

The Moderating of Political Connection on Factors Affecting Fraudulent Financial Statement from the Pentagon Fraud Model Perspective

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ABSTRACT

The Purpose of this research is to analyze the effect of the factors that effect of fraud in financial statements that occur in companies. And also analyzes the impact of political connections as a moderating variable that strengthens or weakens the factors that influences fraud in the financial statements. The author collects empirical study data from manufacture industry companies, using secondary data taken from annual reporting of companies listed in the Indonesia Stock Exchange and analyzes them using the SPSS program. A total of 60 units of data analysis that meet the criteria and can be used as sample in the research. This research reveals that effective monitoring and change of director has a positive and significant effect on financial statement of fraudulent. A set of financial targets, changes of auditors, and the frequencies of CEO pictures have not effect on fraudulent of financial statement. Whatever, the impact on political connection as moderating variable only strengthens the influence between effective monitoring and change of BOD on fraudulent financial statement from before being moderated by the political connection. This study only takes data of secondary from the annual reporting of companies and financial reports of firm from BEI, especially the manufacturing industry which only covers three sectors. Meanwhile, the Indonesia Stock Exchange consists of nine existing industrial sectors. Originality/value for this research is Political Connection as a moderator between financial stability, in effectively monitoring, change of auditor, change of director and frequencies of number commissioner's pictures on financial statement of fraudulent in the context of manufacture companies listed in BEI is still little researched. So this research will not only fill in the current gaps in the literature but also spark new academic debates, but this study will also contribute to the practice of fraudulent financial.

Keywords: financial stability, ineffectively monitoring, changes of auditor, changes of director, financial statement of fraudulent

INTRODUCTION

Financial reports are a form of corporate responsibility to stakeholders, including external and internal parties to inform the firm's financial performance for a certain period (Ratnasari and Solikhah, 2019). Financial statement reflection from management accountability and efficiency in managing the financial resources and expenditures. This condition encourages management to do everything they can when the company's goals are not achieved, one of which is

manipulating the financial statements. Therefore, financial statements are very important for companies and entities as well as various stakeholders who can affect the running of a company. From various cases of accounting scandals in financial statements where misstatements or frauds occurred in the financial report.

A Financial Report also show the result in the management accountability for the use of the resources entrusted to them. Action of manipulating financial statement was a form of fraudulent act or fraud financial statement fraud defined by the Australian Auditing Standard (AUS) is an intention negligence include presenting amounts in financial reporting to deceived users of financial statements. So the role of the auditor profession must be more effective so that fraud can be detected as early as possible before it develops into a scandal.

The ACFE in its report to the nation on occupational fraud and and abused (ACFE, 2016) found approximately 77% of fraudulent committed such as finance and accounting, operationalization, sales, upper-level management (executive), customer service (CS), and purchasing. In addition, there was an increase in most types of fraud that caused losses in Indonesia, one of which was fraud in financial statements by 4.0%. This figure is not too large when compared to corruption which reached 77.0%, but fraudulent financial statements have the greatest impact on a company or other stakeholders.

Indonesia is the largest economic of transactional, and is playing an increasingly important role in economic global. However, due to high levels of corruption of political and weakness law enforcement in Indonesia. In the study, we explore two of important determinant of Fraudulent of Financial Reporting in Indonesia, such us: ability of managerial and political connections.

Another variable available for discussed in this research is connection of political, where the presences of political connection will weakness of the effectiveness of managerial ability about to possibility reduce the fraudulent of financial reporting. The Fraudulent standard in Indonesia, which is the characteristic by based economic (Du *et al.*, 2012), the firm of listed to resolved asymmetry of information by way of connection and like that has a low financial of report. In the quality of financial statements decreased by the variant from politic of connection.

LITERATURE REVIEW

Fraudulent Theory

ACFE-Association of Certified Fraud Examiner divides fraud for three types: (1) Asset Misappropriate. This type includes of theft in companies or the other party assets or assets. This is the easiest from of fraud to detect, because it is real or quantifiable; (2) Fraud of Financial Report. Covers action taken by officers or executives of a company and government agent to back up in the actual financial condition with by doing financial technical on presenting financial statements to get a profit; (3) Corruption.

