

DIAMOND FRAUD ANALYSIS IN DETECTING FINANCIAL STATEMENT FRAUD WITH THE AUDIT COMMITTEE AS MODERATING VARIABLE (Empirical Study on Sub Construction Companies listed on the IDX for the 2016-2020 period)

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Abstract: The purpose of this study was to determine how much the influence of the Fraud Diamond in detecting Financial Statement Fraud with audit committee variables as moderating variables in construction sector companies in 2016-2020, both partially and simultaneously. The research method used is hypothesis testing (hypothesis testing). Data collection techniques are carried out using secondary data types in the form of annual financial statements of construction sector companies on the Indonesia Stock Exchange during the 2016-2020 period. Data was collected using purposive sampling. The data analysis technique used in this study is the Moderated Regression Analysis (MRA) analysis. The results showed that the Nature of Industry had a positive effect on the Financial Statement Fraud on construction sector companies listed on the IDX, while the Financial Targets, Rationalization, and Capability did not affect the Financial Fraud statement on construction sector companies listed on the IDX. The research also shows that the audit committee as a moderator is not able to moderate the influence of the Nature of Industry and Capability on Financial Statement Fraud. whereas the Audit Committee as a moderator weakens the relationship of the Financial Targets to the Financial Statement Fraud, then the Audit Committee as a moderator can strengthen the relationship of the Rationalization of the Financial Statement Fraud.

Keywords: Financial Targets, Nature of Industry, Rationalization, Capability, Audit Committee, Financial Statement Fraud

Abstrak: Tujuan penelitian ini adalah untuk mengetahui seberapa besar Pengaruh Fraud Diamond dalam mendeteksi Financial Statement Fraud dengan variabel komite audit sebagai variabel moderasi pada Perusahaan sektor konstruksi pada tahun 2016-2020, baik secara parsial maupun secara simultan. Metode penelitian yang digunakan adalah pengujian hipotesis (hypotesis testing). Teknik pengumpulan data dilakukan dengan menggunakan jenis data sekunder berupa laporan keuangan tahunan perusahaan sektor konstruksi di Bursa Efek Indonesia selama periode 2016-2020. Data dikumpulkan dengan menggunakan purposive sampling. Teknik analisis data yang digunakan dalam penelitian ini adalah teknik analisis Moderated Regression Analysis (MRA) Hasil penelitian menunjukkan bahwa Nature of Industry berpengaruh positif terhadap Financial Statement Fraud pada perusahaan sektor konstruksi yang terdaftar di BEI, sedangkan Financial Targets, Rationalization dan Capability tidak berpengaruh terhadap Financial Statement Fraud pada perusahaan sektor konstruksi yang terdaftar di BEI. Penelitian juga menunjukkan bahwa komite audit sebagai pemoderasi tidak mampu memoderasi pengaruh Nature of Industry dan Capability terhadap Financial Statement Fraud. sedangkan Komite Audit sebagai pemoderasi memperlemah hubungan Financial Targets terhadap Financial Statement Fraud kemudian Komite Audit sebagai pemoderasi mampu memperkuat hubungan Rationalization terhadap Financial Statement Fraud.

Kata Kunci: Financial Targets, Nature of Industry, Rationalization, Capability, Komite Audit, Financial Statement Fraud

INTRODUCTION

The Association of Certified Fraud Examiners (ACFE) in its Report to the Nations on Occupational Fraud and Abuse (2020) found fraud committed by individuals through departments such as accounting by 14%, operations 15%, sales 11%, and executives or top management 12 %. In addition, financial statement fraud is 10% (ACFE, 2020). This figure is not too large when compared to the misuse of assets which reached 86%, but fraud in the financial statements caused the biggest financial impact. This will result in the information presented in the financial statements being irrelevant and unreliable. This information can influence the decision-making of external and internal parties of the company, as well as potentially the emergence of parties who feel disadvantaged. Lately, many company management is worried about the emergence of fraud in the company's environment, because even though it has used advanced technology (computerized), it is difficult to detect. After all, there are many gaps in the financial statements that can become collusion between employees and certain parties to commit fraud in the report. a financial background that is motivated by the goal to facilitate the achievement of the perpetrator's desires such as obtaining personal benefits. According to the U.S. Department of Justice in Financial Fraud in the United States, 2017 (2021), Fraud is an act of fraud that is carried out intentionally and knowingly by providing a false image, hiding, or omitting facts about goods, services, or other benefits and consequences that promised, which is not there, is not necessary, was never intended to be given, or is deliberately misappropriated to obtain profit. The existence of such fraud produces misleading information for users of financial statements, which in turn will affect wrong decision-making. Auditors should be able to detect fraudulent activity before it eventually develops into a very detrimental accounting scandal.

