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Financial statement fraud based on hexagon fraud approach

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ABSTRACT

This study aims to determine the effect of fraud hexagons on fraudulent financial statements. The objects of this research are food and beverage companies listed on the Indonesia Stock Exchange for the 2017-2019 period. The sampling technique used was purposive sampling with a total of 13 companies. The data analysis techniques are descriptive statistics, classical assumption tests, and multiple linear regression analyses. The results of this study indicate that financial targets, financial stability, changes in directors, and ineffective monitoring have not proven to have a positive effect on fraudulent financial reporting. Political Connection, Total Accruals, and CEO Duality have positively affected fraudulent financial statements. So that in this way, the company can provide financial reporting information properly, follow field conditions, and comply with the ethics and standards set by the relevant authorities.

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Introduction

Cheating in general can be interpreted as a person's actions that are carried out deliberately so that their personal needs and interests can be met. In the context of audited financial statements, fraud is a form of violation committed by misrepresenting financial statements that aim to provide incorrect information and mislead readers of financial statements (Aviantara, 2021). According to (Ratnasari & Solikhah, 2019) the financial report is a form of corporate accountability to stakeholders which includes internal and external parties to inform the company's financial performance in a certain period. Financial statements must present true and accurate information without any criminal acts in the form of fraud so that no one feels harmed, and users of financial statements can use them in making decisions. With such importance, the information in the financial statements encourages management to do everything so that the presented financial statements always look good, which creates the risk of fraudulent practices (Yang et al., 2017). But in reality, not all company management realizes the importance of a clean and fraud-free report (Lionardi & Suhartono, 2022). Fraud tends to be committed by someone if it is motivated by various things that can facilitate their goals and benefit them (Jannah et al., 2021).

Several things cause management to commit financial statement fraud, one of which is the difference in interests between management and investors; where investors want an increase in company performance, so management will try to make it happen even by cheating (Meidijati & Amin, 2022). A survey conducted by the (Association of Certified Fraud Examiners (ACFE) Indonesia, 2019) stated that the form of fraud that occurred in Indonesia was corruption as many as 167 cases (69.9%), asset abuse as many as 50 cases (20.9%), and financial statement fraud in 22 cases (9.2%). Although the number of cases of financial statement fraud is

the lowest, the losses incurred reached above 10 million Rupiah (64.4%). Therefore, financial reporting fraud is the submission of material misstatements to financial statements that result in users of financial statements feeling disadvantaged (Larum et al., 2021).

One of the cases of financial statement fraud that attracted public attention was the alleged manipulation carried out by PT. Three Pillars of Prosperous Food (AISA) on the financial statements for the 2017 financial year. AISA allegedly manipulated financial statements by inflating several posts on its financial statements. First, the accounts receivable recorded in the financial statements before the restatement amounted to IDR 2.11 trillion. Meanwhile, after the restatement, the value of AISA's accounts receivable for the 2017 period was only RP 485.71 billion. Second, in the inventory post where there is a difference between the financial statements before the restatement and after the restatement of IDR 1.4 trillion. Third, in the actual asset post, it was only IDR 1.98 trillion, but in the financial statements before the restatement, it was recorded at IDR 8.72 trillion. And the last one in the net income post was recorded at IDR 4.92 Trillion but was only worth IDR 1.95 Trillion. This was successfully revealed by Ernest and Young (EY) in 2019. As a result, PT. The Three Pillars of Sejahtera Food had to restatement the financial statements for the 2017 financial year which turned out to have posted a loss of Rp 5.23 trillion, the value of which was much greater than the version report before the restatement (Fajrian, 2020).

The grand theory used in this study is agency theory. According to (Jensen & Meckling, 1976) provides the basis for this theory formed due to the relationship between principal and agent. The principal is the owner or investor of the company, while the agent is the management of the company, namely the director of the company. The relationship formed between the principal and the agent when the principal gives work or permission to the agent to make decisions that often the agent has an interest in different to allow a conflict of interest. In practice, company managers act as agents responsible for increasing the owners' profits (principals), but managers are also interested in maximising their welfare (Ujiyantho, 2007). As a result, it causes information asymmetry that provides an opportunity for management to cover up information from principals that triggers fraudulent actions on financial statements.