Many actions often occur in development countries where law enforcement is still weak and there is still a lack of awareness of Good Corporagte Governance so that the integrity factor is still questionable. This type of.fraud can often not be detected because the parties who work together enjoy the benefits.Includes of the abuse power or conflicts of interest, bribery, illegal gratuities and economic ectortion.

Pentagon fraudulent

Pentagon of fraudulent is an extension of the fraud triangle and the diamond fraud theory. Pentagon fraud to dig deeper into the factor that trigger fraud is the fraudulent of pentagon theory (crowe's pentagon fraudulent of theory). The following theory was put forward by Pratiwi, N. R *et al.* (2018). The theory of fraudulent is an extension of the triangle of fraud theor previously proposed by Cressey and the fraudulent of diamond by Wolfe and Hermason in 2014, in this theory adding two other elements of fraudulent, such us: diamond model fraud and arrogance.

Financial Stability (FS)

FS is a condition that forces a firm to describe the company's financial condition as stable. For example: a company may manipulate profits when its FS or profitabilities is threatened by the current economy conditions in a country. According to Utama (2018) the impact of financial stability on FFR has a positive effect. This means that the increase in company stability through the growth of its assets also increases the indications of the possibility in fraudulent to cover up the company's true financial condition.

Effective Monitoring (EM)

EM is a company condition where the companies have a supervisory units that effectively monitors from the company's performance. For example: there is management dominance by small group or one by one person, there must be contr5ol of compensation, in effective supervision of director of board and committee of audit on the reporting of financial process and internal control.

Political Connection

Political connection is a condition in which a relationship is established between certain parties and parties who have political interests which are used to achieve certain things that can benefit both parties (Purwanti & Sugiyarti, 2017). Companies with political connections are companies that have a special relationship with the government (Pranoto & Widagdo, 2016). A special relationship with the government can be interpreted as a government-owned company, either in the form of a BUMN or BUMD. The special relationship between company owners and the government, of course, is that the company owner is a prominent political figure who is a member of the board bothin central & local government or as a member of a political party (Gomez, 2009) in (Pranoto & Widagdo, 2016).

Pressure is measured based on the financial target against the fraudulent financial statement

Agents and principals have different interests in order to get a bonus for their performance in order to fulfill the principal's expectation, namely getting high profits. According to Ratnasari and Solikhah (2019), ROA is a measurement to operate the performance that is widely used to slow what a efficiency of assets have been used by companies and is used to assesses managerial performance to determine bonuses and increasing to salary. The higher the target for management to do everything possible.

The higher the ROA achieved by the company, will further increase the level of disclosure made by the company towards fraudulent financial reporting (Ratnasari and Solikhah, 2019).

H1: The Financial Target has a significant effect on Financial Reporting of Fraud.

Opportunity is measured based on effective monitoring of the fraudulent financial statement

Supervision carry out by the independent BOC is acted be able to increase internal control at the company so as to minimize management from committing fraud. This is because the independent BOC is a monitor who has no relative, friend, or relative relationship with the company, so that its independence is maintained according to Ratnasari and Badingatus, (2019). So it could be concluded that the higher for proportion of Independent BOC in the companies, the higher the internal control on management performance so that the chances of financial statement fraud will be lower.

H₂: Infective monitor has a positive and significant effect on the fraudulent of financial reporting.

Rationalization which is measured based on changes on auditor to fraudulent financial statement

Changing auditor enforce with the company indicated about this company did not replace the previous auditors, the auditors would better understand the risks and business processes in the company, thus making it difficult for the company to commit fraudulent practices. The change of auditors that eliminates the fraud trail found by the previous auditors (Tessa & Harto, 2016). So, it could be conclusion that the company highest for changes auditors, the higher the chances of the company committed for fraudulent in financial report. This action is carried out on the grounds of seeking justification so that fraudulent practices in the company are not detected (Ratnasari & Solikhah, 2019)

H₃ Rationalization has a positive and significant effect on fraudulent of financial statement.