The biggest accounting scandal case that caught the attention of the world community was the accounting fraud of the United States company Enron which was involved in the energy sector where the losses incurred were estimated at Rp. 159.5 trillion (exchange rate of Rp. 14,000/USD) (Sandria, 2021). Cases of accounting scandals in Indonesia have been found in large companies, including PT KAI (Persero) wherein in 2006 the financial statements that should have lost Rp. 63 billion in its financial statements stated that it earned a profit of Rp. 6.9 billion (Sandria, 2021), then PT Kimia Farma Tbk (KAEF) wherein in 2001 the company's management reported a profit of Rp. 132 billion, but the results of a re-audit on October 3, 2002, showed that this company only made a profit of Rp. 99.56 billion (Sandria, 2021), and there are many more companies in the country that have found fraud in their financial statements.

Understanding the factors behind individual acts of fraud is important to map out the right strategy to minimize the occurrence of fraud within the company. Donald R. Cressey who is a criminologist sparked a theory called the Fraud Triangle Theory (FTT) where this theory suggests three dominant factors why individuals commit fraud, these factors include pressure, rationalization, and opportunity (Yaw Owusu et al., 2021).). The first factor of fraud is pressure, pressure is a problem that cannot be shared that motivates someone to commit fraud, in this situation the individual is faced with financial or non-financial burdens where these individuals tend to seek temporary options to solve their problems which make fraudulent activities an alternative. possible (Yaw Owusu et al., 2021). The second factor of fraud is rationalization, rationalization is the attitude of individuals who make themselves justify their fraudulent actions as not criminals, these individuals consider themselves not criminals (Yaw Owusu et al., 2021). The third factor of fraud is the opportunity, opportunity can be in the form of company trust in individuals to be responsible for several important roles in companies with minimal supervision (Yaw Owusu et al., 2021).

This Fraud Triangle Theory was later adopted by the American Institute Certified Public Accountant (AICPA) which issued a Statement of Auditing Standards No. 99 (SAS No. 99) regarding the Consideration of Fraud in a Financial Statement Audit in October 2002 (AU Section 316). A fraudulent Financial Statement is a problem that cannot be underestimated. From year to year always found cases of fraud. In this case, the role of an auditor is needed to detect fraud as early as possible, so that prevention can be done the occurrence of fraud and the possibility of a prolonged scandal. Auditors must be able to consider the possibility of fraud from various perspectives.

Fraud Diamond is a refinement of the Fraud Triangle Theory as the dominant factor underlying fraudulent behavior consisting of pressure, rationalization, and opportunities previously described in the Fraud Triangle Theory, which Wolfe then added another factor, namely ability, because fraud will not occur if the individual does not have the ability, the ability is an individual trait that plays a major role in committing fraud (Azzahroh et al., 2020). These elements in the Fraud Diamond Theory cannot be simply investigated, so they require variable proxies. Proxies that can be used for this research include Pressure which is proxied by financial targets. Opportunity proxied by Nature Of Industry. Rationalization proxied by Total Accrual, Capability proxied by Director Changes. These four factors are indicated to be triggers for an increase in fraud, especially in the last few years. The variables taken as proxies for the elements causing fraud are based on a literature review and taken from relevant sources that explain the relationship in detecting indications of fraudulent financial statements in the

company. The variables taken are certain items contained in the financial statements and general information related to the objectives of the research. The application of the principles of good corporate governance comprehensively and consistently is fundamental to the organization. The Indonesian Audit Committee Association explained that one of the institutional elements in the framework of good corporate governance which is expected to be able to make a high contribution to the level of implementation is the audit committee. Its existence is expected to be able to improve the quality of the company's internal supervision, as well as be able to optimize the mechanism of checks and balances, which in turn is intended to provide optimum protection to shareholders and other stakeholders. So in this study, adding the audit committee as a moderating variable is expected to weaken the relationship between fraud diamonds and financial statement fraud.