According to (Situngkir & Triyanto, 2020), it states that it is necessary to detect fraud to reduce the risk of fraudulent financial statements. The fraud hexagon theory is used as the basis for research in detecting financial statement fraud (Ade Citra, 2023). Hexagon fraud theory is the latest cheating theory developed by Cousin. Cousin believes that collusion factors owned by a company can encourage someone to cheat on financial statements. According to (Vousinas, 2019) argues that the Pentagon fraud model needs to be updated to adapt to the current with the development of current fraud incidents that continue to increase. Thus, this theory states that six elements encourage a person to commit fraud, namely pressure, collusion, capability, opportunity (opportunity), rationalization, and ego. To describe each element in the fraud hexagon, namely, the pressure element is proxied with financial targets and financial stability, the collusion element is proxied with political connection, the ability element is proxied with changes in director, the opportunity element proxied with ineffective monitoring, rationalization elements proxied with total accruals to asset ratio, and ego elements proxied with CEO duality.

Research conducted by (Annisya & Asmaranti, 2016) states that the financial stability variable, as measured by the ratio of changes in total assets, positively influences fraudulent financial statements. This study did not find external variable pressure as measured by leverage ratios, financial targets as measured by return on assets, the nature of the industry as measured by inventory change ratios, audit opinion as measured by obtaining unqualified opinion with clarifying language, and capability as measured by changes influence directors on fraudulent financial statements. Furthermore, research conducted by (Agusputri & Sofie, 2019) stated that financial targets and ineffective monitoring positively affected fraudulent financial reporting. In addition, external pressure, the nature of the industry, change in auditors, and rationalization hurt fraudulent financial reporting. Meanwhile, financial stability, change of directors and frequent CEO pictures do not affect fraudulent financial reporting.

The difference between this research and previous research is that this study develops independent variables using the fraud hexagon indicator, which is the latest fraud model whose research is still very limited. So it is hoped that this research can contribute to accounting science related to the growing incidence of fraud. Based on the explanation and description above, researchers are interested in conducting research with the title "Financial Statement Fraud: Using Hexagon Fraud". The objectives of this study are (1) To test and determine the effect of financial targets on financial statement fraud. (2) To test and determine the effect of financial stability on financial statement fraud. (3) To test and determine the effect of changes in directors on financial statement fraud. (4) To test and determine the effect of political connections on financial statement fraud. (5) To test and determine the effect of ineffective monitoring on financial statement fraud. (6) To test and

determine the effect of total accruals to asset ratio on financial statement fraud. (7) To test and determine the effect of CEO duality on financial statement fraud.

Effect of Financial Target on Financial Statement Fraud

Financial target is a condition faced by company management to achieve profit targets so that management feels pressure and encourages it to commit fraud (AICPA, 2002). This pressure encourages management to carry out deviant behavior by cheating on financial statements. The measurement of this variable uses the return on asset ratio. The ROA ratio is used by companies to measure bonuses and compensation that managers will receive (Skousen et al., 2009). Thus, the higher the ROA ratio, the more it encourages management to commit financial statement fraud. Based on the description above, the hypotheses compiled in this study are as follows:

Ha_1: Financial target positively affects financial statement fraud

The Effect of Financial Stability on Financial Statement Fraud

Financial stability is a condition that describes the financial condition of a company where management is required to always show a stable financial condition (AICPA, 2002). Management as an agent expects a stable financial condition to get a high bonus or compensation, but investors want high returns on resources that they have. These circumstances give rise to differences in interests that can trigger the manipulation of financial statements. This variable is proxied by the ratio of changes in the number of assets. A higher ratio of changes in the number of assets can lead to higher financial statement fraud. Based on the description above, the hypotheses compiled in this study are as follows:

Ha_2: Financial stability positively affects financial statement fraud

Effect of Changes In Director on Financial Statement Fraud

Changes in directors are variables used to describe capability elements. Company owners or investors can change directors to improve the company's better performance. However, frequent changes of directors can increase the level of stress felt by agents to re-adapt, causing conflicts of interest that encourage management to manipulate financial statements for personal gain. Financial statement fraud also causes a decrease in the credibility of financial information so that it can affect decision making. The higher the change of directors made, the higher the risk of financial statement fraud. Based on the description above, the hypotheses compiled in this study are as follows:

Ha_3: Changes in director positively affect financial statement fraud

The Effect of Political Connection on Financial Statement Fraud

Political connection is used to describe elements of collusion. Political connections are close relationships that companies have with politicians, governments, and military officials (Imtikhani & Sukirman, 2021). According to (Imtikhani & Sukirman, 2021)Companies that have political connections tend to have more convenience and privileges than other companies. These conveniences and privileges are used by management because of the difference in interests between the principal (company owner) and the agent (company management). With political connections, companies will get greater access to cheating financial statements. So that the higher the political connections you have, the higher the fraud of financial statements. Based on the description above, the hypotheses compiled in this study are as follows:

Ha_4: Political connection positively affects financial statement fraud

The Effect of Ineffective Monitoring on Financial Statement Fraud

According to SAS no.99 (AICPA, 2002) ineffective monitoring is an opportunity that arises due to management dominance which causes the absence of control from the principal (company owner). As a result, management often works only for its own sake. Therefore, the principal appoints and places an independent board of commissioners to supervise management in the hope that management can work properly without committing fraud or manipulation. The lower the ratio of the independent board of commissioners to the total board of commissioners, the higher the ineffectiveness of supervision that can trigger high financial statement fraud. Based on the description above, the hypotheses compiled in this study are as follows:

Ha_5: Ineffective monitoring positively affects financial statement fraud

Effect of Total Accruals To Asset Ratio on Financial Statement Fraud

A rationalization is an act of justification carried out by fraudsters. This study used the total accruals to asset ratio (TATA) to describe rationalization. Management has the responsibility to be able to fulfill all the wishes of the principal, therefore management will carry out various ways that it considers correct. One of the ways that management does this is to use the accrual principle where the principle recognizes income or expenses when they occur, not when cash on transactions such is received or issued that triggers manipulation of financial statements. The higher the TATA ratio, the higher it triggers financial statement fraud. Based on the description above, the hypotheses compiled in this study are as follows:

Ha_6: Total accruals to asset ratio positively affects financial statement fraud

The Effect of CEO Duality on Financial Statement Fraud

CEO duality is a condition where a company leader occupies various positions or strategic positions. A chief executive officer (CEO) who has more than one position tends to show dominance in the company. Company leaders who have a dual position can show their ego attitude because they have the flexibility to use all the methods and media they have. Not only that, chief executive officers who occupy other positions at the same time, tend to be less focused on their work so they easily cheat on financial statements. Based on the description above, the hypotheses compiled in this study are as follows:

Ha_7: CEO duality positively affects financial statement fraud

Method

This research uses a quantitative approach with the type of research used causal expansionary or causal to explain and determine the influence of independent variables on dependent variables. Where according to (Sugiyono, 2019), research with quantitative methods is a research method based on the philosophy of positivism; quantitative methods are used in research with a determined population or sample, data is collected using research instruments, quantitative or statistical data analysis is carried out, aimed at testing predetermined conjectures. The object of this study is a food and beverage company listed on the IDX for the period 2017-2019. The determination of samples in this study used a nonprobability sampling technique, namely purposive sampling.

Table 1. Sample Determination Criteria

No.	Criteria	Sum
1	Food and beverage companies listed on the IDX in the period 2017-2019	30
2	Food and beverage companies listed on the exchange after January 1, 2017	(12)
3	Companies that publish financial statements consecutively from the 2017-2019 period	(0)
4	Companies that suffered losses during the period 2017-2019	(5)
5	Companies that do not have complete data related to research variables	(0)
6	Companies that do not use Rupiah currency	(0)
	Number of Samples	13
	Total Sample (13 x 3 years)	39

Source: Secondary data, 2022

The data collection technique used is observation (observation) of secondary data on the financial statements of food and beverage companies for the 2017-2019 period selected as a sample; according to (Siregar, 2013) that data collection is a very important step because the data collected will be used to solve the problem being studied or to test the hypothesis that has been formulated. The data analysis technique used in this study is descriptive analysis, a classical assumption test consisting of normality, multicollinearity, autocorrelation, and heteroskedasticity tests. As well as multiple linear regression analysis tests consisting of F tests, determination coefficient tests, and t-tests using SPSS software version 25.