Competence which is measured based on the changes in BOD to the fraudulent of financial statement

Board of Director-BOD as agents has a vested interest in getting their own welfare, so this causes the performance of BOD not to match this expectations with the principal. Thus, companies need to replace directors to reduce agency conflicts that occur between agents and principals. The company's efforts to change directors are aimed at hiding the fraud that the company has committed by removing directors who are considered to have better understanding of the company's condition. In addition, the change of directors can also be intended for certainly political of interests replace to the previous BOD (Tessa & Harto, 2016) in Ratnasari & Solikhah (2019). So it can be concluded that the more frequent the company changes directors, it indicates that the Opportunity for commitment of fraud on financial reporting is also higher.

H₄: Competence has a positif and significant effect on the fraudulent financial statement

Arrogance toward to the fraudulent of financial report (FFR)

Role of a leadership is the mainly key to company successes. Good leader is a leadership who do not only wants to be respect by him employees, but also a leader who wants to working together and participating in increasing the value of company. The arrogance element's is explained by the fraud of pentagon theory with the account of pictures to the CEO emblazoned in the annual reptring.

Tessa & Harto (2016) prove the number of CEO have a significant effect on fraudulent of financial statement. (Ratnasari & Solikhah 2019).

H₅: Arrogance have a positif and significant effect on the fraudulent of financial statement.

Moderating Political Connection between Pressure as measured by the Financial Stability (FS) toward the Fraudulent of Financial Report

Faidah F, et al (2018) stated that when FS is threatened by economic, industrial and operational conditions, financial stability can be a factor that causes fraud in an entity (Tiffani and Marfuah, 2015) In Faidah F, et al (2018). When the FS of the companies was in a difficult and threatened position management, which has the task of acting as an agent, will be sued by the principals to solve the problem. Research conducted by Suhartinah, Bambang Agus Pramuka and Warsidi (2018). The management which consists of a board of directors may include former ministers, former members of politics and so on, therefore based on the description above:

H₆: Political Connection strengthens the influence between Financial Stability and financial statement fraud.

Moderating Political Connection between Opportunity as measured based on Effective Monitoring of the Fraudulent Financial Statement

Managers may also have pressure to get additional debt or capital. This is also expressed by Ardiyani and Utaminingsih (2015), who say that external pressure is the abilities to meet exchanges requirements, pay debts or fulfill contractual debt which is widely organized from external party. When a firm has a higher Leverage ratio, it has a high debt (Kasmir, 2013: 152). Research conducted by Ardiyani and Utaminingsih (2015) that external pressure that is proxy by using the debt of ratio proxies have no influence in fraudulent of financial report. The external pressure that exists in a company can be influenced by the political connections that exist in the company's management.

H₇: Political Connection strengthens the effect between effective monitoring and financial statement fraud.

Political Connection moderation between rationalization as measured by change in auditors to the fraudulent financial statement

Rationalization can be interpreted as justification for the actions of the parties who commit fraud. Rationalization occurs when a person is in an environmental situation with great pressure and there is an opportunity to commit fraudulent acts. One of the ways used by management to cover up fraud that has been committed is by changing auditors. Changes of auditors may be made to avoid disclosure of fraud or unsatisfactory audit results. So that the company will try to find auditor services who can work together and can carry out tasks as expected by the company. Accordingly Wahyuni and Budiwitjaksono (2017), that rationalization has s significant positive influence in FFR.

H₈: Political Connection strengthens the effect between rationalization and fraudulent of Financial Statement

Political Connection moderation between Competences which is measured based on the change in board director (BOD) toward the Fraudulent Financial Statement (FFS)

Ability (competence) here can be assessed from the point of view of a person's competence in fraud. For detected of FFS, competence could be measured by taking into account the turnover of the company's directors. Wolfe & Hermanson (2014) argue that a change in the BOD will cause a pressure period that will open up to opportunities for FFS (Siddiq et al, 2017). In changing BOD, the company aims to hide the fraud that the company has committed by getting

rid of the directors who are considered to have better understanding of the company's condition. In addition, the change of directors can also be intended for certain of political interests to replaced the previous BOD (Ratnasari & Solikhah, 2019)

H9: Political Connection strengthens the effect on competence and fraudulent of financial statement.