Based on the description of the background above, the problems to be discussed in this study are:

1. Do financial targets affect the Financial Statement Fraud in construction sector companies on the IDX for the 2016-2020 period?
2. Does the nature of industry affect the Financial Statement Fraud in construction sector companies on the IDX for the 2016-2020 period?
3. Does rationalization affect the Financial Statement Fraud in construction sector companies on the IDX for the 2016-2020 period?
4. Does capability affect Financial Statement Fraud in construction sector companies on the IDX for the 2016-2020 period?
5. Do financial targets affect the Financial Statement Fraud with the audit committee as a moderating variable in construction sector companies on the IDX for the 2016-2020 period?
6. Does the nature of industry affect the Financial Statement Fraud with the audit committee as a moderating variable in construction sector companies on the IDX for the 2016-2020 period?
7. Does rationalization affect the Financial Statement Fraud with the audit committee as a moderating variable in construction sector companies on the IDX for the 2016-2020 period?
8. Does capability affect the Financial Statement Fraud with the audit committee as a moderating variable in construction sector companies on the IDX for the 2016-2020 period?

LITERATURE REVIEW

Agency Theory

Agency theory is a theory that underlies an agency problem. Agency problems arise because every human being tends to be selfish and creates conflicts when several interests meet simultaneously, for example between the principal (investor) and the agent (the manager who manages the company). This conflict condition will be even worse if each conflicting party has incomplete information (information asymmetry). The reason for using this theory is because the interests between managers and investors differ in financial statement fraud, on the one hand, managers want financial statements to appear to have a reasonable profit so that they pay less tax and on the other hand investors want maximum profits. Incomplete information can be an adverse selection and/or moral hazard.

Adverse selection is a type of information asymmetry in which one or more potential business transaction actors have more information than others. This adverse selection can occur because several parties, such as managers and other internal company parties, are more aware of the current conditions and prospects of the company than the principal. Therefore, if the manager works with the standards set by the principal, the principal will only judge by the standards he knows. This causes losses for managers because the principal should be able to provide a higher value. One of the efforts made by managers to provide more independent information about work performance and work quality to the principal is to appoint an independent Public Accounting Firm and is trusted by the public.

Moral hazard is a type of information asymmetry in which managers prioritize their interests. This happens because of the separation of ownership and control so that the principal cannot observe all the actions of the manager which can be different from what the principal expects. Investors as principals in particular do not take part in the daily operations of the company, but they delegate this responsibility to management who functions as an agent. When each party acts in its interests, this separation results in an agency conflict. To reduce the negative impact due to the information asymmetry, one solution that can be done is to enter into an engagement with a Public Accounting Firm. The use of the Auditor from the Public Accounting Firm is to evaluate information related to the manager's performance so that the principal can provide incentives to managers, for example in the form of shares whose purpose is so that the interests of investors as principals and managers as agents can run in a balanced and harmonious manner.

Fraud Triangle Theory

Fraud Triangle Theory (FTT) is a theory used to understand the factors behind individual acts of fraud which is useful for mapping out the right strategy to minimize the occurrence of fraud within the company (Yaw Owusu et al., 2021). This theory suggests three dominant factors why individuals commit fraud, these factors include pressure, rationalization, and opportunity.

Pressure

Pressure is a driving factor for someone to commit fraud either due to financial or non-financial factors (Azzahroh et al., 2020).

Rationalization

Rationalization is the process or way to make something irrational into rational or into something good. According to Albrecht, rationalization is self-justification for wrong behavior as a form of justification for fraudulent behavior (Azzahroh et al., 2020).

Opportunity

Opportunity is a condition that allows someone to commit fraud and is considered safe to commit the fraud (Azzahroh et al., 2020).

Fraud Diamond Theory

Fraud Diamond is a refinement of the Fraud Triangle Theory as the dominant factor underlying fraudulent behavior consisting of pressure, rationalization, and opportunities previously described in the Fraud Triangle Theory, which Wolfe then added another factor, namely capability, because fraud will not occur if the individual does not have the capability, the capability is an individual trait that plays a major role in committing fraud (Puspitadewi & Sormin, 2020).

