

**THE INFLUENCE OF FINANCIAL STABILITY, NATURE OF INDUSTRY, CHANGE IN AUDITOR, CHANGE IN DIRECTOR ON FINANCIAL STATEMENT FRAUD WITH AUDIT COMMITTEE AS A MODERATION VARIABLE**

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**Abstract**

This research aims to determine the influence of Fraud Diamond Theory on financial statement fraud. This research uses a sample of manufacturing companies in the manufacture listed on the Indonesia Stock Exchange using the Purposive Sampling method. This research is quantitative research using primary data based on financial reports published by the Indonesian Stock Exchange. The sample in this study was 375. Hypothesis testing in this study used multiple regression analysis and MRA (Moderated Regression Analysis) through the EViews 12 application. Based on the results of the analysis carried out, it was found that (1) Financial stability had a positive effect on financial statement fraud, (2) Nature of industry had a positive effect on financial statement fraud, (3) Change in Auditor had a positive effect on financial statement fraud, (4) Change in director did not influence on financial statement fraud, (5) Audit committee is a non-moderating variable of financial stability on financial statement fraud, (6) Audit committee is a non-moderating variable of change in auditor on financial statement fraud. This research can provide insight as well as knowledge about how one financial statement fraud can be measured using the Beneish M Score formula. The results of this research can be used by companies to produce financial reports that are free from fraudulent practices and to identify patterns and methods of fraud that may occur. This allows for the implementation of effective preventive measures and increased supervision to reduce the risk of fraud in the future. The study focuses only on manufacturing companies listed on the Indonesian stock exchange for the period 2018-2022 and uses the Beneish M-score formula as a measure to detect fraudulent financial reporting.

**Keywords:** Fraud Diamond Theory, Financial stability, Nature of industry, change in auditor, Change in director, Komite audit.

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## INTRODUCTION

In the past 20 years, the rise in cases related to fraudulent financial reporting (fraud) has become a concern for the world community, especially Indonesia. In fact, this fraudulent activity exists in almost all government sectors, both public and private. The function of financial reports is not only as a communication tool and also an illustration to external parties in informing the company's activities over a certain period of time, but also as a reflection of the company in managing activities concisely regarding the company's financial position, ultimately it cannot be carried out properly due to fraud in manipulation. financial statements.

Fraud committed by company management usually presents financial data with a nominal value that is higher than it should be (overstates) or carries out financial reporting with a nominal value that is lower than it should be (understates). The Association of Certified Fraud Examiners or better known as ACFE in 2019 conducted a survey in Indonesia. The result is that from the 239 data examined, Indonesia's fraud cases have the largest percentage of corruption cases with a total of 64.4%, followed by misuse of state assets at 28.9% and 6.7% as cases of financial statement fraud (ACFE, 2019).

There is certainly a cause for this fraud. Wolfe and Hermanson, (2004) presented a theory called fraud diamond theory, which states that there are 4 reasons why people commit fraud, namely Incentive, Opportunity, Rationalization, Capability. The variables in a fraud diamond cannot be observed directly so they are difficult to measure. Therefore, useful variables are needed to measure this. The first element, namely Pressure (Incentive), in this research is described using the Financial Stability proxy which shows the company's health condition (Amalia and Annisa, 2023). The second element is Opportunity which is described using the Nature of Industry proxy which shows the amount of the balance determined based on estimates (Apriyani and Ritonga, 2019). The third element is Rationalization which is described through the Change in Auditor proxy which provides an overview of related management decisions. change of auditor in cases of financial statement fraud (Santoso, 2019), The fourth element is Capability which is described through Change in Director which provides an overview of how changing company directors affects financial report fraud (Amalia & Annisa, 2023). Fraud is impossible to occur without people who have the ability to carry it out (Simaremare et al., 2019).

If the fraud diamond theory is linked to financial statement fraud, then it is still an interesting topic of discussion to research, because it turns out that from the research results of researchers there are still many inconsistent results. This research was also carried out by adding the audit committee variable as a moderating variable, to see whether the audit committee variable strengthens the relationship between diamond theory fraud and financial statement fraud.

