

# Portrait of the Polemic of Fraud In Conventional and Sharia Insurance Company

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## ABSTRACT

This study examines the effect of fraud on insurance companies, both conventional and sharia insurance, from 2017 to 2021. This study aims to describe the existence of fraud committed through systems or humans, whether intentional or unintentional, even in Conventional and Sharia Insurance companies. The independent variables used are financial stability, financial targets, manager supervision ineffectiveness, auditor turnover, board turnover, and dualism positions. The insurance companies sampled in this study are listed on the Indonesia Stock Exchange and meet the criteria in this study. This study shows that financial stability affects fraud detection in financial statements. External pressure affects fraud detection, while the external pressure variable, ineffective supervision, auditor replacement, director change, and dualism position do not affect detecting fraudulent financial statements.

**Keywords:** Fraud, Financial Stability; External Pressure; Ineffective Supervision; Change Of Auditor; Change Of Directors; Dualism Position.

## *Potret Polemik Fraud Pada Perusahaan Asuransi Konvensional dan Syariah*

### ABSTRAK

Penelitian ini mengkaji pengaruh fraud pada perusahaan asuransi, baik asuransi konvensional maupun syariah, dari tahun 2017 hingga 2021. Penelitian ini bertujuan untuk mendeskripsikan adanya fraud yang dilakukan melalui sistem atau manusia, baik disengaja maupun tidak disengaja, bahkan pada perusahaan Asuransi Konvensional dan Syariah. Variabel bebas yang digunakan adalah stabilitas keuangan, target keuangan, ketidakefektifan pengawasan manajer, pergantian auditor, pergantian dewan, dan dualisme jabatan. Perusahaan asuransi yang dijadikan sampel dalam penelitian ini terdaftar di Bursa Efek Indonesia dan memenuhi kriteria dalam penelitian ini. Penelitian ini menunjukkan bahwa stabilitas keuangan mempengaruhi deteksi kecurangan dalam laporan keuangan. Tekanan eksternal berpengaruh terhadap pendeteksian kecurangan, sedangkan variabel tekanan eksternal, pengawasan yang tidak efektif, pergantian auditor, pergantian direktur, dan posisi dualisme tidak berpengaruh terhadap pendeteksian kecurangan laporan keuangan.

**Kata Kunci:** Penipuan, Stabilitas Keuangan; Tekanan Eksternal; Pengawasan yang Tidak Efektif; Perubahan Pemeriksa; Perubahan Direksi; Posisi Dualisme.

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## INTRODUCTION

In this era of digitalization, more and more fraud occurs in companies operating in all fields. The greater the assets owned by the company and the lower the internal control system implemented in the company, the more opportunities for fraud, intentional and unintentional, and fraud committed by people or systems. While the practice of corporate fraud, known as fraud on financial statements, is possible to be carried out by employees who are in this field. Various cons significantly reduce the confidence of interested parties in the reliability and objectivity of financial statements. This fraud has more of an impact on investors due to irrational decisions and affects the failure to repay loans to creditors. This fraud case involves financial markets, company financial information, and the accounting profession. (Saftarini *et al.*, 2015)

Responding to the human lifestyle according to the times and technology allows many risks in life, so many people protect themselves by using insurance according to their needs and perceived conditions. In their minds, insurance is considered as protection to anticipate losses that will occur in the future. If a failure occurs due to an accident, the company does not have to worry about paying extra fees to replace the damaged or loss (Puspitasari, 2016). Insurance offers many benefits with various policies for its users. Insurance is insurance resulting from an agreement between two mutually agreed parties, where the policyholder is obliged to pay insurance premiums regularly. Insurance theory is a tool to reduce financial risk so that the losses experienced can be predicted and borne by the insurance service provider (Sunarsih & Fitriyani, 2018).