Financial statements

According to Financial Accounting Standards (2015: PSAK 1, par.9) financial statements are

“A structured presentation of the financial position and financial performance of an entity. The objective of financial statements is to provide information about the financial position, financial performance, and cash flows of an entity that is useful to most users of financial statements in making economic decisions. The financial statements also show the results of management's accountability for the use of the resources entrusted to them." Financial statements have a function as a provider of information on the financial position, financial performance, and cash flows of an entity that is useful for a large number of users in making economic decisions by

anyone who is not in a position to request special financial statements to meet certain information needs. In meeting its objectives, financial statements also show what management has done or is responsible for the resources entrusted to it. And the qualitative characteristics of financial statements are the characteristics that make the information in financial statements useful for users. There are four main qualitative characteristics, namely understandability, relevance, reliability, and comparability.

Financial Statement Fraud

Financial Statement Fraud is intentional or negligent in reporting financial statements where the financial statements presented are not by generally accepted accounting principles. This negligence or intentional nature is material so that it can affect the decisions that will be taken by interested parties. In The Treadway Commission's Report of the National Commission on Fraudulent Financial Reporting, (1987), Financial Statement Fraud is defined as intentional or carelessness in doing something or not doing something that should have been done that causes the financial statements to be materially misleading. Financial Statement Fraud includes several modes, including:

1. Falsification, alteration, or manipulation of financial records, supporting documents, or business transactions.
2. Intentional omission of significant events, transactions, accounts, or other information as a source of financial statement presentation.
3. Intentional and incorrect application of accounting principles, policies, and procedures used to measure, recognize, report, and disclose economic events and business transactions.
4. The deliberate omission of information that should be presented and disclosed regarding accounting principles and policies used in preparing financial statements.

CONCEPTUAL FRAMEWORK

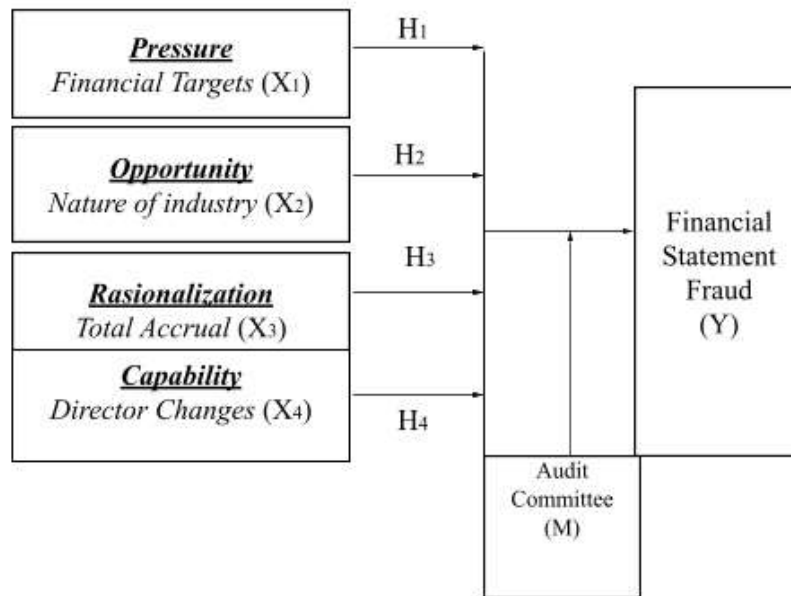


Figure 1. Conceptual Frame

Hypothesis

H₁: Financial targets have a positive effect on financial statement fraud

H₂: Nature of Industry has a positive effect on Financial Statement Fraud.

H₃: Rationalization has a positive effect on financial statement fraud.

H₄: Capability has a positive effect on financial statement fraud.

H₅: The audit committee weakens the effect of financial targets on fraudulent financial statements.

H₆: The Audit Committee weakens the influence of the nature of industry on financial statement fraud

H₇: The Audit Committee weakens the effect of rationalization on financial statement fraud

H₈: The audit committee weakens the effect of changes in directors on fraudulent financial statements.

RESEARCH METHODOLOGY

Data collection technique

The data collection technique used is the documentation technique, namely the data collection is done by studying or collecting records or documents related to the problem under study. This study uses secondary data, namely data obtained from records, books, and magazines in the form of financial reports for company publications, government reports, articles, books as theory, magazines, and so on (Sujarweni, 2015:224). The source of the data hypothesis study was obtained through the official website of the Indonesia Stock Exchange

through the website www.idx.co.id in the form of annual financial reports of companies in the construction sub-sector for the 2016-2020 period.

