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ANALYSIS OF FACTORS INFLUENCING FINANCIAL STATEMENT FRAUD WITH EXTERNAL AUDIT QUALITY AS A MODERATING VARIABLE IN PROPERTY AND REAL ESTATE COMPANIES LISTED ON THE IDX IN 2019-2023

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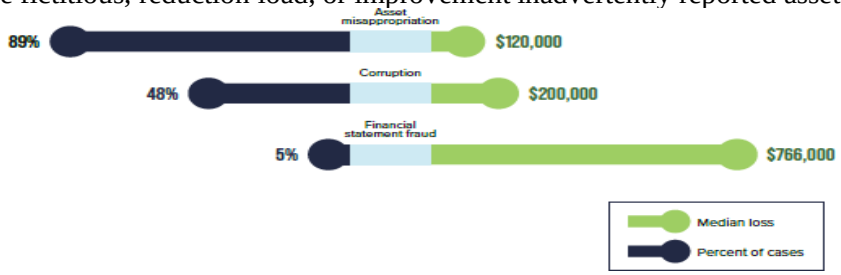
Abstract

This study aims to analyze and determine the influence of the elements of *the Fraud Hexagon Theory* in detecting financial statement fraud *in* property and real estate companies listed on the Indonesia Stock Exchange from 2019 to 2023. Furthermore, this study also aims to determine whether External Audit Quality can be used as a moderating variable in this study. The population in this study was 92 property and real estate companies. *Purposive sampling was used* to select 29 companies with 145 analysis units. The data used were secondary data derived from company financial reports accessible through the Indonesia Stock Exchange *website (* www.idx.co.id) and related company *websites* . The results show that *Financial Stability* partially has a significant positive effect on financial statement fraud and CEO's *Educational Background* partially has a significant negative effect on financial statement fraud. Meanwhile, Cooperation with Government Projects, *Ineffective Monitoring* , *Change in Auditor* , *Frequent Number of CEO's Picture* have no effect on financial statement fraud. Meanwhile, the results of *the Moderated Regression Analysis test* in this study indicate that the moderating variable External Audit Quality is only able to moderate the relationship between *Financial Stability's influence* on Financial Statement Fraud.

***Keywords: Fraud Hexagon , Financial Stability* , CEO's *Educational Background* , Cooperation with Government Projects, *Ineffective Monitoring* , *Change in Auditor* , *Frequent Number of CEO's Picture, Financial Statement Fraud* and External Audit Quality**

INTRODUCTION

The rapid development of business at this time makes all companies want to show their existence through... position Good finances. Good finances are a means of communication as conveying the company's condition. Companies need to focus on increasing their credibility in preparing financial reports according to applicable standards. Investors can use the financial information from these reports to assess the company's condition and sustainability before making an investment. Financial Accounting Standards (FAS) are the basis for preparing financial reports (Anggarani, Pradita, Khojanah & Wiwin, 2023). According to ACFE (2024), fraud occurs when a company intentionally makes a mistake. or remove mark in report their finances. For example including sale fictitious, reduction load, or improvement inadvertently reported assets.



Picture 1. Categories and Percentage *Fraud*
Source: ACFE *Report to The Nations* (2024)

ACFE research (2024) shows that asset misappropriation *still* ranks first, namely 89%. This figure is increasing. If compared to with year 2022 as big as 3% with *media loss $120,000. Corruption* followed , at 48%, with *a median loss* of $200,000, a 2% increase from 2022. Financial reporting fraud was at 5%, a 4% decrease from 2022, but *the median loss* increased to $766,000. From the results of research conducted by ACFE in 2018; 2020; 2022 and 2024, it shows that although fraudulent financial reporting (*fraudulent financial reporting) is still a problem. reporting*) has frequency level most low, but it turns out *the median loss* Which produced more tall If compared to with two case fraud Which other. This show that fraud report finance need get attention because it causes the most losses for the company. The ACFE (2022) survey ranked the property and real estate sector as the most *victimized organization* . The property and real estate sector suffered losses of $435,000. The high number of *fraud cases* affecting sector property And real estate make excuses researchers make this sector as a research object.

Cases that have occurred in Indonesia, especially financial reporting fraud that is case PT. Bakrieland Development Tbk which occurred in 2019, where the company did not record long-term liabilities in the financial statements and was late in publishing the financial statements for the fiscal year. 2018, so that IDX stop stock trading and a fine of Rp 150 million. In addition, PT. Three Pillar Prosperous Food Tbk (2017) which Conducts improvement receivables amounting to Rp. 1.4 T in the 2017 financial year with the aim of raise price Shares . The Financial Supervisory Agency (BPK) also found indications of financial report manipulation at PT. Indofarma (INAF), resulting in state losses of up to Rp 371 billion, as reported in the Audit Result Report (LHP) for 2020 to 2023 submitted by the BPK to the Prosecutor's Office. Agung. The Supreme Audit Agency (BPK) concluded that Indofarma committed irregularities that indicated criminal acts and resulted in state losses of Rp 120.14 billion for PT Bank Rakyat Indonesia Tbk (https://kaltim.bpk.go.id).