Results and Discussions

The following are the results of the descriptive analysis which can be seen in table 2.

Table 2. Descriptive Analysis Results of Numerical Data

Variable	Minimum	Maximum	Average	Standard Deviation
FRAUD (Y)	-0.1296	0.0437	-0.047174	0.0477826
ROA (X1)	0.00053	0.52670	0.1182215	0.11510968
ACHANGE (X2)	-0.16062	0.62034	0.0987608	0.14460433
BDOUT (X4)	0.3330	0.5000	0.38754	0.068141
TATA (X6)	-0.1706	0.0767	-0.026385	0.0586201

Source: SPSS Output 25, 2022

Based on table 2 above, it can be seen that the dependent variable, namely financial statement fraud (FRAUD) has a minimum value of -0.1296, a maximum of 0.0437, an average value of -0.047174 and a standard deviation of 0.0477826. The independent financial target variable (ROA) has a minimum value of 0.00053, a maximum of 0.52670, an average value of 0.1182215, and a standard deviation of 0.11510968. The

financial stability variable (CHANGE) has a minimum value of -0.16062, a maximum of 0.62034, an average value of 0.0987608, and a standard deviation of 0.14460433. The ineffective monitoring variable (BDOUT) has a minimum value of 0.3330, a maximum of 0.5000, an average value of 0.38754, and a standard deviation of 0.068141. The variable total accruals to asset ratio (TATA) has a minimum value of -0.1706, a maximum of 0.0767, an average value of -0.026386, and a standard deviation of 0.0586201.

Table 3. Dummy Variable Descriptive Analysis Results

Variable		Frequencies	Percentage
Changes in director (X3)	Not changing the board of directors	35	89,7
	Changing the board of directors	4	10,3
	Total	39	100
Political connection (X4)	No political connection	24	61,5
	There are political connections	15	38,5
	Total	39	100
CEO duality (X7)	Does not have multiple positions	21	53,8
	Have multiple positions	18	46,2
	Total	39	100

Source: SPSS Output 25, 2022

Based on table 3 above, shows that for the variable changes in directors, 35 samples did not change directors or worth 89.7%, and 4 samples changed directors or worth 10.3%. Political connection variable, there were 24 samples with no political connection or equivalent to 61.5% and 15 samples had political connections or equivalent to 38.5%. In the CEO duality variable, 21 samples had no concurrent positions or were worth 53.8% and 18 samples had multiple positions or were worth 46.2%.

Coefficient Similarity Test Results (Pooling)

Table 4. Coefficient Similarity Test Results

Variable	Sig Value
DT1	0.486
DT2	0.996
DT1ROA	0.066
DT1ACHANGE	0.145
DT1DIRECHANGE	0.907
DT1POLITCON	0.211
DT1BDOUT	0.227
DT1TATA	0.816
DT1CEODUAL	0.335
DT2ROA	0.818
DT2ACHANGE	0.096
DT2DIRECHANGE	0.612
DT2POLITCON	0.168
DT2BDOUT	0.793
DT2TATA	0.580
DT2CEODUAL	0.320

Based on table 4 shows that the value of sig. The entire dummy variable > 0.05, meaning that data pooling can be done simultaneously.

Classical Assumption Test Results

Table 5. Normality Test Results

One-Sample Kolmogorov-Smirnov Test

	Unstandardized Residual
N	39
Test Statistics	0.108
Asymp.Sig.(2-tailed)	0.200

Source: SPSS Output 25, 2022

Based on table 4, shows that the value of asymp.Sig. (2-tailed) obtained is 0.200 > 0.05 which means that the data in this study are normally distributed.