Data analysis method

The data analysis method used is a quantitative analysis which is stated with numbers and calculations, as well as using statistical methods assisted by the EViews version 9. This analysis method is used to obtain definite results in processing data so that they can be accounted for. Meanwhile, the data analysis method used will be explained below.

Descriptive Statistical Analysis

Descriptive statistics in research is basically a process transformation of research data in tabulated form for easy understanding and interpretation. Tabulation presents a summary, settings, or arrangement of data in the form of numerical tables and graphs (Sujarweni, 2015:225). In this study, it is used to describe various characteristics of the data that comes from a sample. Descriptive statistical analysis such as mean, median, mode, percentile, decile, quartile, in the form of numerical analysis.

Moderated Regression Analysis (MRA)

According to Ghazali (2016:8) Moderated Regression Analysis (MRA) is used to determine the effect of independent variables and moderating variables on the dependent variable.

Moderating variables can strengthen and weaken the relationship between the independent variable with the dependent variable. Moderated Regression Analysis (MRA) is used specifically for linear multiple regression wherein the equation of the regression contains an element of interaction (multiplication of two or more independents).

Regression Equation Model Equation 2

$$F\text{-SCORE} = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

$$F\text{-SCORE} = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_1 X_5 + \beta_7 X_2 X_5 + \beta_8 X_3 X_5 + \beta_9 X_4 X_5 + e$$

Note:

a = Constant

β = Regression coefficient of each proxy

F-Score = Fraudulent Financial Statement

$\beta_1 X_1$ = Return On Asset

- $\beta 2X_2$ = Change in receivables ratio
 $\beta 3X_3$ = Total Accrual
 $\beta 4X_4$ = Change of directors
 $\beta 5X_5$ = Audit Committe
 e = error

RESULT AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistical analysis was used to provide an overview of the data used. Descriptive analysis measurements were carried out on financial targets, nature of industry, rationalization, and director changes variables as independent variables, audit committee variables as moderating variables and financial statement fraud as dependent variables. The information that will be displayed in the descriptive analysis is a description of the sample used in the study in terms of the mean (mean), median, standard deviation, maximum, and minimum which can be seen in table 1.

Table 1. Descriptive Statistics Test

	FSCORE	ROA	REV	TAC	DCHANGE	M
Mean	-0.073833	4.650167	-0.144333	0.028167	0.233333	0.619500
Median	-0.065000	4.710000	-0.230000	0.020000	0.000000	0.600000
Maximum	1.330000	8.380000	5.690000	0.060000	1.000000	1.500000
Minimum	-1.630000	0.090000	-6.320000	-0.010000	0.000000	0.000000
Std. Dev.	0.535094	2.012603	1.482733	0.070266	0.426522	0.240764
Observations	60	60	60	60	60	60
Notes : Fscore = Financial statement fraud; ROA= Financial targets; REV= Nature of industry; TAC = Rationalization; DCHANGE = Director changes; M = Audit Commite						

Source : Data processed in 2021

Panel Data Regression Analysis with Moderation

Moderation panel data regression analysis is used by researchers to determine whether the moderating variable affects the direction and or strength of the relationship between the independent variable and the dependent variable. Based on the results of the Chow, Hausman, and Lagrange multiplier tests, the model used in moderating panel data regression is the common effect model. The results of the estimation of the moderation equation that has been carried out are as follows:

Table 2. Common effect MRA Panel Data Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.018497	0.414455	2.457436	0.0175
ROA	-0.202727	0.073283	-2.766368	0.0079
REV	0.403631	0.168137	2.400613	0.0201
TAC	6.658172	2.503767	2.659262	0.0105
DCHANGE	-0.254986	0.521122	-0.489303	0.6268
M	-1.733912	0.598649	-2.896373	0.0056
M*ROA	0.332884	0.104206	3.194475	0.0024
M*REV	-0.230428	0.218301	-1.055555	0.2962
M*TAC	-7.901453	3.730045	-2.118327	0.0391
M*DCHANGE	0.521255	0.800594	0.651085	0.5180