Quality audit external De Angelo (1981) define as The ability of an auditor to discover fraudulent acts in a client's accounting system and then report the fraud. The size of the KAP can describe the quality of the auditor conducting the audit (DeAngelo, 1981). The quality of the KAP is focused between HOOD company *big four* that is PWC; Deloitte; Ernst & Young; KPMG with a non- *big four KAP* (Yulianti, Widowati & Prapti, 2019). By using the services of an auditor Which join on HOOD *big four* , expected can pressing or reduce opportunity occurrence action fraud Which done by management. KAP *big four* trusted capable put forward professionalism And Its independence is essential to maintain public trust in its audit results. To detect fraud, companies require high-quality audits to avoid information asymmetry. Using one of the public services of *a Big Four Public Accounting Firm (KAP*) allows companies to detect fraud more effectively than smaller KAPs (Ali, I., Hesty, EZ, Januar, EP, Indra, GS, 2024).

LITERATURE REVIEW

Agency Theory

Agency theory was proposed by Jensen & Meckling in 1976, stating that *agency theory* is formed because the principal and agent have different interests. The agent, as the party operating the company's activities, is a trust given by the principal. The principal expects a high *return* on investment. Meanwhile, the manager is responsible for protecting and managing the funds that have been distributed by shareholders for the continuity of the company's operations. However, on the other hand, the manager has another interest, namely improving their welfare. The difference in interest (*conflict of interest*) between agents and stakeholders can affect the quality of financial reports (Iqbal & Murtanto, 2016). The agency relationship is based on trust, resulting in the party granting authority (principal) having the right to supervise the party given authority (agent). The agent takes actions for and on behalf of the principal and for the benefit of the principal (Santoso, 2015: 13).

Fraud Hexagon Theory

In 2019, Vousinas added the variable of collusion *as* an update to previous theories called *the fraud hexagon theory* . This theory is known as *The* SCCORE model *consists of stimulus, collusion, capability, opportunity* , *rationalization* , and ego. These six factors are a refinement of the previous theory, with the addition of a new factor, collusion , which is believed to be able to predict the detection of fraudulent acts in financial reports. *Fraud hexagon theory* can be described as follows:

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Figure 2. ***Fraud Hexagon Theory***

1. Stimulus

The main factor that drives someone to commit fraud is stimulus (pressure) according to Cressey (1953). Pressure can be defined as the desire to achieve something but the inability to achieve it.

a. Financial Stability

financial stability is a condition that indicates a company's finances are stable. Information that reflects a stable financial situation will instill confidence in readers of financial statements. Achieving financial stability typically puts pressure on management, which can lead to fraud in financial statements.

Financial stability is proxied by the total asset growth ratio, known as ACHANGE. High asset growth will more easily attract investors and creditors because it will be perceived as a company capable of generating profits or experiencing good growth. Conversely, if asset changes experience a decline, it is considered that the company is not successful in increasing company growth, which may cause management to feel pressure because the company's performance appears to be declining and hinders the flow of investment funds (Adherian Kurnia & Anis, 2017). *Financial stability* can be measured using the total asset change ratio (ACHANGE) with the following formula:

$$\textbf{ACHANGE} = \frac{Total\ Asset_t - Total\ Asset_{t-1}}{Total\ Asset_t}$$

2. *Capability*

Capablity is the ability and characteristics possessed by a person. CEO capacity is the most important factor in determining whether control weaknesses ultimately lead to fraud (Wolfe & Hermanson, 2004).

a. CEO's Educational Background

Fraud perpetrators are highly intelligent individuals who exploit weaknesses in internal *controls* to gain profits (Siregar & Etty, 2022). A person with a high IQ or ability makes them a skilled criminal, and their success in crime makes them feel infallible, deepening their involvement in crime (Oleson, 2004). Intelligent individuals with high IQ scores are sometimes involved in serious crimes (Oleson, 1998).

CEOs with higher education tend to be more confident and bold in making risky decisions, including in manipulating financial reports (Schrand & Zechman, 2012). This statement is in line with De Kort and Vermeulen (2010) who stated that *overconfidence bias* can be caused by a high level of education. This means that increasing the CEO's education level can increase the tendency to be overconfident, which in turn is detrimental to the company. Ying & Yeung (2014) in their study used the CEO's educational background as a proxy for the CEO's intelligence. Xiaowei & Zhang (2010) have used the CEO's intelligence level with education level to represent good capacity in processing information and flexibility towards openness, innovation and strategic decision development. In this study, *the capability variable* is proxied by the CEO's education, measured using a *dummy variable* . If the CEO has an educational background of a master's degree or higher, it will be coded 1, and if the CEO has a bachelor's degree or lower, it will be coded 0 (Sumbari, S., Kamaliah, K., Ruhul, F, 2023).