Table 6. Multicollinearity Test Results

Variable	Collinearity Statistics	
	Tolerance	**VIP**
ROA	0.388	2.579
EXCHANGE	0.827	1.210
TIRE CHANGE	0.796	1.257
POLYTRON	0.549	1.822
BDOUT	0.555	1.802
SYSTEM	0.810	1.234
CEODUAL	0.740	1.352

Source: SPSS Output 25, 2022

Based on table 5, shows that the tolerance value of all independent variables (free) has a value of > 0.10 and the value of the variance inflation factor of all independent variables (free) has a value of < 10. Therefore, it can be concluded that multicollinearity does not occur.

Table 7. Autocorrelation Test Results

Runs Test

	Unstandardized Residual
Test Value	0.00037
Asymp.Sig. (2-tailed)	1.000

Source: SPSS Output 25, 2022

Based on table 6 shows the value of asymp. sig. (2-tailed) of 1,000 > 0.05. Therefore it can be concluded that there are no symptoms of autocorrelation.

Table 8. Heteroskedasticity Test Results

		Unstandardized Residual
Spearman's rho	ROA	0.910
	ACHANGE	0.474
	TIRE CHANGE	0.785
	POLYTCON	0.671
	BDOUT	0.565
	SYSTEM	0.074
	CEODUAL	0.847

Source: SPSS Output 25, 2022

Based on table 7 shows that the value of asymp. sig. (2-tailed) independent variable (free) > 0.05. Therefore, it can be concluded that there are no symptoms of heteroskedasticity.

Table 9. Results of Multiple Linear Regression Analysis

Type	**Unstandardized Coefficients (β)**
(Constant)	-0.020
ROA	-0.066
ACHANGE	-0.007
TIRE CHANGE	-0.020
POLYTCON	0.028
BDOUT	0.014
SYSTEM	0.663
CEODUAL	-0.032

Source: SPSS Output 25, 2022

Based on table 8 of the results of multiple linear regression analysis, the equations that can be formed are as follows:

FRAUD = -0.020 - 0.066 ROA - 0.007 ACHANGE - 0.020 DIRECHANGE + 0.028 POLITCON + 0.014 BDOUT + 0.663 TATA - 0.032 CEODUAL

Based on the equation model above, namely, first, the constant value of -0.020, shows that if the value of the independent variable financial target (ROA), financial stability (ACHANGE), changes in director

(DIRECHANGE), political connection (POLITCON), ineffective monitoring (BDOUT), total accruals to total assets (TATA), CEO duality (CEODUAL) is equal to zero, then the value of financial statement fraud is -0.020. Second, the value of the financial target variable coefficient (ROA) is -0.066. This means that every increase in the ROA variable by one unit results in financial statement fraud decreasing by -0.066 if other independent variables are considered constant. Third, the value of the financial stability variable coefficient (ACHANGE) is -0.007. This means that every increase of one unit of ACHANGE results in a decrease in the level of financial statement fraud by -0.007 if other independent variables are considered constant. Fourth, the value of the change in the director variable coefficient (DIRECHANGE) is -0.020.

This means that every increase in one unit of DIRECHANGE results in the level of financial statement fraud decreasing by -0.020 if other independent variables are considered to be continued. Fifth, the value of the political connection variable coefficient (POLITCON) is 0.028. This means that every increase in one unit of POLITCON results in an increase in the level of financial statement fraud by 0.028 if other independent variables are considered constant. Sixth, the value of the coefficient of the ineffective monitoring variable (BDOUT) is 0.014. This means that every increase in one BDOUT unit of one percent results in an increase in the level of financial statement fraud by 0.014 if other independent variables are considered constant. Seventh, the value of the variable coefficient of total accruals to total assets (TATA) is 0.663. This means that every increase in one unit of TATA results in an increase in the level of financial statement fraud by 0.663 if other independent variables are considered constant. Eighth, the value of the CEO Duality (CEODUAL) variable coefficient is -0.032. This means that every increase in one unit of CEODUAL results in a decrease in the level of financial statement fraud by -0.032 if other independent variables are considered constant.

Table 10. F Test Results

ANOVA

Type	**F**	**Sig.**
Regression	7.463	0.000

Source: SPSS Output 25, 2022

Based on table 9, shows the sig value. of 0.000 < 0.05 so that it can be concluded that the variables of the financial target, financial stability, changes in director, political connection, ineffective monitoring, total accruals to asset ratio, and CEO duality have proven to have a simultaneous effect on financial statement fraud.