Source : Data processed in 2021

Based on the regression results above, the equation model for the equation using the common effects method can be formulated as follows: Multiple interaction regression (MRA):

$$\text{FSCORE} = 1.018497 - 0.202727 \text{ ROA} + 0.403631 \text{ REV} + 6.658172 \text{ TAC} - 0.254986 \text{ DCHANGE} - 1.733912 \text{ M} + 0.332884 \text{ M*ROA} - 0.230428 \text{ M*REV} - 7.901453 \text{ M*TAC} + 0.521255 \text{ M *DCHANGE} + e$$

Discussion

Effect of Financial Targets on Fraud Financial Statements

This study was used to examine the effect of financial targets on the financial statement fraud of construction sector companies for the period 2016-2020. The first hypothesis (H1) in this study is the effect of financial targets on financial statement fraud. Based on the results of moderating regression analysis, it is known that the financial targets variable as measured by Return On Assets (ROA) does not affect financial statement fraud. This can be seen from the significant value of 0.5598 with a significant level greater than = 0.05 and the coefficient value of 0.019790 which indicates that the value is positive. This shows that the significant value is not met, therefore the hypothesis is rejected. So it can be concluded that financial targets do not affect financial statement fraud in construction sector companies listed in Indonesia Stock Exchange 2016-2020 period.

The increase in company profitability can also be caused by improving the quality of company operations such as modernizing information systems, recruiting potential workers, and appropriate directors' policies in solving problems (Tiffani and Marfu'ah, 2015). This shows that the higher or lower the ROA in a construction sub-sector company, it will not affect fraudulent financial statements. The results of this study are in line with the research results of Erny Luxy D. Purba (2017), Muhammad Ardiansyah Barus (2017), and Mafiana Annisya (2016) which state that the financial targets variable does not affect financial statement fraud.

Effect of Nature of Industry on Fraud Financial Statements

This study was used to examine the effect of the nature of industry on financial statement fraud of construction sector companies for the period 2016-2020. The second hypothesis (H2) in this study is the influence of the nature of the industry on financial statement fraud. Based on the results of moderated regression analysis, it is known that the nature of industry variable measured by comparing sales with Receivable receivables (REV) affects financial statement fraud. This can be seen from the significant value of 0.0000 with a significant level smaller than $= 0.05$ and the coefficient value of 0.213770 which indicates that the value is positive. This shows that the significant value is met, therefore the hypothesis is accepted. So it can be concluded that the nature of the industry affects financial statement fraud in construction sector companies listed on the Indonesia Stock Exchange for the 2016-2020 period.

An increase in the company's receivables from the previous year can be an indication that the company's cash turnover is not good. The number of accounts receivable owned by the company will reduce the amount of cash that the company can use for its operational activities. Limited cash can be an impetus for management to manipulate financial statements (Summers and Sweeney, 1998). This shows that the higher or lower the REV value in a construction sub-sector company will affect financial statement fraud. The results of this study are in line with the results of research by Erny Luxy D.Purba (2017) and Rasiman (2018) which state that the variable nature of industry affects financial statement fraud.

Effect of Rationalization on Fraud Financial Statements

This study was used to examine the effect of rationalization on financial statement fraud of construction sector companies for the period 2016-2020. The third hypothesis (H3) in this study is the effect of rationalization on financial statement fraud. Based on the results of moderated regression analysis, it is known that the rationalization variable is measured by total accruals (TAC) does not affect financial statement fraud. This can be seen from the significant value of 0.8504 with a significant level greater than $= 0.05$ and the coefficient value of 0.169222 which indicates that the value is positive. This shows that the significant value is not met, therefore the hypothesis is rejected. So it can be concluded that rationalization does not affect financial statement fraud in construction sector companies listed on the Indonesia Stock Exchange for the 2016-2020 period.

These results indicate that the use of management policy (discretion) is not high or the motive to manipulate earnings is low. The results of this study are by the results of the study of Skousen et al (2009). The rationalization variable is included in the second pillar of the fraud

diamond. According to Skousen et al. (2009), this third pillar is the most difficult element to indicate its measurement, because rationalization is an attitude just carried out by management, employees, or the board of commissioners. The results of this study are in line with the research results of Susmita Ardiyani (2015) and Erny Luxy D.Purba (2017) which state that the rationalization variable does not affect Financial Statement Fraud.