3. *Collusion*

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Collusion, also known as collusion, is an agreement between various parties with a specific goal against another party, namely to commit fraud by exploiting the power they have (Vousinas, 2019).

a. Cooperation with Government Projects

Projects between companies and the government typically generate profits for the companies by helping them obtain loans or additional funding from third parties (Utami & Pusparini, 2019). Businesses can continue to operate despite financial difficulties, and to maintain their reputations, companies engage in fraudulent activities to appear successful. Collusion, i.e., collaboration between companies and the government, can create opportunities for fraudulent activities that harm the state.

4. *Opportunity*

When a company's internal control system is weak, opportunities for fraudulent activity arise. Opportunities can arise at any time when internal oversight is lacking within the organizational structure.

a. *Ineffective Monitoring*

Ineffective oversight can occur when monitoring company performance. Poor oversight can lead individuals to engage in actions that harm the company, even if they had no initial intention of committing fraud (Selano, Budianto, Puruwita, 2017). Ineffective oversight will be proxied by the board of commissioners ratio. Independent board commissioners are individuals who have no relationship whatsoever with the company (Norbarani and Rahardjo, 2011).

$$\textbf{BDOUT} = \frac{\textbf{Jumlah dewan komisaris independen}}{\textbf{Jumlah total dewan komisaris}}$$

5. *Rationalization*

In *fraud cases* , a key element is rationalization, where the perpetrator seeks a justification for their actions. Shelton (2014) explains rationalization as a normal or customary behavior . Any fraud committed is considered commonplace, even justified, because management has frequently committed such fraud.

a. *Change in Auditor*

In this study, auditor change is used to measure the rationalization variable. Auditor change typically occurs when a company seeks a better auditor or due to the expiration of the audit service period as stipulated in Government Regulation No. 20 of 2015 (Bifadli, Hardi & Ferdy, 2023). Companies voluntarily change auditors for several reasons, including seeking a better auditor or minimizing exposure to fraud. Frequent auditor changes are a company's attempt to reduce the likelihood of auditors discovering fraud (Tiffani & Marfuah, 2015). In this study, the proxy for auditor change is measured using a dummy variable. If a company changes its public accounting firm during the 2019–2023 period, it is coded 1, but if no changes occur during that period, it is coded 0.

6. Ego

Ego or arrogance is a person's tendency to get what they want without considering more moral methods. This includes feelings of superiority or the belief that company regulations don't apply to them (Yunita & Julia, 2022). Arrogance is a common thread in several historical *white-collar crime fraud cases* (Vousinas, 2019).

a. *Frequent Number of CEOs Picture*

CEO photos appearing in company annual reports can indicate arrogance (Nurbaiti & Adriaan, 2022). The more frequently a CEO's photos appear in *annual reports* , the greater the likelihood of fraud and arrogance within the company (Yunita & Julia, 2022). This research uses the number of CEO photos in annual reports as a proxy for the ego variable.

External Audit Quality

Audit quality is the auditor's independence, enabling the detection and follow-up of suspicious findings in a client's audit accounting system (DeAngelo, 1981). In assessing audit quality, the size of the Public Accounting Firm (KAP) can be a determining factor . Larger KAPs (*the Big Four*) collaborate with international KAPs, generally with many auditors and are trusted to maintain their independence in carrying out client audits . Quality is determined by the auditor's competence (expertise) and independence. In Indonesia, public accounting firms are divided into two categories, the *big four public accounting firms* and the *non-big four public accounting firms* . The first is the Price

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Waterhouse Coopers public accounting firm (Drs. Hadi Sutanto & Co and Haryanto Sahari & Co); the second is the Deloitte Touche Thomatsu public accounting firm (Hans Tuanakota & Mustofa public accounting firm); the third is the Ernst & Young public accounting firm (Prasetio, Drs. Sarwoko & Sanjaja public accounting firm); and the fourth is the KPMG public accounting firm (Klyneld Peat Marwick Geordeler) affiliated with the Sidharta-Sidharta & Widjaja public accounting firm.To maintain the reputation of independent accountants, the *Big Four Public Accounting Firms* are believed to deliver better audit quality. Timely and thorough audits are expected to reduce conflicts between management and investors. High-quality auditors tend to be able to detect questionable accounting practices. Therefore, high-quality audits prevent fraudulent practices by maintaining their good reputations.