## THEORY AND HYPOTHESIS DERIVATION

### Fraud Concept

The rise in fraud committed by several companies in Indonesia in recent years has prompted researchers to find out what causes it and of course how to overcome these acts of fraud. Mansor and Abdullahi (2015) define fraud as: "Any act, expression, omission, or concealment calculated to deceive another to his or her disadvantage, specifically, a misrepresentation or concealment with reference to some fact material to a transaction that is made with knowledge of its falsity. And or in reckless disregard of its truth or falsity and worth the intent to deceive another and that is reliably relied on by the other who is thereby injured.

Detecting fraud is not an easy matter, and it requires hard work. Donald R. Cressey in 1953 introduced a theory which is often called the fraud triangle theory, stating that there are three elements that underlie people committing financial statement fraud. There are three elements of the fraud triangle, namely Pressure, Opportunity and Rationalization (Pawestri, 2022). This fraud triangle theory was then developed by Wolfe and Hermanson, (2004) who introduced the Fraud Diamond Theory, by adding the element of capability. So, someone who commits financial statement fraud occurs because of four elements, namely pressure, opportunity, rationalization, and a person's capability as a trigger for someone's actions in committing fraudulent financial reporting (Lestari & Henny, 2019).

**Pressure element.** Pressure within a company can occur when a company feels the urge to commit financial reporting fraud when there is a decline or instability in the company's finances, whether from economic conditions, industry or company operations (Agustina and Pratomo, 2019). Pressure can occur where agents are required by stakeholders to provide their best performance within the company. Pressure can also be due to situations where an individual is faced with difficult circumstances. According to SAS No. 99 states that there are conditions where someone commits an act of fraud, namely financial stability, external pressure, personal financial need, and financial target. (Apriani, Makhdalena, et al., 2021).

#### 1) Financial Stability

Financial stability is said to be a term used to describe the health of a business. When a company grows below the industry average and executives are under pressure, management tends to use false financial reports to show the company's stable financial position because it cannot maximize assets efficiently (Himawan & Karjono, 2019).

#### 2) External Pressure

When unreasonable pressure from external parties occurs, there is a possibility that the risk of fraudulent financial reporting will arise. External pressure often occurs to meet the requirements for loan applications or pay debts. However, if the company is deemed unable to repay the loan given, then the company must think about how to save itself and one of them is that the company chooses fraud as an alternative to save the company (Aprillia, 2018).

### 3) Personal Financial Need

Financial needs arise because, among other things, the financial condition of executives in the company. Fraud is committed when company executives have a strong financial role, so they will play a dual role as owners and executors which will affect the company's financial performance (Kayoi & Fuad, 2019).

### 4) Financial Targets

Financial targets place undue pressure on management to achieve the goals set by the directors and the company. Individuals within the company seek to increase sales to achieve their financial goals. However, if this goal is difficult to achieve, the individual is encouraged to use other means to achieve it, including manipulating company financial data reports (Jao et al., 2020).

**Elements of Opportunity.** In the financial reports there are certain accounts where the balance will be determined by the company based on an estimate (Herdiana & Sari, 2018). According to Apriani, Makhdalena, et al. (2021) opportunities are where company conditions make it possible for someone to commit fraud or hide things that are dishonest. There are three conditions where someone has the opportunity to commit fraud, namely nature of industry, ineffective monitoring, and organizational structure.

#### 1) Nature of Industry

The nature of the industry is the ideal condition of the company in the industry in the form of certain accounts whose balance amounts are determined by the company based on estimates. Because of this subjective assessment, management uses this method as a process in carrying out acts of manipulation of financial reports (Herdiana & Sari, 2018).

#### 2) Ineffective Monitoring

Ineffective control is a situation where the company does not have good internal control. This can occur due to management domination by one person or a small group, no compensation control, ineffective supervision by the board and audit committee over reporting, control processes and others (Himawan & Karjono, 2019).

#### 3) Organizational Structure

Low control due to an organizational structure that is too complex and unstable can trigger opportunities for possible financial report manipulation practices. This fraud can be carried out by senior management, consultants, and even board members as indicated by the quality of performance, ability to access information, and the complexity of the organizational structure (Ahmadina & Novita, 2018).