Political Connection moderation between Arrogance toward the Financial Statement of Fraudulent

Elements of arrogance was explained by the pentagon fraudulent theory with the total of pictures of the Commissioners emblazoned in the company's published annual reporting. CEO tends to exhibit every person the status and position she has in the company, because he by reason of he doesn't want to wish to lose the status and title at the company. High levels of arrogance and supremacy can conduct to fraud because the Commissioners feels that any internal control doesn't apply to him. Tessa & Harto (2016) prove that the number of CEO has a significant influence on fraudulent of financial statement (Ratnasari & Solikhah 2019). Political connections also exist within existing CEO members. The closer the political connections there are, the more likely a CEO will be to serve at that companies. Based on that description, the hypothesis:

H10: Political Connection strengthens the influence between arrogance and fraudulent of financial statement.

RESEARCH METHODOLOGY

This research is a type of causal research, which aims to test the hypothesis about the effect of one or several independent variables on the dependent variable. The hypothesis proposed in this study was tested using quantitative research methods, namely performing regression testing in the form of descriptive statistics and multiple regression analysis. The data obtained in this study will be processed using Statistical Product and Service Solutions.

The research begins with data accumulation of company listed on Indonesia Stock Exchange (IDX), which are then eliminated according to the specified sample criteria. The sample company data is then processed using the SPSS Statistics program. The research results are used to prove the hypothesis, answer the problem formulation and return conclusions.

Population and Research Sample

The sample of this study was defined as a part of the characteristics possessed by the populations (Sugiyono, 2017). In other words, this sample is part of a representative of the population so that the result of this study that get from the sample could be generalized to this population. The method of sampling used in this study was purposive sampling, which was a technique for determined the research sampling with certain of considerations in order to make the data obtained more representative (Sugiyono, 2016).

Selection of sample criteria based on considerations, namely the availability of data required in the study and sample uniformity. Criteria of this sample used in the study were as follows: (a) Manufactured companies listed on BEI from 2016 to 2018; (b) The company published complete financial statements for 2016 to 2018. (c) The company presented financial statements in Rupiah for 2016 to 2018. (d) The manufacturing company experienced an increase in profits from 2016 to 2018.

EXPERIMENTS AND ANALYSIS

Data Quality Test

Assessing Model Fit and the Overall Model (Overall Fit Model)

The first analysis conducted was assessing the overall fit of the model against the data. The Hypothesis for assessing for the fit model in this study is as followsa:

Table 1. Overall fit model

Iteration history a,b,c			
iteration		-2 Log Likelihood	log Coefficients
Step 0	1	62.960	1.133
	2	62.719	1.279
	3	62.719	1.285
	4	62.719	1.285
a. Constant is include in the model			
b. initial -2 Log Likelihood: 62,719			
c. Estimate terminated at iteration number 4, because parameter estimates changed by less than .001			

sources : Output SPSS 25(2021)

From the results of the model table above, we can see that the value of -2 Log on H_0 is 62.960; 62,719; 62,719; and 62.719 is smaller than the chi-square table value (0.05); $(n-1) = (0.05)$; $(60-1) = 77.93052$ which means that the data is fit with the model.

Table 2. Table Overall Fit Model

Iteration history a,b,c,d											
		-2 Log likelihood	coefficient								
iteration		constan	Pres_Fi nSta	Oppo_In efMon	Ratz_Ch gAud	Comp_ ChgDir	Arog_C eoPic	ConVar _Siz	ConVar_ KomAud	Mod_P olConn	
Step 1	1	56.353	-1.143	.080	1.035	.703	.325	.071	.078	-.278	-.824
	2	54.110	-2.004	.099	1.037	1.322	.517	.119	.124	-.423	-1.354
	3	53.898	-2.320	.071	.862	1.645	.596	.138	.143	-.474	-1.559
	4	53.894	-2.359	.063	.838	1.698	.607	.140	.145	-.479	-1.581
	5	53.894	-2.359	.063	.838	1.699	.607	.140	.145	-.479	-1.582
	6	53.894	-2.359	.063	.838	1.699	.607	.140	.145	-.479	-1.582
a. method: enter											
b. constant: is include in the model											
c. Initial -2 Log LikeLihood: 62,719											
d. Estimation terminated at iteration number 6, because parameter estimates change by less than 0,001											

Source: SPSS Output version 25 (2021)

From data in Table 2 above, it could be concluded that the -2 Log likelihood value in the table above is smaller than the value in the chi-square table, namely 77.93052, so it can be concluded that H_a fit with the model.