Insurance companies must provide transparent financial statement information as the essential foundation for various internal and external parties to evaluate the company's performance and financial condition (Rahman & Fatwa, 2022). Economic reports from the company's interior side in management are a basis for decision-making and external parties to inform investors and creditors about the company's financial performance and condition during a specific period (Prakoso & Akhmadi, 2020). Financial statements provide information used as material to consider decisions for the future period managers make in decision-making policies regarding the company's financial condition (Kristiana, 2016).

Statement of Financial Accounting Standards (PSAK) No. 1 describes the requirements for compiling and presenting financial statements based on the applicable Financial Accounting Standards (SAK) (Arista, 2022). Information from the company must be designed by SAK and produce reports to meet the interests of information users. Companies try to improve performance within a certain period of financial statements. However, the results of financial statement performance sometimes prioritize getting interested from information users to achieve company profits (Oktavianti, 2017).

Fraud that takes place in insurance companies can be intentional and unintentional. In contrast, corporate fraud, known as a fraud on financial statements, is very likely to be carried out by employees in this field. Various significantly reduce the confidence of interested parties in the reliability and objectivity of financial statements. This fraud has more impact on investors due to irrational decisions and affects the failure to repay loans to creditors. This fraud

case involves financial markets, company financial information, and the accounting profession (Saftarini *et al.*, 2015).

Several fraudulent practices on financial statements also took place in Indonesia, which worsened the relationship of trust between management and investors. The 2016 Association of Certified Fraud Examiners (ACFE) survey found that Indonesia's financial services and insurance companies were the most involved in financial statement fraud compared to other industries (Dellaportas, 2013). Financial services and insurance companies are significantly vulnerable to financial statement fraud problems (Rohmatin *et al.*, 2021).

Efforts to prevent fraud in insurance service companies must be made by conducting a risk assessment. Insurance sector companies risk potential losses caused by specific events (Kristiana & Sopacua, 2021). Risk occurs because of the uncertainty associated with events that have the possibility of triggering financial losses. Financial risks in the insurance industry, including operational risk, market risk, and credit risk, are often complicated turbulence for the decline in company performance. Operational risk is the risk of loss from failing internal processes, human resources, and the company's external systems (Hanafia & Karim, 2020).

This study is based on the fraud model because there is a significant factor in finding fraud on financial statements: the arrogance factor. The results of a survey by ACFE (2010) show that the company owner often carries out fraud that occurs to be the cause of his arrogance; they assume that the company's regulations and internal controls will not affect him. Research Kolamban *et al.* (2020) reveals that corporate leaders are highly confident and persuasive CEOs with solid egos and high interests. So that to maintain profits and share prices, the company can encourage employees to aggressively meet their performance expectations (Saputro *et al.*, 2016).

The principal expects the company's financial performance to increase in the form of a high return on investment. At the same time, the agent intends to get compensation (incentives) more significant than the performance results that management has done during a specific period. Such incentives usually include plans for senior executives to acquire shares at lower prices, there by aligning the executive's financial interests with those of investors (Dewi *et al.*, 2021). This happens because the goods between the principal and the agent are different, referred to as a conflict of interest (Dorward *et al.*, 2021).

Fraud in financial statements consists of misrepresenting numbers, inaccurate information, and company directors or management involvement (Rohmatin *et al.*, 2021). The discrepancy in the presentation of data with the actual conditions in the financial statements is the cause of significant losses causing significant losses for investors where the investments made by them may not provide the expected results. This fraud occurs when a company is in a deteriorating financial condition, but it is required that financial statements be adequately presented (Suryadi *et al.*, 2020). Financial statement fraud is likely to increase during the current economic conditions and emphasize the importance of research on tackling fraud (Birton & Sholihin, 2018).

Red flag risk factors related to fraud on financial statements based on Statements Auditing Standard (SAS) No. 82 can be classified into three categories, namely the characteristics and influence of management on environmental

controls, industrial conditions that have an impact on the company's economic operations, as well as operational aspects and financial stability related to the nature and complexity of the entity and its transactions, financial condition of the entity, and profitability (Priestnall et al., 2020).