**Elements of rationalization.** Zulfa & Tanusdjaja (2022) External parties who are and have special duties and qualifications to examine a company's financial accounts are known as auditors. According to (Arif, 2021), changing auditors is one of the steps that can be taken to eradicate signs of fraud or what is usually called a "fraud trail". There are two conditions where someone commits fraud with rationalization, namely auditor change and audit opinion.

#### 1) Auditor changes

Companies tend to change old auditors to new ones when they want to hide irregularities from the public with the quality of the auditors being lower than the old ones. For example, changing auditors within two years could be a sign of fraud in the company (Aprillia, 2018).

## 2) Opinion Audit

Audit opinion on the accuracy of the financial information disclosed in the financial statements. Prevention of financial manipulation is necessary to prevent and control financial manipulation. Auditors can provide several opinions about the company being audited depending on the circumstances that arise in the company. Opinion auditing allows management to be rational or admit that the actions taken are completely correct (Sari & Lestari, 2020).

**Capability elements.** According to Lamawitak & Goo (2021), a person's capabilities are said to be a factor in the occurrence of fraud by individuals because the nature of a person's personal abilities plays a large role in the possibility of committing financial fraud, supported by pressure, opportunity and rationalization. The condition of a person committing fraud is due to capability, namely director change, the possibility of competition to prove that his performance is good or a situation where a person leads a company with a lack of good management, which causes stress and ultimately commits financial fraud.

## Agency Theory

Agency theory, introduced by Jensen and Meckling (1976), explains the main concept in business which explains the relationship between shareholders as principals and management as agents. An agency relationship occurs when a business owner or shareholder (principal) appoints company management as (agent) to manage the business and make decisions on their behalf. Where company management carries out services and gives authority to agents to make decisions (Bawekes et al., 2018). Even though management has the trust to make decisions on behalf of the principal, This also provides an opportunity for management to carry out fraudulent practices in the company's financial reports.

Agency theory explains the conflict of interest between shareholders (principals) and management (agents), which can trigger fraudulent practices in financial reporting. While management has an obligation to report accurate financial information to shareholders as principals, they can sometimes be tempted to manipulate financial reports to gain personal gain or to improve the company's image (Pawestri, 2022). Therefore, internal and external controls are important to ensure honesty and accuracy in financial reporting.

## Audit Committee

An audit committee or review board is an important part of a company's management structure. They have an important role in evaluating financial aspects and

providing independent advice to the highest decision makers. Their duties also involve monitoring and assessing financial reports as well as issues related to budget summaries that have been prepared by management (Ayem et al., 2022). Therefore, the existence of an audit committee or review board is very important in ensuring transparency, accountability and compliance with the principles of good corporate governance. In the literature review, the following hypothesis can be drawn:

### **The Influence of Financial Stability on Financial Statement Fraud**

The company strives to achieve stable finances to reflect its ideal conditions. However, a high level of financial stability does not guarantee a low level of financial statement fraud. High financial stability can increase the tendency for fraud to occur in financial reports because management tends to feel more secure and has the opportunity to carry out opportunistic behavior by taking advantage of greater access to company assets. Thus, even though a high level of financial stability can increase the risk of fraud, the company can also demonstrate integrity and strong performance and have the potential to attract investors.

If management succeeds in maintaining financial stability, the possibility of achieving positive financial performance will increase (Novitasari & Chariri, 2018). This argument is supported by empirical research conducted by (Jao et al., 2020), (Bawekes et al., 2018), (Imtikhani & Sukirman, 2021), (Apriani et al., 2021) and (Aprillia, 2018) which states that financial stability has a significant positive influence on financial statement fraud. With that, the hypothesis proposed by researchers is:

H1: Financial Stability has a significant positive effect on financial statement fraud

### **The Influence of Nature of Industry on Financial Statement Fraud**

In highly competitive industries, a high level of competition can increase the opportunity for financial statement fraud to occur by manipulating subjective account estimates, such as accounts receivable estimates. This is caused by the drive to achieve or exceed financial targets, where manipulation of subjective account estimates becomes one way to achieve company profit goals or management's personal interests