Logistic Regression Test

Analyze data in this research also used logistic regression with the binary logistic regression procedure. The regression model used in the study was shown in this follow:

Table 3. Logistic Regression Test

Variables in the equation		B	S.E	Wald	df	sig.	exp (B)
step 1 ^a	Pres_FinSta	.063	1.666	.001	1	.070	1.065
	Oppo_InefMon	.838	3.684	.052	1	.020	2.311
	Ratz_ChgAud	1.699	1.164	2.130	1	.155	5.468
	Comp_ChgDir	.607	.885	.470	1	.018	1.834
	Arog_CeoPic	.140	.159	.778	1	.378	1.151
	ConVar_Siz	.145	.169	.735	1	.009	1.156
	ConVar_KomAud	-.479	.874	.301	1	.038	.619
	Mod_PolConn	-1.582	.859	3.391	1	.036	.206
	Press_PolCon	-1.195	1.806	.438	1	.508	.303
	Oppo_PolCon	-.335	3.327	.010	1	.019	.715
	Ratz_PolCon	1.001	1.228	.664	1	.415	2.720
	Comp_PolCon	1.406	.996	1.992	1	.016	4.080
	Arog_PolCon	-.135	.154	.766	1	.381	.874
	Constant	-2.359	6.010	.154	1	.695	.094

a. Variable(s) entered on step 1: Pres_FinSta, Oppo_InefMon, Ratz_ChgAud, Comp_ChgDir, Arog_CeoPic, ConVar_Siz, ConVar_KomAud, Mod_PolConn.

$$\text{Fraud}_{\text{FinStat}} = -2,359 + 0,063 \text{ FinSta} + 0,838 \text{ IneffMon} + 1,699 \text{ ChgAud} + 0,607 \text{ ChgDir} + 0,140 \text{ CeoPic} + 0,145 \text{ Siz} - 0,479 \text{ KomAud} + \epsilon$$

RESEARCH FINDING

Effect of Pressure as measured by the Financial Target on the Financial Statement (FS) of Fraudulent

Pressure as measured by FS proxies in this study doesn't have a significant effect on the company's financial statements. That could be seen in above table. The regression of logistic test above is sig. 0.070, which mean that it is above the 0.05 significance level, which mean that FS have no signification effect on FS of fraudulent. The component of the fraud pentagon perspective from the pressure side does not affect a person or group of people who have a high level of pressure and will affect the fraudulent of FS.

The effect of Opportunity as measured based on Effective Monitoring of the Fraudulent of Financial Statement (FS)

Based on the result of t-test, results between the Ineffective Monitoring variable and the Fraud Financial Statement shows the sig value. amounting to 0.020. smaller than the 0.05 significance level. So from this study the proposed hypothesis is accepted and it is concluded that effective monitoring have a positive and signification effect on the fraudulent finanvial statement. This means, the higher on ineffectiveness of the supervision, the greater to possibility from fraudulent of FS. Ineffective monitoring was the impact of supervision weakness, this provides an opportunity for company management, namely managers behave deviantly by carrying out earnings management (Andayani, 2010).

The existences of an independent BOC from outside the company in Beasley's (1996) study, it will increase the effectiveness of supervising management prevention financial statement of fraudulent. The statement was supported by the results of study by Diany (2014), however statement this ineffective monitoring factor have a positive effect toward fraudulent of FS.

Effect of Rationalization as measured by change in auditor to the Fraudulent of Financial Statement

This study, change a auditor hasn't positive and insignificant effect on the Fraudulent of FS. Based on the probability value of 0.155 which is higher than 0,05. From the study, proposed hypotheses is rejected and it is concluded that change an auditor hasn't effect and insignificant influence on the fraudulent of FS. This results in the study support to findings from Indarto & Ghozali (2016) which state that auditor changes do not show an impact on fraud on financial statements.

This is because the company's auditor changes only to meet government regulations regarding auditor rotation in each company. The company does not comply with these regulations by committing fraud. This result is probably due to the fact that the sample companies changed auditors, not because the company to reduce the detection of fraudulent of FS by the old auditors but rather because the company wanted to comply the regulations of the minister of finance of RI no.17/PMK.01/2008, whatever the the states is the provision of generalized audit services on the FS of an company may be carried out for maximize of six consecutively in financial years by the same accountant firm and three consecutive years by the the same auditor toward the same client (Tiffani and Marfuah, 2015).