According to Tessa (2016), this research was based on the general factors included in the fraud component by testing the effect of fraud on the restatement of financial statements. The research sample is financial and banking sector companies listed on the Indonesia Stock Exchange (IDX). Previous research is deemed less relevant when using this sample because the banking sector has several other financial test tools that may affect financial statement fraud. Still, these test tools cannot be applied in the financial industry. The arrogance proxy uses the CEO's image frequency proxy, while this study uses the dualism position proxy (multiple positions). This concurrent position describes a director with other jobs inside and outside the company. This study is different from previous studies that used a sample of companies in the financial and banking sectors; this study used a selection of companies in the insurance sector, both conventional and sharia.

Fraud theory always develops along with the many cases of fraud that always appear with the digitization method, which can only be done with special techniques (Boyle *et al.*, 2015). Fraud explained that pressure, opportunity, rationalization, capability, and arrogance could be the driving force for fraud. This fraud theory always develops as fraud increases, and it is easy to access company assets (Saftarini *et al.*, 2015).

Insurance theory is an agreement between two or more parties, where the insurer binds himself to the insured by receiving insurance premiums to provide compensation to the insured due to loss, damage, or loss of expected profits or legal liability to third parties who may be suffered by the insured arising from an uncertain event, or to provide payment based on the death or life of the insured person (Hafid, 2016).

Assets describe the company's wealth which can show a company's view of the net worth of assets owned in the long term. Calculate the change in the company's total assets to the previous total assets. Total assets can measure the size of the company. The higher the total assets, the more likely it will increase fraudulent financial statements. Research in line with research (Sunarsih & Fitriyani, 2018) shows that if there is a more significant change in total asset ratio, the higher the indication of fraudulent financial statements. This research is in line with previous research (Husnimubaroq, 2019) proving that financial stability significantly affects signs of financial statement fraud.

H<sub>1</sub>: Financial stability has a positive effect on fraud on financial statements.

Pressure can occur when companies need additional funds or external funds to remain competitive, including paying for research and expenditures and capital (Priestnall et al., 2020). To get additional funds, one must present good financial ratios and profitability to attract investors. In this study, external pressure on borrowing funds uses a leverage ratio proxy. The loan and credit risks are significant when a company's leverage is high. Having a greater credit risk is concerned with the company's inability to write off its capital loans. Therefore, the

company must be able to repay the loan. This is one of the reasons managers commit fraudulent actions on financial statements (Fitriyani *et al.*, 2021)

H<sub>2</sub>: External pressure has a positive effect on fraud on financial statements.

Fraudulent financial statements involve management who may directly or indirectly commit fraud in accounting records so that financial information is irrelevant by ignoring controls or directing employees to commit fraud. The company needs an independent board of commissioners to monitor the company's running and minimize fraudulent actions that occur. In addition, the independent panel of commissioners and the users of financial statements do not have a special relationship. Research (Meilida & Mustikasari, 2018) states that the lack of control from the company's internal parties creates a different opportunity for some parties to commit fraud on financial statements. The higher the company's supervision level, the less likely it will increase financial statement fraud (Husnimubaroq, 2019).

H<sub>3</sub>: Ineffective supervision has a negative effect on fraud on financial statements.

Rationalization is an individual's behavior that justifies himself for his wrong actions. Fraud theory explains management's rationalization attitude by changing KAP because fraud in the previous period was not revealed (Zager *et al.*, 2016). This study proxies rationalization with auditor turnover. The change of auditors referred to here is the difference between external auditors in auditing. Through the audit process, it is possible to identify companies that have committed fraudulent acts. Suppose a company does not immediately replace the previous auditor. In that case, a company can trigger the auditor to understand the risks and business processes within the company so that they can detect fraudulent actions by the company (Suh *et al.*, 2019). The company is likely to prevent fraud by changing auditors to cover up more frequent fraud.