Subjective assessments are needed to estimate uncollectible receivables, this situation raises concerns about these accounts because they are often the target of manipulation within the company (Kabila & Suryani, 2019). Like empirical research conducted by Apriyani & Ritonga (2019); Sasmita & Nurbaiti (2019); Pratiwi & Ghozali (2022); and Suryani & Fajri (2022) which states that the nature of the industry has a significant positive influence on financial statement fraud. With that, the hypothesis proposed by the researcher is:

H2: Nature of Industry has a significant positive effect on financial statement fraud

### **The Effect of Change in Auditor on Financial Statement Fraud**

High turnover of auditors can increase the risk of fraud in financial reports because the transition process between old and new auditors in a company can create

gaps or imperfections in understanding the company's business practices and internal controls, which can then be exploited by parties who intend to commit fraud.

To cover up the fraud case, the company decided to replace its old auditor in order to eliminate evidence of fraud that had been detected by the previous auditor. Like empirical research conducted by Zulfa & Tanusdjaja (2022); Aida Fitri et al. (2019); and Aprillia (2018) stated that changes in auditors have a significant influence on financial statement fraud. With that, the hypothesis proposed by the researcher is:

H3: change in auditor has a significant positive effect on financial statement fraud

### **The Effect of Change in Director on Financial Statement Fraud**

High turnover of directors can increase the risk of fraud in financial reports because changes in leadership can disrupt company stability and the effectiveness of supervision. Changes in directors can also disrupt the efficiency of internal controls and supervisory procedures due to changes in the power structure. The success of a change in directors can be measured by the ability of the new directors to prevent or reduce acts of fraud in financial reports.

A person's role or position at the top management level such as CEO, director, or division head allows them to create opportunities for fraud by utilizing their influence and skills. In line with empirical research conducted by Rahmayuni (2018); Aprilia (2018); and Ayem et al. (2022) has research with the results that changes in directors have a significant positive influence on financial statement fraud. With that, the hypothesis proposed by the researcher is:

H4: change in director has a significant positive effect on financial statement fraud

### **The Influence of the Audit Committee as a Moderating Variable of Financial Stability on Financial Statement Fraud**

The company utilizes financial reports that have been manipulated to present a picture of the company's financial condition remaining stable. Because this reflects how the company has good performance (Zulfa & Tanusdjaja, 2022). However, the audit committee plays an important role by providing close supervision of the company's financial reporting. The audit committee has the responsibility to monitor management performance in the process of preparing financial reports. In an effort to create quality reports, management feels pressure from capital owners, who encourage them to maintain financial stability, especially company assets so that they do not experience significant changes (Amalia & Annisa, 2023).

The more audit committee members who have financial and accounting expertise, the more effective it will be in reducing fraud. The results of research conducted by (Lauwrens & Harti, 2022) and (Murtanto & Sandra, 2019) show that the audit committee is able to strengthen financial stability against fraudulent financial statements. With that, the hypothesis proposed by the researcher is:

H5: The audit committee moderates the influence of financial stability on financial statement fraud.

### **The Influence of the Audit Committee as a Moderating Variable of Financial Stability on Financial Statement Fraud**

Frequent changes in auditors can create instability and the potential risk of fraud in a company's financial statements. When there is a frequent change of auditors, there is the potential for disruption to consistency and continuity in the audit process. This can create gaps or weaknesses that can be exploited by parties who intend to commit fraud. The audit committee plays an important role in reducing the risk of fraud related to high auditor turnover. According to Sugita, (2018) the Audit Committee provides strict supervision of the new audit process, ensures independence and professional performance, and provides direction to new auditors. Thus, the audit committee acts as a barrier against potential fraud, maintaining the integrity of the company's financial reports.

The existence of an audit committee in a company is assessed and believed to help create good and healthy business conditions to avoid fraud. For example, empirical research conducted by Kamila & Parinduri (2023) which is confirmed by Lauwrens & Harti (2022) provides research results that the audit committee is able to strengthen the influence of changing auditors on financial statement fraud. With that, the hypothesis proposed by the researcher is:

H6: Audit committee moderates the effect of change in auditor on financial statement fraud.

Figure 1 shows the research model.

### **RESEARCH METHODS**

In this research, the research object is Manufacturing Companies listed on the Indonesia Stock Exchange for the 2018-2022 period. The data used in this research is a quantitative approach with secondary data which is data collected indirectly/in the form of documentation. data in the form of numbers that have units of account and can be calculated systematically. Data collection is carried out by documentation and in the form of a time series.