Table 11. Coefficient of Determination Test Results

Type	R	R Square	Adjusted R Square
1	0.792	0.628	0.543

Source: SPSS Output 25,2022

Based on table 11, shows that the adjusted R square value of 0.543 or 54.3% means that the variable financial statement fraud can be explained by the variables financial target, financial stability, changes in director, political connection, ineffective monitoring, total accrual to total assets ratio, and CEO duality. The remaining 45.7% is explained by other variables outside the research variables.

Table 12. t Test Results

Type	**Unstandardized Coefficients (β)**	**Sig.**	**Sig (1-tailed)**
(Constant)	-0.020	0.585	
ROA	-0.066	0.373	0.187
ACHANGE	-0.007	0.870	0.435
TIRE CHANGE	-0.020	0.305	0.153
POLYTCON	0.028	0.057	0.029
BDOUT	0.014	0.895	0.448
SYSTEM	0.663	0.000	0.000
CEODUAL	-0.032	0.011	0.006
Dependent Variable: FRAUD			

Effect of Financial Target on Financial Statement Fraud

Based on table 11 t-test results show that the financial target variable proxied by ROA has a signification value (1-tailed) of 0.187 > 0.05 so it does not reject Ho, which means it is not proven that the financial target has a

positive effect on financial statement fraud. Therefore, Ha_1 this study was rejected. In agency theory, the principal expects management to be able to use the assets owned by the company to achieve the financial targets set. This causes management to be required to meet profit targets to get a good performance assessment from the principal. With, excessive pressure is motivated to carry out deviant behavior by cheating on financial statements. However, a high ROA does not necessarily indicate that the company is cheating on financial statements. The high ROA can be caused because the company has competent and qualified quality human resources so that management does not feel pressure to achieve financial targets. The results of this study are in line with research conducted by (Annisya & Asmaranti, 2016) and (Rahayuningsih & Sukirman, 2021) which states that the financial target does not affect financial statement fraud.

The Effect of Financial Stability on Financial Statement Fraud

Based on table 11 t-test results show that the financial stability variable proxied by ACHANGE has a signification value (1-tailed) of 0.435 > 0.05 so it does not reject Ho, which means it is not proven that financial stability has a positive effect on financial statement fraud. Therefore, Ha_2 this study was rejected. In agency theory, principals want to get a high return on the use of their resources. This is a pressure for the company's management. If a company has a high number of assets, it can give investors hope that the returns they get will be high. However, when the company experiences a decrease in the number of management assets, it will not necessarily commit financial statement fraud. This is because the company has a warning about its unstable financial condition by making improvements and monitoring internal policies so that it has the potential for fraudulent reports financial that occurs is low. The results of this research are in line with the research of (Agusputri & Sofie, 2019) and (Rahayuningsih & Sukirman, 2021).

Effect of Changes in Director on Financial Statement Fraud

Based on table 11 t-test results show that the changes in the director variable which has a signification value (1-tailed) of 0.153 > 0.05 so that it does not reject Ho, which means that it is not proven that changes in the director have a positive effect on financial statement fraud. Therefore, the Ha_3 of this study was rejected. In agency theory, principals can change directors in the company. The change of directors is often associated with fraud due to the stress period faced by management which can encourage financial statement fraud. However, the change of directors can be done to get more competent, experienced directors and to improve the company's performance. Companies that do not change the board of directors can be caused because the principal has been satisfied with the performance and achievements of the directors in the previous period. Therefore, the change of directors carried out does not affect the occurrence of financial statement fraud. The results of this study support research conducted by (Annisya & Asmaranti, 2016) (Chantia et al., 2021) (Imtikhani & Sukirman, 2021) and (Rahayuningsih & Sukirman, 2021) confirms that changes in directors do not affect financial statement fraud.

The Effect of Political Connection on Financial Statement Fraud

Based on table 11 t-test results show that the change in the director variable has a signification value (1-tailed) of 0.029 < 0.05 so Ho rejects which means it is proven that changes in directors positively affect financial statement fraud. Therefore, Ha_4 this study was accepted. The political connections owned by the company will provide convenience in various ways for the company that can be used by management. In agency theory, principals and agents have different interests and agents want to get a large bonus for their performance. With these political connections, management will get greater access to fraudulent financial statements. The results of this study are in line with the research of (Kusumosari & Solikhah, 2021) which states that political connections have a positive effect on financial statement fraud.