The effect of Competence which is measured based on the change in board directors on the Ffraudulent of Financial Statement

Variable Competency as measured by the change in board directors proxy has no and insignificant effect on the fraudulent of FS. Based on the results of the probabilities value of 0,018 is smaller than 0,05. From the study proposed hypotheses is rejected and it is concluded that change in BOD hasn't significant effect on the fraudulent of FS.

This means that there is a change of director that hasn't effect on fraudulent of financial statement. If the change of directors are made because the previous director was unable to carry out his duties and responsibilities properly, there will be no effect on Fraudulent of FS. Supported accordingly from Hanifa & Laksito's (2015) statement, which states that if the highest stakeholders in the company want an improvement in company performance, it can be done by recruiting directors who are more competence than the previously director, so that this will have an impact on better company performance. Also a tendency to fraudulent of FS is very small.

The effect of Arrogance as measured based on the frequent number of CEO picture on the Fraudulent of Financial Statement

Hypotheses proposed in the stud was the frequently amount of CEO image has a positive and significant effect on the Fraudulent of FS. Based on these test results, probability value of 0.378 is higher than 0,05. This study the proposed hypotheses is r reject and it is concluded that the frequently number of CEO picture has no positive and significant effect on the Fraudulent of FS. This is because the CEO's photo displayed in annual report may be a form of transparency over who is in charge of company activities and as a form of participation and The responsibility of the management for every activity carried out by the company has no impact in the Fraudulent of FS. The result of the study testing are in line with the study of conducted by Aprilia (2017), Ulfah, Nuraina and Wijaya (2017) and Agustina and Pratomo (2019) which shows the number

of photo of CEO (CEOPIC) at annual financial reporting on financial statement of fraudulent has no effect on fraudulent of FS.

Moderating Political Connection between Pressure as measured by the Financial target against the Fraudulent Financial Statement

From a pressure point of view, the role of a political connection in a company doesn't effect on fraudulent of financial statement act. That is based on this result of the probability value test: 0,508 higher than 0.05, which means that the hypothesis in this study is rejected. Whether or not there are political connections in a company will not affect fraudulent financial statement actions. Political connections that are believed to increase fraudulent financial performance are not proven in this study.

Moderating Political Connection between Opportunity as measured based on Effective Monitoring of the Fraudulent Financial Statement

The results of testing the political connection variable as a moderate variable between the Ineffective Monitoring variable and the Fraud Financial Statement, it shows the sig value to 0.019, smaller than the 0.05 significance level. So from this study the proposed hypothesis is accepted and it is concluded that the political connection as moderate variable strength the relationship with effective monitoring & the fraudulent financial statement. This means that with a political connection that has an impact on a firm, the higher in the ineffectiveness of the supervision, the greater the likelihood of fraudulent in financial statement Ineffective monitoring is this result of weakness in supervision, this provides an opportunity for company management, namely managers behaving deviantly by performing earnings management or tax management, which is one of the actions of fraudulent financial performance.

Political Connection moderation between rationalization as measured by change in auditors to the fraudulent financial statement

In this study, the political connection as a moderate variable does not strengthen the relationship between change in auditor and Fraudulent of Financial Statement. Based on the probability value of 0.415, it is greater than 0,05. From the study proposed hypotheses is reject and it is concluded that the political connection does not strengthen the relationship between change in auditor and fraudulent of FS. The result of this study supported the findings accordingly by Indarto & Ghozali (2016), which show the impact on fraud on financial statements.

Political Connection moderation between Competence which is measured based on the change in board director against the Fraudulent Financial Statement

In this study, the political connection as a moderate variable strengthens between competence to the Fraudulent Financial Statement. Based on the probabilities value of 0.016, which is smaller than 0,05, the detection for Fraudulent of FS, competence can be measured by paying attention to the change in company directors (DCHANGE) which is moderated by a political connection which will strengthen the relationship between competence and financial statement of fraudulent. The study is in accordance with its study of Wolfe & Hermanson (2014) suggesting that change in the BOD will caused a period of stress which have impact on opening up opportunities for fraudulent Financial Statement (Siddiq et al., 2017).