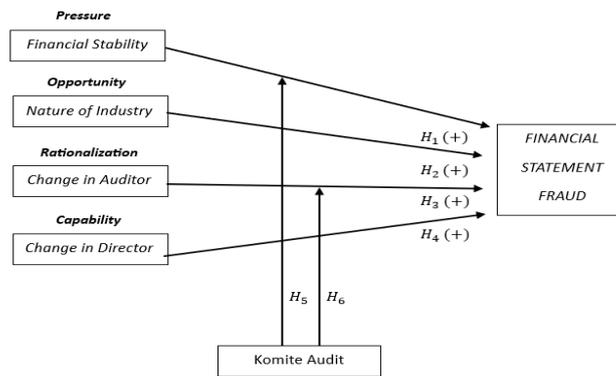


Figure 1. The research model

### Dependent Variable

The calculation for the dependent variable Financial Statement Fraud that the author uses is the Beneish M Score formula. The Beneish model used to calculate scores that can indicate potential fraud in financial reports is based on financial ratio analysis (Rachmi et al., 2020). The Beneish M Score formula is as follows:

$$\text{Beneish M-Score} = - 4.84 + 0.920 \text{ DSRI} + 0.528 \text{ GMI} + 0.404 \text{ AQI} + 0.892 \text{ SGI} + 0.115 \text{ DEPI} - 0.172 \text{ SGAI} - 0.327 \text{ LVGI} + 4.679 \text{ TATA}$$

DSRI = Days Sales in Receivable Index =

GMI = Gross Margin

AQI = Asset Quality Index

SGI = Sales Growth Index

DEPI = Depreciation Index

SGAI = Sales and General Administrative Expense Index

LVGI = Leverage Index

TATA = Total Accruals to Total Assets

If the Beneish M-Score value is greater than -2.22, then there is an indication of fraud in the financial statements. On the other hand, if the Beneish M-Score value is less than -2.22, then there is no indication of fraud in the financial statements.

Table 1 shows the Beneish M. Score Financial Ratio formula

### Independent Variable

#### 1. Financial stability( ACHANGE)

Financial Stability is a measure of the stability or not of a company's financial condition in the long term. According to Zulfa & Tanusdjaja, (2022) financial stability can be measured by:

$$ACHANGE = \frac{Total\ Asset_{(t)} - Total\ Asset_{(t-1)}}{Total\ Asset_{(t-1)}}$$

Table 1  
Beneish M. Score Financial Ratios

Nama	Rumus
DSRI	$\frac{Account\ Receivable\ t / Sales\ t}{Account\ Receivable\ t - 1 / Sales\ t - 1}$
GMI	$\frac{Gross\ profit\ t - 1 / Sales\ t - 1}{Gross\ Profit\ t / Sales\ t}$
AQI	$\frac{\{(1 - Current\ Assets\ t + Fixed\ Assets\ t) / Total\ Asset\ t\}}{\{(1 - Current\ Assets\ (t - 1) + Fixed\ Assets\ (t - 1)) / Total\ Asset(t - 1)\}}$
SGI	$\frac{Sales\ t}{Sales\ (t - 1)}$
DEPI	$\frac{\{Depreciation\ (t - 1) / (Depreciation\ t - 1 + Fixed\ Assets\ (t - 1))\}}{\{Depreciation\ t / (Depreciation\ t + Fixed\ Assets\ t)\}}$
SGAI	$\frac{cost\ of\ sales\ and\ Administration\ t / sales\ t}{Cost\ of\ sales\ and\ Administration\ (t - 1) / Sales(t - 1)}$
LVGI	$\frac{Total\ Liability\ t / Total\ Assets\ t}{Total\ Liability\ (t - 1) / Total\ Assets\ (t - 1)}$
TATA	$\frac{EAT(t) - cashflow\ from\ operating\ activities\ (t)}{Total\ Assets\ t}$

