecting *financial statement fraud* because the picture shown is only the profile of the company's leadership. The photo of the CEO in the annual report is also a form of introduction to the figure of a leader who serves in the company to *stakeholders*. Thus, *stakeholders* have an overview of the director who leads a company as well as a form of responsibility for someone who has the highest position in the company. In contrast to the research conducted by Utami and Pusparini (2019) which stated that the *frequent number of CEO's picture* take effect in detect *financial statement fraud* because photo CEO emerging rated as form arrogance CEO as leader. Form arrogance the can give a signal that the leader feels he will not be the subject of internal control so that he can carry out various practices fraud.

The Effect of Political Connection in Detecting Fraud Financial Statements

The test results in this study indicate that *political connection* has no effect in detecting *financial statement fraud*. This can be seen from the probability value *political connection* on Table IV.18 which show score as big as 0.63. Probability value 0.63 more big from score significance = 0.05 (0.63 > 0.05) so that Based on the test results, Ha 1 is rejected and H 0 is accepted, which means that the *political connection* variable has no effect in detecting *financial statements fraud*.

This study is in line with the research of Hadi *et.al.* (2021) which states that *political connection* has no effect on *financial statement fraud* because the presence or absence of a political connection within the company will not cause motivation to commit financial statement fraud. Companies that do not have political connections can still maintain and even improve their company's performance. Good performance will make it easier for the company, one of which is to get a loan to carry out company operations. This contradicts the research conducted by Nadziliyah and Primasari (2022) which states that *political connection* has a positive effect in detecting *financial statement fraud* because the more connections a company has, the more benefits it will generate.obtained, and therefore there is a tendency to abuse the facilities.

Conclusion and Recommendations

Based on the results of this study, it can be concluded that partially only *financial targets* and *financial stability* have a positive effect in detecting *financial statement fraud*. Meanwhile, *change in director, ineffective monitoring, change in auditor, frequent number of CEO's picture,* and *political connection* have no effect in detecting *financial statement fraud*. Furthermore, simultaneously *financial target, financial stability, change in director, ineffective monitoring, change in auditor, frequent number of CEO's picture,* and *political connection* have an effect on detecting *financial statement fraud*.

Suggestions for further research are expected to be able to use samples of other sector companies and expand the number of company samples so that the results obtained can better represent *financial statement fraud*. Future research is also expected to be able to examine other variables outside of this research variable related to *financial statement fraud* because there are many other contributing factors.

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