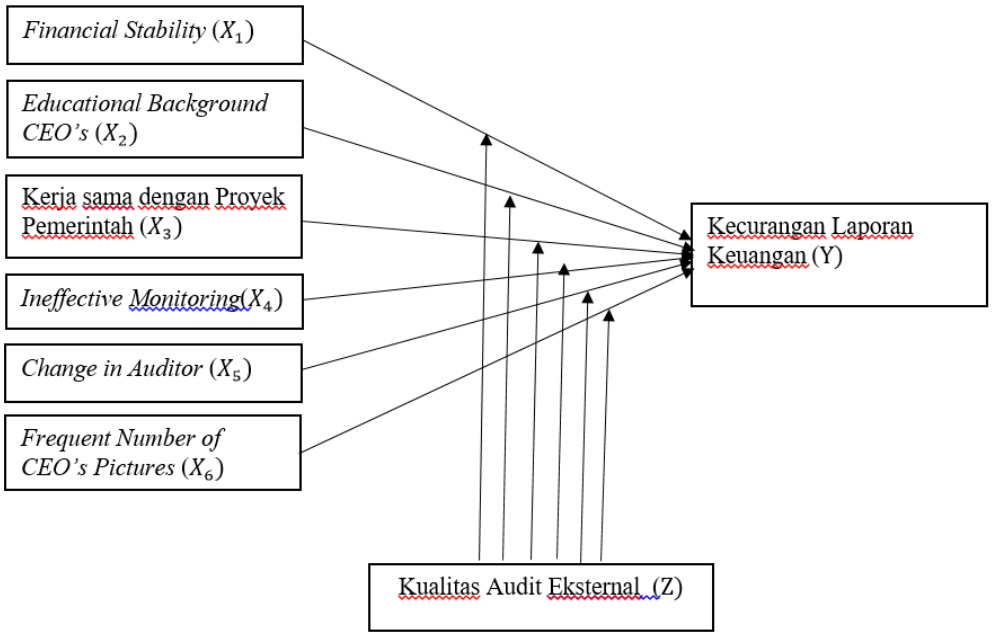

Figure 3. Research Framework

H1: *Financial Stability* has a significant positive effect on Financial Report Fraud
H2: *Educational CEO's background* has a significant positive effect on financial reporting fraud.
H3: Cooperation with Government Projects has a significant positive effect on Financial Report Fraud
H4: Ineffective Monitoring has a significant positive effect on Financial Report Fraud
H5: Change in Auditor has a positive effect on Financial Report Fraud
H6: *Frequent Number of CEO's Picture* has a significant positive effect on Financial Report Fraud
H7: External Audit Quality moderates the effect of *Financial Stability* on Financial Report Fraud
H8: External Audit Quality moderates the effect of *CEO's Educational Background* on Financial Report Fraud
H9: External Audit Quality moderates the effect of Cooperation with Government Projects on Financial Report Fraud
H10: External Audit Quality moderates the effect of *Ineffective Monitoring* on Financial Report Fraud
H11: External Audit Quality moderates the effect of *Change in Auditor* on Financial Statement Fraud
H12: External Audit Quality moderates the effect of *Frequent Number of CEO's Picture* against Financial Reporting Fraud

MATERIALS & METHODS

This study uses a quantitative approach, with an explanatory research design . This study uses secondary data where data is taken from the stock exchange website www.idx.co.id or the company's official website known as secondary data. The data taken is from property and real estate sector companies listed on the IDX in 2019-2023. The population in this study is 92 property and real estate companies listed on the IDX from 2019 to 2023. Sampling used a *purposive sampling technique* with certain criteria so that the sample in this study is 29 companies with a time span of 5 years and a total of 145 observations of data. In this study, data analysis used Statistical Package for Social Science (SPSS) 24.0 *Software.*

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RESULT

Researchers collected secondary data from 2019-2023 and *screened* the data. Six data points had extreme values, necessitating *outlier removal* , resulting in a final sample size of 139. After removing the outliers and transforming the data using LN, the data were found to be normally distributed.

A. Descriptive Statistics

In this study, researchers used SPSS 24 to obtain descriptive statistical tests.

Table 1. Descriptive Statistics Results

Variable	N	Minimum	Maximum	Mean	Standard Deviation
Financial Stability	145	-.1128	.50	.0164	.06899
CEO's Educational Background	145	.00	1.00	.3655	.48324
Cooperation with Government Projects	145	.00	1.00	.1172	.32282
Ineffective Monitoring	145	.25	.67	.4134	.09299
Change in Auditor	145	.00	1.00	.5034	.50172
Frequent Picture CEO	145	.00	1.00	.8483	.36000
Financial Reporting Fraud	145	-3.80	2.51	-2,327	.99088
External Audit Quality	145	.00	1.00	.2069	.40648
Valid N (listwise)	145				

B. Classical Assumption Test

a. Normality Test

To find out whether the data is normally distributed or not, a normality test is needed by looking at the Kolmogorov-Smirnov test using a determination basis that looks at the significance value (2-tailed) > 0.05 which means that the data is normally distributed.

Table 2. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		139
Normal Parameters [a,b]	Mean	.0000000
	Standard Deviation	.11303624
Most Extreme Differences	Absolute	.057
	Positive	.057
	Negative	-.032
Test Statistics		.057
Asymp. Sig. (2-tailed)		.200 [c,d]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

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b. Multicollinearity Test

Table 3. Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Financial Stability	.914	1,094
	CEO's Educational Background	.974	1,026
	Cooperation with Government Projects	.906	1.104
	Ineffective Monitoring	.916	1,092
	Change in Auditor	.934	1,070
	Frequent Picture CEO	.909	1,100

a. Dependent Variable: Financial Report Fraud

From the results of the multicollinearity test, it can be seen that the *tolerance value* of the variables *financial stability, CEO's educational background* , cooperation with government projects, *ineffective monitoring, change in auditor* and *frequent number of CEO's picture* is above 0.1 and VIF in all variables is below 10. From these results it can be concluded that the regression model in this study does not show symptoms of multicollinearity.

c. Heteroscedasticity Test

The heteroscedasticity test is used to determine whether the regression model has equal variance from one observation to another. Research is considered sound if there are no heteroscedasticity symptoms.