## 2. Nature of Industry

Nature of Industry is the optimal position of a company in an industry where there are accounts whose balances have been determined by the company based on previously planned estimates (Herdiana & Sari, 2018). According to (Sasmita & Nurbaiti, 2019) the nature of industry can be measured using the formula:

$$RECEIVABLE = \frac{Account\ receivable\ (t) - Account\ receivable\ (t - 1)}{Sales\ (t) - Sales(t - 1)}$$

## 3. Change In Auditor

A change of external auditor is when a company chooses to replace the public accounting firm previously responsible for auditing financial statements with a new public accounting firm. According to Zulfa & Tanusdjaja, (2022) change in auditors can be measured on a nominal scale, namely:

AUDCHANGE = Code 1 if there is a change of auditor and code 0 if there is no change of auditor variable dummy for change of auditor.

## 4. Change In Director

Change of auditor involves transferring the authority of the old director to a new one to improve company performance. According to Zulfa & Tanusdjaja, (2022) change in director can be measured on a nominal scale, namely:

DCHANGE = Code 1 if there is a change in director and code 0 if there is no change in the auditor variable dummy for the change in director.

**Analysis tools**

The analytical tool used to test the relationship between these variables is Eviews12, and the analytical approach applied is Multiple Linear Analysis and Moderated Regression Analysis (MRA). so the equation model is described as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon \dots \dots \dots (1)$$

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 (X_1 * Z) + \beta_6 (X_3 * Z) + \epsilon \dots \dots \dots (2)$$

Where:

- α = constant
- β1- β6 = Regression coefficient
- Y = Financial Statement Fraud
- X1 = Financial Stability
- X2 = Nature of Industry
- X3 = Change In Auditor
- X4 = Change In Director
- Z = Komite Audit
- X1\*Z = Interaction of Financial Stability with moderation
- X3\*Z = Interaction of Change In Auditorwith moderation
- ε = Error term

**RESULTS AND DISCUSSION**

General Description of Research Objects 353 The objects in this research are manufacturing companies listed on the Indonesia Stock Exchange (BEI) for the 2018-2022 period. Data in the form of financial reports collected from the website www.idx.co.id. Sample selection used purposive sampling technique and obtained 375 data from 105 companies. Descriptive statistics Table 2 describes the results of descriptive statistical analysis of research variables

Table 2 Descriptive Statistical Analysis

	N	Max	Min	Mean	Std. Dev
MSCORE	375	-1,120000	- 3,940000	-2,623360	0,492251
ACHANGE	375	0,720000	-0,210000	0,070667	0,111290
RECEIVABLE	375	3,290000	-3,410000	0,105467	0,640255
AUDCHANGE	375	1,000000	0,000000	0,104000	0,305668

DCHANGE	375	1,000000	0,000000	0,496000	0,500652
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Source: Data processed by researchers

### Model Selection Method

Based on the results of the chow test, it is known that the probability value is 0.0000, because the probability value is  $0.0000 < 0.05$ , so the estimation model used is the Fixed Effect model (FEM). Furthermore, based on the results of the Hausman test in table 5, it is known that the probability value is 0.4328 because the probability value is  $0.4328 > 0.05$ , so the estimation model used is the Random Effect model (REM).

Finally, based on the results of the Lagrange Multiplier (LM) test in table 6, it is known that the cross-section value of the Breusch pagan section shows a result of 0.0031 because the probability value is  $0.0031 < 0.05$ , so the estimation model used is the best model and Appropriate to use in research is the Random Effect model (REM). Therefore, if we choose to use the REM approach, we will not carry out the classical assumption test because it already meets the BLUE (Best Linear Unbiased Estimator) criteria.

### Hypothesis testing

Table 3 below summarizes the regression results in equation 1 and equation 2.

Based on table 3, we can see the results of hypothesis testing 1 to 6

The Financial stability (ACHANCE) hypothesis test has a probability value of  $0.0000 < 0.05$  with a positive regression coefficient value of 1.236190. So financial stability has a positive effect on financial statement fraud.