The Effect of Ineffective Monitoring on Financial Statement Fraud

Based on table 11 t-test results show that the change in the director variable has a signification value (1-tailed) of 0.029 < 0.05 so Ho rejects which means it is proven that changes in directors positively affect financial statement fraud. Therefore, Ha_5 this study was rejected. In agency theory, it states that the principal as the owner or investor has the authority to supervise the management of the company. However, the principal cannot supervise directly so the principal selects competent individuals to become independent commissioners. The independent board of commissioners established has the responsibility to supervise management neutrally or impartially to anyone. However, an independent board of commissioners cannot always guarantee that supervision can be carried out efficiently and effectively. In addition, often the appointment of the board of commissioners is only carried out in formalities to comply with applicable regulations. The results of this study can support the research of (Apriliana & Agustina, 2017) and (Chantia et al., 2021) which confirm that ineffective does not affect financial statement fraud.

Effect of Total Accruals to Asset Ratio on Financial Statement Fraud

Based on table 11 t-test results show that the variable total accruals to asset ratio have a signification value (1-tailed) of 0.000 < 0.05 so Ho rejects which means it is proven that the total accruals to asset ratio positively

affects financial statement fraud. Therefore, Ha_6 this study was accepted. In agency theory, company management as an agent can use the principle of accrual to fulfill the wishes of the principal which can influence the occurrence of financial statement fraud. One of them is by using the accrual principle which can be described through the TATA ratio. Management uses the accrual principle to commit financial statement fraud. The principle of accrual is to recognize or record income or expenses when they occur even though the cash on the transaction has not been received. The higher the TATA ratio, the higher the discretionary accruals. The high value of discretionary accruals may indicate that the company recognizes revenue when it occurs even though the cash on the transaction has not been received. These actions are carried out to achieve the targeted amount of revenue. The results of this study are in line with the research of (Hadi et al., 2021) which states that the total accruals to asset ratio have a positive effect on financial statement fraud.

The Effect of CEO Duality on Financial Statement Fraud

Based on table 11 t-test results show that the changes in the director variable have a signification value (1-tailed) of 0.000 < 0.05. However, the direction of the resulting regression coefficient is negative which is different from the direction of the frame of thought. Therefore, the influence of CEO duality on financial statement fraud can be concluded. In agency theory, it is explained that CEOs who have multiple positions in the same company can cause the dominance of power in the company. A CEO who has multiple positions can show his ego attitude which can trigger him to cheat. But often a CEO who occupies various positions at the same time uses this to improve and improve the quality and performance of the company being held led by him. The results of research conducted by (Imtikhani & Sukirman, 2021) state that CEO duality does not affect financial statement fraud. So that in this way, future research can use other variables such as external pressure, auditor changes, and the frequent number of CEO images and use other financial statements fraud measurements such as the m-score or f-score.

Conclusions

Based on the results of the research and discussion described, it can be concluded that Financial targets are not proven to have a positive effect on financial statement fraud, Financial stability is not proven to have a positive effect on financial statement fraud, Changes in directors are not proven to have a positive effect on financial statement fraud, Political connection has been shown to have a positive effect on financial statement fraud, Ineffective monitoring has not been shown to have a positive effect on financial statement fraud, Total accruals to asset ratio has not been shown to have a positive effect on financial statement fraud, The influence of CEO duality on Financial statement fraud cannot be concluded. Based on the results of the study, advice can be given by researchers for several parties, For companies to be able to provide information on financial statements properly and following field conditions and should comply with ethics and standards that have been set by the relevant authorities, For public accounting firms are expected to be more vigilant and thorough of all audit evidence provided by the company before providing a fair opinion without exception, Investors are expected to be more careful and careful in analyzing financial information before deciding to invest and Researchers can then use other variables such as external pressure, change in auditors, frequent numbers of CEO's picture and use other financial statements fraud measurements such as m-score or f-score.

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