Political Connection moderation between Arrogance which is measured based on the frequencies number of CEO pictures against the Fraudulent of Financial Statement

The hypotheses in this study is that political connection strengthens the relationship between arrogance with the fraudulent of financial statement. The probability value of 0.381 is greater than 0.05. From this study proposed hypotheses is rejected and it is concluded that the political connection does not strengthen the relationship with arrogance and the FFS. This is because arrogance has a good political connection, perhaps as a form of transparency on who is responsible. company activities and as a form of participation and responsibility of the leadership for any activity carry out by the company do not strengthen relationship between arrogance and fraudulent financial statements.

CONCLUSIONS

From the formulation of research questions, hypothesis testing and discuss presented in the description above, such us:

- a. Pressure which is measured based on the Financial Target on the Fraudulent Financial Statement in this study doesn't have a significant and positive influence, this means that the higher the pressure faced by the management of the company, it didn't affect the fraudulent of financial performance actions carry out by a management in the company.
- b. The effect of Opportunity as measured by Ineffective Monitoring on the fraudulent of financial statements in the study has a significant positive effect on fraudulent Of financial statement, and this means that ineffective control in company will improve management in carrying out fraudulent of financial statements.
- c. The effect of rationalization as measured by change in auditors to the fraudulent financial statement in the study has no positive and significant effect on Fraudulent of FS. This proves that the changes in auditors used by a company doesn't affect the level of fraud in the companies of financial statements.
- d. The effect of Competence as measured by the change in BOD on the fraudulent financial statement has a significant positive effect, that the change of members of BOD is very important to preventive toward Fraudulent of FS. The more frequent rotation of director change in a company, it will increase the prevention of performance of financial fraud.
- e. The effect of Arrogance as measured by the frequencies of number CEO pictures on this fraudulent financial statement has no effect on the fraudulent of FS. Because the CEO's photos displayed in the company's annual reporting may be a form of transparency over who is in charge of company activities.
- f. The moderating Political Connection between Pressure as measured by the Financial target against the Fraudulent Financial Statement. From a pressure point of view, the role of a political connection in a company does not affect fraudulent financial statement actions. Whether or not there are political connections in a company will not affect fraudulent financial statement actions.
- g. The moderating Political Connection between Opportunity as measured by Ineffective Monitoring strengthens the relationship between effective monitoring and the fraudulent financial statement. This means that with a political connection that has an impact in a firm, the greater ineffectiveness of the supervision, the higher the likelihood of fraudulent of financial statement.
- h. The moderating Political Connection between Rationalization and Fraudulent Financial Statement does not strengthen the relationship between change a Auditor and

fraudulent on Financial Statement Political connection has nothing to do with the professionalism of public accountants, in this case the change of auditors.

- i. Political connection strengthens the relationship between turnover of company directors to the Fraudulent Financial Statement. Detection of Fraudulent Financial Statement of ability (Competence) could be measured by paying attention to the change in company directors (DCHANGE) which is moderated by a political connection which will strengthen the relationship with competence and fraudulent financial statements.
- j. Political Connection does not strengthen moderation between Arrogance which was measurement in this frequencies amount of CEO pictures toward the Fraudulent of FS. This means, Arrogance was not influenced by the effect of the political connection in the company.

In this study, researchers realized that there were still many limitations as follows:

1. The study take data from the annual report companies and corporate financial reporting from IDX, especially the manufacturing industry, which only includes three sectors. Meanwhile, the Indonesian Stock Exchange consists of nine existing industrial sectors.
2. This study only collects data from firms listed in BEI, but companies in Indonesia, especially BUMNs, are not listed on IDX.

From the results of the discussion and conclusions above, the researcher can provide the following suggestions:

1. The companies studied on this research were manufacture industries in Indonesia, which are listed on the IDX_Indonesia Stock Exchanges. We recommend that you add some other existing companies.
2. In order for a research model on the factors that influence the Fraudulent Financial Statement to be developed, especially those related to the government's plan to increase industrial and economic growth.

Research with a period of more than three years should be carried out as in this study

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