Table 3. Regression Results for equation 1 and equation 2

Equation 1			
Variabel	Coeff.	t-Statistic	Prob.
ACHANGE	1,236190	5,789791	0,0000
RECEIVABLE	0,148783	4,101152	0,0001
AUDCHANGE	0,158869	2,030981	0,0430
DCHANGE	-0,001508	-0,031904	0,9746
F Value	15.56930		0,000000
Adj R Square (R <sup>2</sup> )	0,144068		
Equation 2			
ACHANGE	2,670162	1,234068	0,2180
RECEIVABLE	0,147847	4,065305	0,0001
AUDCHANGE	0,424358	0,578842	0,5631
DCHANGE	-0,000592	-0,012493	0,9900

ACHANGE*KA	-0,459884	-0,651908	0,5149
AUDCHANGE*KA	-0,086780	-0,359503	0,7149
F Value	9.537649		0,000000
Adj R Square (R2)	0,153917		

Source: Data processed by researchers

Based on table 3, it is known that the multiple linear equation has a calculated F value of 15.56930 and MRA has a calculated F value of 9.537649 with a significance level of both  $0.0000 < 0.05$ , so it can be concluded that the multiple linear regression model and Moderated Analysis Regression in this study proper to use. Likewise, it is known that the coefficient of determination (R-squared) in multiple linear regression analysis is  $R^2 = 0.144068$ . This value can be interpreted as that the independent variables simultaneously influence financial statement fraud by 14.41% and the remainder is influenced by other factors and the (R-squared) on MRA is 0.153917. This value can be interpreted as that the independent variables and the audit committee as moderation simultaneously influence financial statement fraud by 15.39% and the rest is influenced by other factors.

Furthermore, Based on table 3 we can see the results of hypothesis testing 1 to 6

The Financial stability (ACHANCE) hypothesis test has a probability value of  $0.0000 < 0.05$  with a positive regression coefficient value of 1.236190. So financial stability has a positive effect on financial statement fraud.

The Nature of Industry hypothesis test (RECEIVABLE) has a probability value of  $0.0001 < 0.05$  with a positive regression coefficient value of 0.148783. So the nature of industry has a positive effect on financial statement fraud.

The Change in Auditor hypothesis test (AUDCHANGE) has a probability value of  $0.0430 < 0.05$  with a positive regression coefficient value of 0.158869. So that a change in auditor has a positive effect on financial statement fraud.

The Change in Director (DCHANGE) hypothesis test has a probability value of  $0.9746 > 0.05$  with a negative regression coefficient value of -0.001508. So a change in director has no effect on financial statement fraud.

The interaction test between Financial stability (ACHANGE) and the audit committee as a moderating variable has a probability value of  $0.5149 > 0.05$ . Which means that the audit committee does not moderate financial stability against financial statement fraud. So hypothesis 5 (H5) is not accepted.

The interaction test between Change in auditor (AUDCHANGE) and the audit committee as a moderating variable has a probability value of  $0.7149 > 0.05$ . Which means that the audit committee does not moderate changes in auditors regarding financial statement fraud. So hypothesis 6 (H6) is not accepted.

In this research, the moderating variable used is included in the type of potential moderating variable or Homologizer Moderator because this variable does not interact with the predictor variable and does not have a significant relationship with the dependent variable.

## **Discussion**

### **The Influence of Financial Stability on Financial Statement Fraud**

Financial stability has a positive effect on financial statement fraud. This is because even though the company has a stable financial condition, management still has the potential to commit fraudulent acts. Under these conditions, management tends to reduce supervision of financial activities, increasing the risk of manipulation, and providing opportunities for opportunistic behavior. Research conducted by Amalia & Annisa, (2023); Kayoi & Fuad, (2019); and Nurhasanah et al., (2022) which shows that financial stability has a positive effect on financial statement fraud.

### **The Influence of Nature of Industry on Financial Statement Fraud**

Nature of Industry has a positive effect on financial statement fraud. Companies are influenced by the characteristics of the industry in which they operate, which influence their strategy, operations, and the challenges they face, such as the level of competition, type of product, technology, regulations, and environmental factors. This can provide opportunities for financial fraud, especially on subjective accounts such as accounts receivable. The increase in receivables reflects a lack of optimization of cash turnover, which may encourage management to commit fraud in order to maintain the company's positive image. Research conducted by Apriyani & Ritonga (2019); Sasmita & Nurbaiti (2019); Pratiwi & Ghozali (2022); and Suryani & Fajri (2022) which shows that the nature of industry has a positive effect on financial statement fraud.