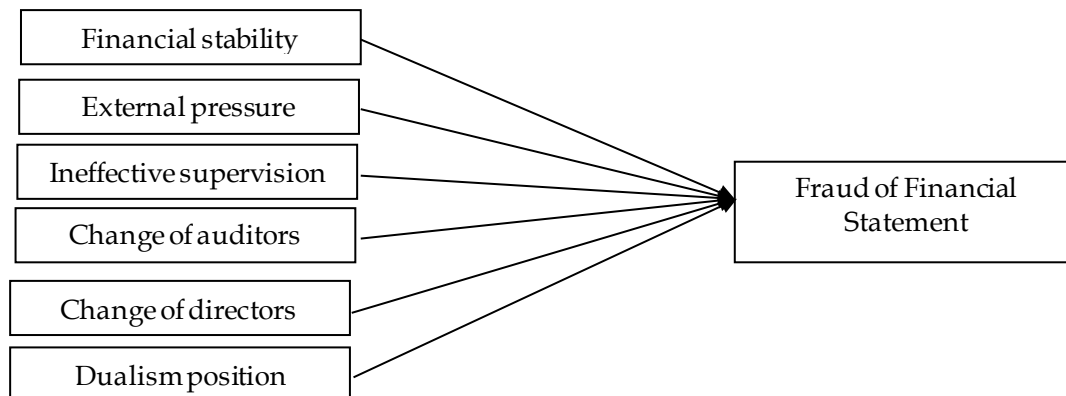
H<sub>4</sub>: Changes of auditors has a positive effect on fraud on financial statements.

Fraud theory explains the capacity of the board of directors to the company so that more information is obtained to commit fraud. Capabilities are how much a person's ability in a company is to commit fraudulent acts (Maria *et al.*, 2017) Change of directors as a proxy for the company's capabilities based on the General Meeting of Shareholders (GMS) results. This change of directors is a proxy for capability. The evolution of directors becomes a political matter and triggers a conflict of interest among certain parties. Research by (Boyle *et al.*, 2015) explains that there are indications of fraud if the right person can understand the benefits of existing opportunities.

H<sub>5</sub>: Changes of directors has a positive effect on fraud on financial statements.

Dualism as a proxy for arrogance is the condition of a director who has other positions inside and outside the company. A CEO is expected not to have multiple parts so that the company's performance remains good. Various functions can also interfere with the performance of members of the board of directors because they are too busy and unfocused. Based on research (Zager *et al.*, 2016) the duality position is the cause of poor corporate governance. The CEO cannot perform a supervisory function separate from his interests. The more concurrent classes by the board of directors tend to increase financial statement fraud (Boyle *et al.*, 2015).

H<sub>6</sub>: Dualism position has a positive effect on fraud on financial statements.



**Figure 1.** Research Framework

Source: ResearchData, 2021

## RESEARCH METHODS

This study uses secondary data sourced from the company's annual report through the audit process. The population and sample of this study used all insurance service companies listed on the Indonesia Stock Exchange (IDX) from 2017 to 2021. The companies used in this study were companies that had gone public; insurance companies consisted of conventional and sharia insurance with various types. Existing insurance includes life, health, vehicle, education, investment, accident, corporate, and old-age insurance (Rahman & Fatwa, 2022).

Financial stability is a description of the company's stable financial condition. Managers face pressure on financial stability threatened by an economic, industrial, or entity operating condition (Prakoso & Akhmadi, 2020). Management strives to take action so that the company's financial stability remains stable. The increase in fraud on financial statements by managers gives the impression of financial stability (Saftarini et al., 2015).

This study uses the dependent variable of financial statement fraud as proxied by the restatement of financial statements. The results of research by (Liang et al., 2015) explain that the restated financial statements can indicate that there is fraud in the financial statements. Empirically, fraud that occurs in companies, including banks, has only been revealed ex-post facto. Based on previous research, the restatement of financial statements as a proxy for indications of fraud is due to the difficulty in obtaining accurate data from companies experiencing fraud.