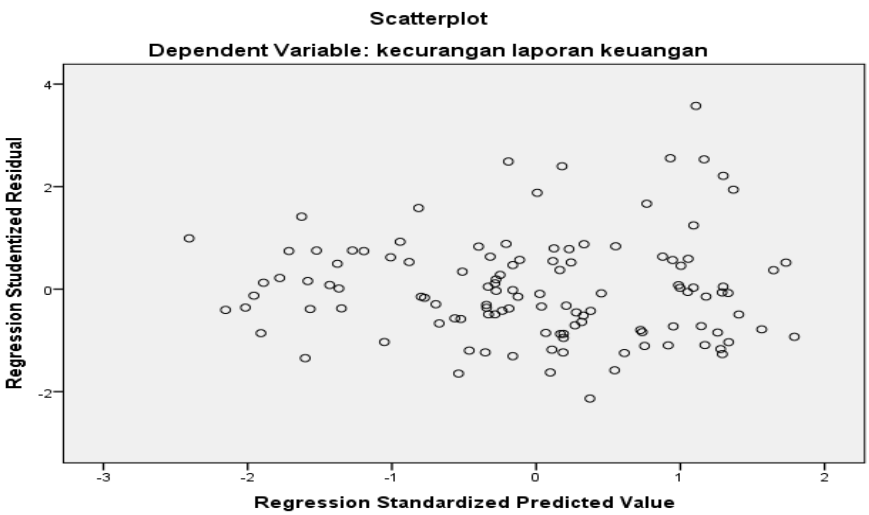

Figure 4. Results of Heteroscedasticity Test

d. Autocorrelation Test

Autocorrelation test can be detected by Durbin Watson (DW) test with the provision that if DU <DW <(4 – DU) then a regression model can be said to have no autocorrelation symptoms. The Durbin Watson (DW) value in this study is 2.045. based on the DW table with α = 5%, data with 139 observations, and 6 independent variables, the DU limit is 1.797 then the DU <DW <(4 – DU) value is 1.797 <2.045<2.207. So it can be concluded that this model does not have autocorrelation symptoms.

C. Model Feasibility Test

a. Coefficient of Determination Test (R^2)

Table 4. Results of the Determination Coefficient Test (R^2)

Model Summary [b]					
Model	R	R Square	Adjusted R Square	Standard Error of the Estimate	Durbin-Watson
1	.613 [a]	.417	.225	1.74066	2,045
a. Predictors: (Constant), Frequent Picture CEO, Cooperation with Government, Educational Background CEO, Change in Auditor, Ineffective Monitoring, Financial Stability					
b. Dependent Variable: Financial Report Fraud					

Based on the table above, there is an adjusted R square value of 0.225. This shows that the influence of *Financial Stability* , CEO's *Educational Background* , Cooperation with the Government, *Ineffective Monitoring* , *Change in Auditor* , *Frequent Number of CEO's Picture* on financial statement fraud is 22.5%, while the remaining 77.5% is influenced by other variables not included in this study.

b. Simultaneous Significance Test (F Test)

Table 5. Simultaneous Test Results (F Test)

ANOVA [a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5,589	6	.932	1,844	.003 [b]
	Residual	66,698	132	.505		
	Total	72,287	138			
a. Dependent Variable: financial reporting fraud						
b. Predictors: (Constant), frequent number of CEO's picture, CEO's eucational background, change in auditor, cooperation with government projects, ineffective monitoring, financial stability						

The simultaneous significance test is carried out to determine whether the independent variables influence the dependent variables simultaneously (together).

Based on the table above, the significance value of the model in this study is 0.003. This indicates that the independent variables simultaneously influence financial statement fraud, and the research model is worthy of continuation because the significance value is <0.05.

D. Hypothesis Testing

a. Hypothesis Test (T-Test)

The multiple regression analysis test in this study was conducted to determine whether *Financial Stability* (X_1), *Educational Background* of CEO's (X_2), Cooperation with the Government (X_3), *Ineffective Monitoring* (X_4), *Change in Auditor* (X_5), *Frequent Number of CEO's Picture* (X_6) has an effect on Financial Report Fraud (Y) in property and real estate sector companies listed on the IDX in 2019-2023.