Effect of Capability on Fraud Financial Statements

This study was used to examine the effect of director changes on financial statement fraud of construction sector companies for the period 2016-2020. The fourth hypothesis (H4) in this study is the effect of director changes on financial statement fraud. Based on the results of moderated regression analysis, it is known that the director changes variable as measured by the dummy variable does not affect financial statement fraud. This can be seen from the significant value of 0.3877 with a significant level greater than $= 0.05$ and the coefficient value of 0.110164 which indicates that the value is positive. This shows that the significant value is not met, therefore the hypothesis is rejected. So it can be concluded that director changes do not affect financial statement fraud in construction sector companies listed on the Indonesia Stock Exchange for the 2016-2020 period.

The results of this study support the results of research by Chyntia (2016), Kennedy (2014), and Merissa (2016). When a company changes directors, it's not because the company wants to cover up the fraud committed by the previous directors. However, the highest stakeholders in the company want an improvement in the company's performance by recruiting directors who are considered more competent than the previous directors.

Effect of Financial Targets on Fraud Financial Statements with the Audit Committee as Moderation

This research is used to test the effect of financial targets on financial statement fraud with the Audit Committee as the moderating variable for construction sector companies for the 2016-2020 period. The fifth hypothesis (H5) in this study is the influence of financial targets on financial statement fraud with the Audit Committee as the moderating variable. Based on the results of the moderating regression analysis, it is known that the financial targets variable moderated by the Audit Committee has a significant positive effect on financial statement fraud. This can be seen from the significant value of 0.0024 with a significant level greater than $= 0.05$ and the coefficient value of 0.332884 which indicates that the value is positive. This shows that the significant value is met, therefore the hypothesis is accepted. It can be concluded that the financial targets moderated by the Audit Committee have a significant positive effect

on financial statement fraud in construction sector companies listed on the Indonesia Stock Exchange for the 2016-2020 period.

The audit committee weakens the influence of financial targets on financial statement fraud. The existence of an audit committee will reduce financial statement fraud. The audit committee can provide more oversight on management performance and provide accurate and precise reports on company reporting. This is because the financial targets, which can be assessed through the level of profitability against fraudulent financial statements, are based on the board of directors or company management trying to improve their performance to achieve company targets, where managers can use the ROA measure to see changes in the level of profitability as a measure of operational performance for shows how efficiently assets have been used by manipulating profitability to attract investors to invest in the company and increase the value of shares as described by Skousen et al (2008), opportunities to commit fraud in financial statements by management by increasing ROA, because this ratio shows the result or return on the number of resources used by the company. So that the higher the financial target proxied by ROA, the greater the indication of the company committing fraudulent actions in the financial statements.

Effect of the Nature of Industry on Fraud Financial Statements with the Audit Committee as Moderation

This study was used to examine the effect of the nature of industry on financial statement fraud with the Audit Committee as the moderating variable for construction sector companies for the 2016-2020 period.

The sixth hypothesis (H6) in this study is the influence of the nature of the industry on financial statement fraud with the Audit Committee as the moderating variable. Based on the results of the moderating regression analysis, it is known that the nature of the industry variable moderated by the Audit Committee does not affect financial statement fraud. This can be seen from the significant value of 0.2962 with a significant level greater than $= 0.05$ and the coefficient value of -0.230428 which indicates that the value is negative. This shows that the significant value is not met, therefore the hypothesis is rejected.

It can be concluded that the nature of industry moderated by the Audit Committee does not affect financial statement fraud in construction sector companies listed on the Indonesia Stock Exchange for the 2016-2020 period. In this case, the audit committee does not strengthen the relationship between the nature of the industry and financial statement fraud because the

audit committee has not been able to detect the company's receivable turnover which results in fraudulent financial statements.

Effect of Rationalization on Fraud Financial Statements with the Audit Committee as Moderation

This study was used to examine the effect of rationalization on financial statement fraud with the Audit Committee as the moderating variable for construction sector companies for the 2016-2020 period. The seventh hypothesis (H7) in this study is the effect of rationalization on financial statement fraud with the Audit Committee as the moderating variable. Based on the results of the moderating regression analysis, it is known that the rationalization variable moderated by the Audit Committee has a significant negative effect on financial statement fraud. This shows that the significant value is met, therefore the hypothesis is accepted. So it can be concluded that the rationalization moderated by the Audit Committee has a significant negative effect on financial statement fraud in construction sector companies listed on the Indonesia Stock Exchange for the 2016-2020 period.