Some of the conditions that became the background for the restatement of the financial statements were changes in estimates and accounting policies due to the application of the Statement of Financial Accounting Standards (PSAK). Other basis conditions are reclassification, fundamental errors and transactions with particular parties. The restatement of financial statements is measured by a dummy variable, code 1, which means that there is a restatement of financial statements and code 0 which means that there is no restatement of financial statements.

The form of fraud on financial statements is one of the management actions regarding the growth of company assets (Suryadi et al., 2020). This condition is seen based on total assets in a stable condition so that investors are interested in investing. Financial stability in this study is proxied by change, namely the ratio of changes in assets for two years with the formula.

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

The pressure to meet external parties carried out by the management is external. Such as the ability to fulfill the requirements for listing on the stock exchange, paying debts, or fulfilling debt agreements. External pressure in this study is proxied by the leverage ratio (LEV). Calculation of the leverage ratio with the following formula.

$$LEV = \frac{Liabilities}{Total\ assets}$$

Opportunity is a condition in which a person has the opportunity to commit a crime or fraud (Septriani, 2018). This condition usually occurs due to ineffective supervision, abuse of authority and position, and weak internal control. In this study, a proxy for management effectiveness is used to determine the opportunities.

Ineffective supervision is a condition in which there is no effective supervision system. Weak supervision occurs because of management domination by individuals or small groups, without compensation controls, inadequate supervision by the board of directors, independent commissioners in the financial reporting process, and ineffective internal controls (Annisya et al., 2016). Research by (Saftarini et al., 2015) suggests that the high level of fraud in Indonesia is caused by poor supervision that leads to unique opportunities to commit fraud.

$$INBOUNT = \frac{Number\ of\ Independent\ Commissioners}{Total\ Number\ of\ Commissioners}$$

Rationalization is an attitude that considers suitable for an act of fraud or crime. The party who does it feels that the action taken is not fraud but an act that is their right; even the party considers himself a service to the company (Rohmatin et al., 2021). The rationalization in this study uses a proxy for auditor turnover.

Auditor replacement can be evaluated as an act of eliminating traces of fraud (fraud trail) that the previous auditor had previously detected to cover up fraud (Suh et al., 2019). Auditor turnover is measured by a dummy variable, coded one if there is a change in auditors during the 2017-2021 period and code 0 if there is no auditor change during the 2017-2021 period.

Capability is the ability possessed by a particular person. Opportunity is a door to committing fraud, while pressure and rationalization can encourage someone to commit fraud. However, fraud perpetrators must be able to detect opportunities as opportunities for profit-taking. In this study, the capability is proxied by the change of directors (Suryadi et al., 2020). A change of directors is a change in the principal director or CEO that can trigger a stress period to open up opportunities to commit fraudulent actions (Tessa & Harto, 2016). The measurement used in this variable uses a dummy variable where code 1 has a

change in directors during the 2017-2021 period; otherwise, code 0 if there is no change in directors during that period (Hidayat, 2021).

The nature of self-superiority over their rights and assuming that internal control and company regulations do not apply to themselves is called arrogance; arrogance tends to be associated with someone in a high position in a company. In this study, dualism is positioned as a proxy for arrogance (Wardani & Susilowati, 2020). A dualism position is a dual position on a company director. The measurement of position dualism is by analyzing the foremost directors or CEOs who have concurrent positions as an indicator variable using a dummy variable where the value is one if there are multiple positions and 0 if there are no current positions.