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Table 6. Hypothesis Test Results (T-Test)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2,030	.312		-6,500	.000
	financial stability	.598	.198	.055	3,024	.003
	educational background ceo	-.308	.125	-.231	-2,465	.015
	cooperation with government projects	-.027	.180	-.014	-.152	.880
	ineffective monitoring	-.493	.605	-.078	-.815	.417
	change in auditor	-.213	.124	-.164	-1,724	.088
	frequent number of ceo picture	-.087	.186	-.044	-.470	.640
a. Dependent Variable: financial reporting fraud						

Based on the hypothesis test, it is known that *the Financial Stability* Variable (X_1) has a significance value of 0.003 < 0.05, this indicates that H1 which states that *Financial Stability* has a positive effect on Financial Report Fraud. The CEO's (X_2*Educational Background* variable) has a significance value of 0.015 < 0.05 but the calculated t is negative. This indicates that H2 which states that CEO's *Educational Background has a positive effect on Financial Report Fraud.* The Cooperation with the Government (X_3variable) has a significance value of 0.880 > 0.05. This indicates that H3 which states that Cooperation with the Government has a positive effect on Financial Report Fraud. *Ineffective Monitoring* Variable (X_4) has a significance value of 0.417 > 0.05. This indicates that H4, which states that *Ineffective Monitoring* has a positive effect on Financial Report Fraud. *The Change in Auditor* variable (X_5) has a significance value of 0.088 > 0.05. This indicates that H5, which states that *Change in Auditor* has a positive effect on Financial Report Fraud. *The Frequent Number of CEO's Picture* variable (X_6) has a significance value of 0.640 > 0.05. This indicates that H6, which states that *Frequent Number of CEO's Picture* has a positive effect on Financial Report Fraud.

b. Moderation Test Results

Table 7. Moderation Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4.171	2,648		-1,575	.118
	X1*M	-1,332	.649	-.235	-2,052	.042
	X2*M	-.016	.051	-.045	-.308	.758
	X3*M	.007	.131	.005	.052	.958
	X4*M	-.189	.173	-.309	-1,096	.275
	X5*M	.017	.053	.050	.326	.745
	X6*M	.119	.072	.394	1,652	.101

a. Dependent Variable: financial reporting fraud

1. X1*Z has a significance value of 0.042 <0.05. It can be said that external audit quality is able to moderate the influence of *Financial Stability* on financial statement fraud. X2*Z has a significance value of 0.758 > 0.05 that external audit quality is not able to moderate the influence of CEO's *Educational Background* on Financial Statement Fraud. X3*Z has a significance value of 0.958 > 0.05 it can be concluded that external

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audit quality is not able to moderate the influence of Cooperation with the Government on Financial Statement Fraud. X4*Z has a significance value of 0.275 > 0.05 that external audit quality is not able to moderate the influence of *Ineffective Monitoring* as measured by BDOUT (Independent Board of Commissioners Ratio) on Financial Statement Fraud. X5*Z has a significance value of 0.745 > 0.05, that external audit quality is not able to moderate the influence *of Change in Auditor* on Financial Statement Fraud. X6*Z has a significance value of 0.101 > 0.05, it can be concluded that external audit quality is not able to moderate the effect of *Frequent Number of CEO's Picture* on Financial Statement Fraud.

DISCUSSION

The Influence of *Financial Stability* on Financial Report Fraud

The analysis results show that *Financial Stability,* as measured by the Change Ratio (Total Asset Change Ratio), partially has a significant positive effect on financial statement fraud. The higher the pressure felt by the company to maintain financial stability, the greater the possibility of management taking manipulative actions on financial statements. This finding indicates that unstable or declining financial conditions encourage management to take various measures to ensure that financial statements continue to look good in the eyes of investors, creditors, and other external parties. This finding is in line with agency theory , which explains the relationship between principals (owners or shareholders) and agents. (management) with different interests. This research finding aligns with research conducted by Yunita & Julia (2022), Rachmawati & Raharja (2023), and Mukaromah & Budiwitjaksono, GS (2021) , which found that *financial stability* has a positive effect on financial reporting fraud.

The Influence of *Educational Background* on CEO's Against Financial Reporting Fraud

Based on the results of the research conducted, it can be seen that the CEO's *Educational Background* is partially proven to have a significant negative effect on financial statement fraud. The higher the level of education held by the CEO, the lower the company's tendency to commit financial statement fraud. This finding is not in line with the previously proposed hypothesis **,** which stated that the higher the CEO's education, the more financial statement fraud will increase. In the perspective of agency theory, agents who have more access than the principal will have more opportunities to commit fraud with the abilities they have. The results of this study are in line with research conducted by Dewi, R., & Luthan, E. (2023) and Rochmah, UNFK, & Budiwitjaksono, GS (2025) which stated that CEO education has a negative effect on financial statement fraud, which means that the higher the level of education of a CEO, the lower the level of financial statement fraud.

The Impact of Cooperation with Government Projects Against Financial Reporting Fraud

It can be seen that cooperation with the government has been partially proven to have no effect on financial reporting fraud. The level of company involvement in government projects does not significantly influence management's tendency to manipulate or deviate from financial reporting. In other words, the existence or absence of company cooperation with the government is not a major factor driving financial reporting fraud. The results of this research are inconsistent with agency theory, which states that The relationship between the owner (principal) and management (agent) creates a potential conflict of interest, where management, as the agent, tends to maximize personal interests. The results obtained in this study align with those of Sagala and Siagian (2022) and Rachmawati & Raharja (2023), which stated that collaboration with government projects cannot be proven to have an influence on financial reporting fraud.