### **The Effect of Change in Auditor on Financial Statement Fraud**

Change in Auditor has a positive effect on financial statement fraud. There is rationality in someone who has thoughts and actions that are considered reasonable in committing financial fraud to achieve their personal goals. In addition, the process of changing auditors takes time and adjustments, so new auditors may have difficulty identifying traces of previous fraud.

Research conducted by Zulfa & Tanusdjaja (2022); Aida Fitri et al. (2019); and Aprillia (2018) which shows that Change in auditor has a positive effect on financial statement fraud.

### **The Effect of Change in Director on Financial Statement Fraud**

Change in Director has no effect on financial statement fraud. Even though positions such as CEO, director, or department head are considered capable of committing fraud due to their ability to access the company, however, the reasons for changing directors can vary, such as improving company performance or the end of a person's term of office (retirement, resignation, or death). Research conducted by Rahmayuni (2018); Aprilia (2018); and Ayem et al. (2022) which shows that Change in Director has a positive effect on financial statement fraud.

### **The Effect of Financial Stability on Financial Statement Fraud with the Audit Committee as a Moderating Variable**

Even though the audit committee has the authority to carry out supervisory functions over management, the audit committee does not moderate the influence of financial stability

on financial statement fraud. However, regulatory and policy limitations limit their ability to reduce the impact of pressure on financial statement fraud. Even though it has autonomy, the audit committee is bound by existing regulations, so it cannot reveal fraud that occurs. This hinders their ability to monitor asset changes and prevent financial statement fraud. Research conducted by Zulfa & Tanusdjaja (2022), Ayem et al., (2022), and Amalia & Annisa (2023) shows that the audit committee does not moderate the influence of financial stability on financial statement fraud.

### **The Effect of Change in Auditor on Financial Statement Fraud with the Audit Committee as a Moderating Variable**

The inability of the audit committee and external auditors to coordinate as well as the lack of adequate exchange of information hinders supervision of management activities related to financial reporting so that the audit committee does not moderate the effect of changing auditors on financial statement fraud. This is caused by the interference of the commissioner and the GMS in the decision to change auditors, which is difficult for the audit committee to question without concrete evidence. Thus, financial statement fraud cannot be moderated by the existence of an audit committee. Research conducted by Zulfa & Tanusdjaja (2022), Ayem et al., (2022), and Amalia & Annisa (2023) shows that the audit committee does not moderate the influence of financial stability on financial statement fraud.

## **CONCLUSIONS, RESEARCH LIMITATIONS AND SUGGESTIONS**

### **Conclusion**

This research was conducted to analyze and test the influence of fraud diamonds on financial statement fraud with the audit committee as a moderating variable. The research data was tested using multiple regression analysis and Moderated Regression Analysis processed using E-views 12 with a total of 375 samples in 105 manufacturing companies in 2018-2022. Based on the testing and analysis that has been carried out, it can be concluded that:

1. The Financial Stability pressure factor (ACHANGE) has a significant positive effect on Financial Statement Fraud.
2. The Nature of Industry opportunity factor (RECEIVABLE) has a significant positive effect on Financial Statement Fraud.
3. The Change in Auditor rationalization factor (AUDCHANGE) has a significant positive effect on Financial Statement Fraud.
4. The Change in Director (DCHANGE) capability factor has a significant positive effect on Financial Statement Fraud.
5. Financial Stability is moderated by the Audit Committee and has no interaction effect on Financial Stability on Financial Statement Fraud.
6. Change in Auditor moderated by the Audit Committee has no interaction effect between Change in Auditor and Financial Statement Fraud.

### Research Limitations

This research has research limitations that can be taken into consideration by future researchers in order to obtain more optimal results, namely:

1. This research uses a time span of 5 years as the research period.
2. The research object is limited to manufacturing companies listed on the IDX.
3. The research only uses fraud diamond as an independent variable and audit committee as a moderating variable.

### Suggestion

Based on the results of the discussion and conclusions in this research, suggestions for further researchers are:

1. It is hoped that we can add or replace independent or moderating variables to understand fraudulent financial reporting practices from a different perspective.
2. It is hoped that it can expand the research object.
3. It is hoped that the research time span will be expand

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