The first criterion in selecting a sample that meets the criteria is the insurance sector companies listed on the Indonesia Stock Exchange (IDX) during the 2017-2021 period, as many as 149 companies. The second criterion is companies that do not publish the annual report during the 2017-2021 period. Thirty-one companies that do not meet these criteria are companies that have not presented a yearly report in 2021. The third criterion is companies that do not provide complete data, so they do not support research. A total of 33 companies did not present the information used as a variable in this study, such as the position of the CEO, which was not shown in the annual report.

**Table 1. Descriptive Statistics Test Results**

Variable	N	Minimum	Maximum	Mean	Std.Deviation
FFR	85	0.00	1.20	0.28	0.55
ACHANGE	85	0.20	0.26	0.49	0.28
LEVERAGE	85	0.55	0.84	0.65	0.06
INDBOUNT	85	0.43	0.85	0.59	0.15
CPA	85	0.00	1.10	0.27	0.45
DCHANGE	85	0.00	1.05	0.30	0.56
DUALISM	85	0.00	1.00	0.24	0.32

Source: ResearchData, 2021

Variables CPA, DCHANGE, and DUALISM, whose measurement uses a dummy variable with the highest number being one while the lowest number is 0. The CPA symbol representing auditor turnover shows an average value of 0.27, while the value for the standard deviation is 0.45. The average value of the change of directors variable symbolized by DCHANGE is 0.30, while the standard deviation value is 0.56. The analysis results of the dualism position illustrated by DUALISM show an average value of 0.24 while the standard deviation value is 0.32.

**Table 2. Hosmer and Lemeshow Test**

Step	Chi-square	Df	Sig.
1	10.805	8	0.329

Source: ResearchData, 2021

The Hosmer and Lemes How Test results show that the Chi-square value is 10,805, and the significance value is 0.329. These results can predict the observation data because the significance value is more than 0.05, or the model fits the data and can be accepted to continue the subsequent analysis.



**Table 3. Test Results Assess the Overall Model**

Iteration		-2 Log-likelihood	Coefficients	
			Constant	
Step 0	1	81.929	-0.934	
	2	81.752	-0.956	
	3	81.752	-0.956	
	4	81.752	-0.956	

Source: ResearchData, 2021

The result of the initial -2 Log Likelihood value is 81.752. Then for the value of -2, the final Likelihood Log is shown in the following table:

**Table 4. Test Results Assess the Overall Model**

Iteration		2 Loglikelihood	Coefficients	
			Constant	
Step 0	1	69.842	-2.527	
	2	67.580	-2.562	
	3	67.580	-2.562	
	4	67.580	-2.562	
	5	67.580	-2.562	

Source: ResearchData, 2021

The result of the value of -2 Log-likelihood is 81.752. Then the second -2 Log Likelihood value is 67.580. A decrease in the value of -2 Likelihood of 14.042 shows that the hypothesized model fits the data or regression value better.

**Table 5. Coefficient of Determination Test Results**

Step	2Loglikelihood	Cox & Snell R Square	Nagelkerke R Square
1	67.580	0.153	0.675

Source: ResearchData, 2021

Based on the SPSS output, the resulting Nagelkerke R Square value is 0.675, meaning that the variability of the dependent variable that the independent variable can explain is 67.5%. Meanwhile, the remaining 32.5% is explained by other factors not described in this study, such as the nature of the industry, financial targets, and organizational structure.

**Table 6. Classification Matrix**

Step 1	Observe	Predicted			Percentage Correct
		Restatement		Percentage Correct	
		No Fraud	Fraud		
Restatement	No Fraud	62	4	92.1	
	Fraud	12	7	45.2	
Overall Percentage				80.2	

Source: ResearchData, 2021

The results of the classification matrix show the ability of the logistic regression model to predict the possibility of fraud at the model prediction level of 80.2%. Fraud that the model cannot explain is 92.1%, and fraud that the model can predict is 45.2%. The model's predictive ability with variables of financial stability, external pressure, ineffective supervision, auditor turnover, change of directors, and dualism position is statistically 45.2%.