The Impact of *Ineffective Monitoring* on Financial Report Fraud

Based on the results of the research conducted, it can be seen that *ineffective monitoring* partially proven to have no effect on financial statement fraud. Ineffective supervision can be determined by comparing the number of independent commissioners to the total number of commissioners in the company. In this study, the size of the board of commissioners ratio within a company was unable to confirm the agency problem, where when agents have more authority, management does not always have the intention to commit fraud. The results of this study are in line with research conducted by Bifadli, Hardy & Ferdy (2023) which stated that *ineffective monitoring* was not proven to have an influence on financial reporting fraud.

Influence *Change in Auditor* Against Financial Reporting Fraud

It can be seen that *change in auditor* Partially, it was proven to have no effect on financial reporting fraud. The results of the regression analysis showed that the *Change in Auditor variable* had a significance value of 0.088.

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which means that this variable does not have a significant effect on financial reporting fraud at the 5% significance level **,** but is close to being significant at the 10% level **.** This shows that auditor changes do not directly affect the likelihood of fraud occurring. financial reporting fraud **,** although there is a tendency towards a relationship that needs to be considered. Thus, it can be concluded that auditor changes are not the dominant factor determining whether a company will engage in manipulation or actually reduce financial reporting fraud. From the perspective of *agency theory* **,** these results can be explained through the relationship between management (agent) and owners or shareholders (principal) who often have conflicting interests. The results of this study align with those of Bifadli, Hardi, & Ferdy (2023), which stated that *a change in auditor* has no effect on financial statement fraud. This is because companies that change auditors can occur due to management changes or an increase in company size, necessitating a more competent auditor.

Influence *Frequent Number of CEO's Picture* Against Financial Reporting Fraud

It can be seen that *the frequency of CEO photos* has been partially proven to have no effect on financial reporting fraud. This finding indicates that the frequency of CEO photos appearing in a company's annual report is not a significant factor in influencing management's tendency to manipulate or present misleading financial reports. Therefore, the number of CEO photos included in an annual report is not an indicator that can be used to assess the potential for financial reporting fraud within a company. The results of this study are inconsistent with agency theory, where in the context of *agency theory* , the relationship between managers (agents) and owners (principals) creates the potential for conflicts of interest due to differing goals and information asymmetry . The CEO, as the agent, has broader access to information regarding the company's internal conditions compared to shareholders or other stakeholders. According to this theory, agents can act opportunistically by exploiting this information for personal gain, including through manipulation of financial reports. One form of opportunistic behavior often associated with a manager's personal character is *narcissism* , or a tendency to stand out. The results of this study are in line with research conducted by Setyono, Eko, Sri, & Bima (2023), which states that *the frequent number of CEO's pictures* does not Able to detect fraudulent activities in financial reports. A CEO's photo in an annual report is not a sign of superiority; it simply serves to convey the CEO's identity to the public and financial report users as a token of appreciation for running the company in accordance with its vision and mission.

External Audit Quality in Moderating the Effect of *Financial Stability* on Financial Report Fraud

The results of the study indicate that external audit quality can moderate the effect of *financial stability* on financial statement fraud **.** This means that a company's financial stability can indeed influence the likelihood of financial statement fraud, but this influence can be weakened or controlled if the company is audited by a high-quality external auditor. In other words, the presence of a professional, independent, and high-integrity external auditor can reduce the possibility of management manipulating financial statements to cover up the company's unstable financial condition. The results of this study are in line with the results of research conducted by Putri, A., C., & Sugi., S (2023) which stated that external audit quality weakens *financial stability* against indications of financial statement fraud. However, the results of this study contradict the results of research conducted by Aditantra, JW, & Anis, C. (2023) which stated that external audit quality is unable to moderate *financial stability* against financial statement fraud.

External Audit Quality in Moderating the Influence of CEO's *Educational Background* Against Financial Reporting Fraud

The results of the study indicate that external audit quality is unable to moderate the influence of CEO educational background on financial statement fraud **.** This means that the level of external auditor quality, both *big four* and *non-big four accounting firms* , is unable to moderate the relationship between CEO educational background and the likelihood of financial statement manipulation. Thus, even if a company uses a highly reputable external auditor, this may not necessarily influence CEO behavior in terms of the tendency to commit fraud. The results of this study are in line with Trisnawati, ABA, & Rizka, F (2024) who stated that external audit quality as measured by *big four* and *non-big four* accounting firms is unable to moderate the influence of CEO *educational background on financial statement fraud.*

External Audit Quality in Moderating the Influence of Cooperation with Government Projects Against Financial Reporting Fraud

The results of the study indicate that external audit quality is unable to moderate the effect of cooperation with government projects on financial statement fraud **.** This means that the presence of external auditors from *big*

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four or *non-big four accounting firms* is unable to moderate the relationship between the level of company involvement in government projects and the potential for fraud in financial statements. This finding indicates that even though a company is audited by external auditors who are considered qualified, this may not necessarily prevent manipulative behavior that arises due to pressure or opportunities in government projects. The results of this study are in line with the results of research conducted by Aditantra, JW, & Anis, C. (2023) that audit quality as measured by *big four* and *non-big four accounting* firms is unable to moderate the effect of company cooperation on financial statement fraud.