In this case, the audit committee strengthens the rationalization relationship to financial statement fraud because usually members of the audit committee also play a role in management's accrual decisions. Therefore, the accrual decision may indicate fraud in the financial statements to justify each decision.

Effect of Capability on Fraud Financial Statements with the Audit Committee as Moderation

This study was used to examine the effect of director changes on financial statement fraud with the Audit Committee as the moderating variable for construction sector companies for the 2016-2020 period. The eighth hypothesis (H8) in this study is the effect of director changes on financial statement fraud with the Audit Committee as the moderating variable. Based on the results of the moderating regression analysis, it is known that the director changes variable moderated by the Audit Committee does not affect financial statement fraud. This can be seen from the significant value of 0.5180 with a significant level greater than $= 0.05$ and the coefficient value of 0.521255 which indicates that the value is positive. This shows that the significant value is not met, therefore the hypothesis is rejected. So it can be concluded that director changes moderated by the Audit Committee do not affect financial statement fraud in construction sector companies listed on the Indonesia Stock Exchange for the 2016-2020 period.

The audit committee does not weaken the relationship between changes in directors and financial statement fraud. In this case, whether or not there is a change in the structure of the company's board of directors, does not indicate the presence or absence of fraudulent financial statements. Changes in the board of directors are generally fraught with the interests of certain parties that trigger conflicts of interest. However, a change in the board of directors can be an attempt by the company to improve the performance of the previous directors by changing the composition of the board of directors or recruiting new, more competent directors. Therefore, this study proves that the audit committee does not weaken the relationship between changes in directors and financial statement fraud.

The results of this study are in line with research conducted by Stefanus Heru (2019) which states that the audit committee does not weaken the relationship of director changes to financial statement fraud.

CONCLUSION

Based on the results of the research described in the previous chapter, the researchers will conclude as follows the results show that the independent variable is Financial Targets does not affect the Fraudulent Financial Statements of Construction Sector Companies listed on the IDX for the period 2016-2020 so H1 is rejected. The results of the study indicate that the independent variable, namely Nature Of Industry, has a positive and significant effect on Fraudulent Financial Statements in Construction Sector Companies listed on the IDX for the 2016-2020 period, so H2 can be accepted. The results show that Total Accrual has no effect on Fraudulent Financial Statements in Construction Sector Companies listed on the IDX for the 2016-2020 period, so H3 is rejected. The results show that Director Changes have no effect on the Fraudulent Financial Statements of Construction Sector Companies listed on the IDX for the 2016-2020 period, so H4 can be rejected. when the company changes directors, it is not because the company wants to cover up the fraud committed by the previous directors. However, the highest stakeholders in the company want an improvement in the company's performance by recruiting directors who are considered more competent than the previous directors. The results show that the audit committee variable can moderate the financial targets independent variable on financial statement fraud. And the audit committee moderating variable strengthens the relationship between the financial targets variable and the financial statement fraud. The conclusion from the results of the study is to accept H5. The results show that the audit committee variable cannot moderate the nature of the industry independent variable on financial statement fraud. And the moderating variable of the audit committee

weakens the relationship between the nature of industry variables and financial statement fraud. The research concludes that the hypothesis is rejected. The results show that the audit committee variable can moderate the independent variable rationalization on financial statement fraud. And the moderating variable of the audit committee weakens the relationship between the rationalization variable and the financial statement fraud. The conclusion from the research results is that the hypothesis is accepted. And the last results showed that the audit committee variable could not moderate the independent variable director changes on financial statement fraud. And the moderating variable of the audit committee strengthens the relationship between the director changes variable and financial statement fraud. The research concludes that the hypothesis is rejected.

Suggestion

The following are some suggestions that will be given by researchers for research what to do next for Investors, it is better for investors who will invest their shares in the capital market to seek information in advance about the company's financial statements and must pay attention to the factors that influence the Fraudulent Financial Statements such as Financial Targets, Nature of Industry, Rationalization, Director Changes, and the Audit Committee to help predict accurately and accurately in making investment decisions. And for Further Researchers, it is recommended to use other measurements besides the fraud score model to measure financial statement fraud to make it easier to measure financial statement fraud. Furthermore, researchers should use moderating variables other than the audit committee that are useful for further research.

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