From 2017 to 2021, 62 companies did not restate their financial statements, while four companies indicated that they had committed fraud with the assumption of translating the financial statements. The classification table shows as many as 12 companies with restated financial statements. However, the companies are not indicated to have committed fraud, and companies that have restated financial statements based on the classification table are 7.

**Table 7. Logistics Regression Coefficient Test Results**

Variable	B	S.E	Wald	Sig.
ACHANGE	12.324	4.781	6.202	0.006
LEVERAGE	2.655	9.733	0.606	0.653
INDBOUNT	-1.549	3.249	0.293	0.825
CPA	0.234	0.782	0.441	0.735
DCHANGE	-0.866	0.772	1.637	0.248
DUALISM	-1.343	0.920	2.102	0.156
Constant	-2.956	8.502	0.130	0.724

Source: ResearchData, 2021

$$Z_i = 8,502 + 12,324 \text{ ACHANGE} + 2,655 \text{ LEVERAGE} - 1,549 \text{ INDBOUNT} + 0,234 \text{ CPA} - 0,866 \text{ DCHANGE} - 1,343 \text{ DUALISM}$$

Based on this equation, the regression coefficient values of the supervisory ineffectiveness variable (INDBOUNT), change of directors (DCHANGE), and dualism position (DUALISM) have negative values, which means that these variables have a negative direction in detecting fraudulent financial statements. The variables of financial stability (ACHANGE), external pressure (LEVERAGE), and auditor turnover (CPA) have positive values, which indicate these variables have a positive effect on detecting fraud on financial statements.

The results of this regression analysis indicate that only the financial stability variable (ACHANGE) has a positive and significant effect on the dependent variable with a value of 0.006 (sig. <0.05). The variables of external pressure (LEVERAGE), ineffective supervision (INDBOUNT), auditor turnover (CPA), change of directors (DCHANGE), and dualism position (DUALISM) showed an insignificant relationship with a significant value of more than 0.05.

These results indicate that the company's financial condition is unstable, and there is a higher possibility of the company committing fraud on the financial statements. By agency theory, management seeks to maintain the stability of the company's financial condition in various ways. There is pressure for companies to get much capital from investors. These results are in line with research (Saftarini et al., 2015) which explains that relatively few total assets in companies motivate the company to increase the number of help, but to achieve these goals can trigger pressure for management. for manipulation of financial statements. This result is also in line with research (Rohmatin et al., 2021) which shows that increasing total assets can indicate financial statement fraud. This study is not in line with the research results (Boyle et al., 2015) because managers do not always manipulate financial statements to increase prospects when conditions are unstable.

The negative relationship between external pressure and fraudulent financial statements is caused by the high pressure felt by management which will be responsible for various parties, thereby reducing the desire of management to commit fraudulent financial statements. This result is consistent with the research

(Maria et al., 2017) which explains that the leverage ratio in the insurance industry may not be relevant if it is used as an indication of fraud in financial statements because the company's debts are primarily from third-party funds that have higher interest costs. Lower than other debts, the bank can still repay its debts with increased assets. Another way that companies do to get additional capital is to issue shares back in addition to adding debt. However, the results of this study are not in line with (Ulfah et al., 2017), which shows that there is an effect of leverage ratios on financial statement fraud; this is due to differences in measurement methods. Insurance companies are not asset-intensive, heavily leveraged and of larger board size due to regulation of financial service authority (OJK)

The ineffectiveness of supervision is possible due to the increase in the number of independent commissioners only as a formal condition of the Indonesia Stock Exchange, which requires at least 30% of the number of independent commissioners from the number of commissioners. These results only use proportions not based on the function and role of the independent board of commissioners in detecting fraudulent financial statements (Ningsih, 2020). This study is not in line with (Fitriyani et al., 2021) that to minimize fraudulent actions in financial statements, reasonable supervision procedures can be carried out as the board of commissioners has the task of ensuring the implementation of the company's strategy, supervising management, and requiring the achievement of accountability.