External Audit Quality in Moderating the Effect of *Ineffective Monitoring* on Financial Report Fraud

The results of the study indicate that external audit quality is unable to moderate the influence of ineffective monitoring on financial reporting fraud **.** This means that even though the company is audited by a *big four* or *non-big four accounting firm,* unable to moderate the relationship between weak internal oversight (*ineffective monitoring*) and the level of fraud in financial reports **.** In other words, the role of external auditors has not been effective in preventing the negative impact of weak internal oversight functions on the emergence of fraudulent practices. The results of this study are in line with Ali, I., Hesty, EZ, Januar, EP, Indra, GS (2024) who stated that audit quality measured by the size of the KAP is unable to moderate the influence of *ineffective monitoring* against financial reporting fraud.

External Audit Quality in Moderating the Effect of *Change in Auditor* on Financial Statement Fraud

The results of the study indicate that external audit quality is unable to moderate the effect of auditor change *on* financial statement fraud **. This means that even if a company uses the services of a reputable or high-quality** *Big Four* or *non-Big Four* external auditor , this is unable to moderate the effect. The relationship between auditor change and the level of fraud in financial statements. Thus, external audit quality does not play a significant role in changing the direction or magnitude of the influence of auditor change on the potential for *fraud* in financial statements. The results of this study align with Trisnawati, ABA, & Rizka, F (2024), who stated that external audit quality, as measured by *Big Four* and *Non-Big Four* Public Accounting Firms , is unable to moderate the effect of *auditor change* on financial statement fraud.

External Audit Quality in Moderating the Influence *Frequent Number of CEO's Picture* Against Financial Reporting Fraud

The results of the study indicate that external audit quality is unable to moderate the influence of *the frequent number of CEO's pictures* on financial reporting fraud **.** This means that the presence of external auditors from both *big four* and *non-big four KAPs is not a factor.* does not play a significant role in moderating the relationship between the frequency of CEO photos appearing in annual reports and the level of financial statement fraud. In other words, external audit quality is not effective enough to buffer the negative impact of CEO narcissistic tendencies on the emergence of fraudulent behavior in financial statement preparation. The results of this study are in line with research conducted by Aditantra, JW, & Anis, C. (2023) that audit quality as measured by *big four* and *non-big four accounting firms* is unable to moderate the effect of *the frequent number of CEO pictures* on financial statement fraud.

CONCLUSION

Based on the research that has been conducted and the results of the discussion, the following conclusions can be drawn:

1. *Financial stability* has a positive and significant effect on financial reporting fraud in property and real estate companies listed on the IDX in 2019-2023, thus (H1) is accepted **.**
2. CEO's *educational background has a significant negative effect* on financial reporting fraud in property and real estate companies listed on the IDX in 2019-2023, thus (H2) is rejected.
3. Cooperation with government projects has no effect on financial reporting fraud in property and real estate companies listed on the IDX in 2019-2023, thus (H3) is rejected.
4. *Ineffective monitoring* has no effect on financial reporting fraud in property and real estate companies listed on the IDX in 2019-2023, thus (H4) is rejected.
5. *Change in auditors* has no effect on financial reporting fraud in property and real estate companies listed on the IDX in 2019-2023, thus (H5) is rejected.
6. *Frequent number of CEO's pictures* does not affect financial reporting fraud in property and real estate companies listed on the IDX in 2019-2023, thus (H6) is rejected.

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7. External audit quality is able to moderate *financial stability* significant effect on financial reporting fraud in property and real estate companies listed on the IDX in 2019-2023, thus (H7) is accepted **.**
8. External audit quality is not able to moderate the CEO's *educational background* towards financial reporting fraud in property and real estate companies listed on the IDX in 2019-2023, thus (H8) is rejected.
9. The quality of external audits is not able to moderate cooperation with government projects against financial reporting fraud in property and real estate companies listed on the IDX in 2019-2023, thus (H9) is rejected.
10. The quality of external audits is unable to moderate *the ineffective monitoring* of financial reporting fraud in property and real estate companies listed on the IDX in 2019-2023, thus (H10) is rejected.
11. External audit quality is not able to moderate *the change in auditors* towards financial reporting fraud in property and real estate companies listed on the IDX in 2019-2023, thus (H11) is rejected.
12. External audit quality is unable to moderate *the frequent number of CEO's picture* on financial reporting fraud in property and real estate companies listed on the IDX in 2019-2023, thus (H6) is rejected.

LIMITATIONS

There are several limitations in this study:

1. The data in this study are property and real estate companies listed on the IDX in 2019-2023, so the results of this study are only able to explain financial reporting fraud in these companies and within a relatively short time span.
2. The value of the R Square coefficient of determination in this study was only 22.5%, which means that the ability of the independent variable is still relatively low in explaining or providing the information needed by the dependent variable.

SUGGESTION

The suggestions that researchers can convey to future researchers are as follows:

1. Further researchers are advised to add larger samples from several companies.
2. Further researchers can add variables outside of the variables used by researchers.
3. Further researchers can use other analysis tools such as EViews or STATA.

Declaration by Authors

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