This study aligns with the research results (Conroy et al., 2010) that auditor turnover has no significant effect on fraud on financial statements. The company replaces the auditor not to reduce the detection of financial statements by the previous auditor. However, the company applies Government Regulation of the Republic of Indonesia No. 20 of 2015 article 11 paragraph 1 concerning public accounting practices which explains that audit services on financial statements to an entity by a public accountant are limited for 5 (five) financial years.

There is a change in auditors that can be caused because the public accountant has finished his service period. Auditor changes can also be carried out due to company dissatisfaction with the previous independent auditor's performance to benefit future performance, such as audit results (Sunarsih & Fitriyani, 2018). This result is not in line with research (Ulfah et al., 2017) which explains that the auditor turnover variable has a significant effect on fraud on financial statements. When the company wants to hide unfair things, it can replace its independent auditor so that it is not known to the public with a lower quality auditor than the previous auditor.

This study provides test results on the change of directors with a significance value of 0.205 at  $\alpha = 0.05$ . The beta coefficient is -0.966, which means it has a negative direction. These results resulted in Hypothesis five not being accepted because the change of directors had no significant effect in detecting fraudulent financial statements. The results of this study are in line with research conducted by (Meilida & Mustikasari, 2018). A company changes directors not to cover up fraud that previous directors have committed. However, the highest stakeholder in the company performs better by changing directors who are considered more competent and highly innovative than the previous directors, which can improve company performance.

The significance value in the dualism position variable test is  $0.142 > 0.05$  with a beta value of  $-1.350$ , which means it has a negative direction. The dualism position has no significant effect in detecting fraudulent financial statements, so this hypothesis is not accepted. This study aligns with research conducted by (Suh et al., 2019) that the dualism position variable has no significant effect on fraud on financial statements. This study concludes that the high or low value of the dualism position does not affect the occurrence of fraudulent financial statements. Directors with dual positions are more likely to take advantage of their positions to improve performance and keep the company's performance afloat. Meanwhile, directors who do not have concurrent positions prioritize their work so that their performance looks good (Zager et al., 2016).

## CONCLUSIONS

Financial stability has a positive and significant effect on detecting fraud on financial statements during 2017-2021. The higher the value of financial stability will increase fraudulent financial statements. External pressure has a positive but not significant effect in detecting fraud on financial statements during 2017-2021. it means that the higher or lower the value of external pressure does not increase financial statement fraud. The ineffectiveness of supervision has a negative but not significant effect on fraudulent financial statements during 2017-2021. it means that the high or low value of supervisory ineffectiveness does not tend to increase indications of financial statement fraud; on the contrary, it tends to decrease symptoms of financial statement fraud.

Auditor turnover has a positive but not significant effect in detecting fraudulent financial statements during 2017-2021. The high or low value of auditor turnover does not increase indications of financial statement fraud. The change of directors has a negative and insignificant effect on detecting fraudulent financial statements during 2017-2021. It means that the high or low value of the turnover of directors does not tend to increase indications of fraud in financial statements; on the contrary, it decreases symptoms of fraud in financial statements. Dualism has a negative and insignificant effect in detecting fraudulent financial statements from 2017-to 2021. it means that the high or low value of multiple positions does not increase the potential for fraudulent financial statements; on the contrary, it reduces indications of fraudulent financial statements.

This study has limitations that affect the final result of the investigation. In this study, many companies do not display the information needed in this research variable, so the number of company samples is reduced. This study uses a proxy for a restatement of financial statements due to difficulties in getting access or knowing conventional and sharia insurance companies.

Future research is expected to use other dependent variable measurements such as Discretionary Accrual or Fraud Model Score and add proxy variables for fraud such as external auditor quality, institutional share ownership, and industry characteristics to expand the scope of research variables. Further researchers can also use other accounting approaches such as behavioral accounting that uses primary data so that the data obtained is more accurate.

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