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Fraud Triangle Perspective on Financial Statement Fraud with Quality Audit as a Moderating Variable

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Financial Stability; Financial Targets; External Pressure; Financial Statement Fraud; Quality Audit.

ABSTRACT

Financial Statement Fraud is a significant problem in the financial sector, where companies deliberately misrepresent their financial information to deceive stakeholders. Therefore, this study aims to analyze the perspective of Financial Stability, Financial Targets, and External Pressure on Financial Statement Fraud with Quality Audit as a moderating variable. The population in this study is all companies in the Primary Consumer Goods sector, which numbered 87. After the normality test, the samples used were 60 companies. Based on the regression test results, three variables have no significance on fraud's financial statement. The auditor quality variable does not moderate the relationship between financial stability, financial targets, and external pressure to financial statement fraud. Although financial stability, financial targets, and external pressure do not directly affect financial statement fraud, companies can prioritize financial risk management by focusing more on other aspects that may significantly impact financial statement fraud.

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INTRODUCTION

The company's performance is reflected in a series of business processes recorded in financial and non-financial statements during a certain period. Financial statements assess company owners' management achievements but must be presented honestly and accurately so as

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not to mislead stakeholders. Financial information must be submitted appropriately and reasonably to understand the company's condition in the previous and current period and its future direction. However, financial statements can be a tool that is vulnerable to fraudulent practices, namely actions that benefit oneself, groups, or other parties, especially through alteration, falsification, or manipulation of accounting records. Companies can improve their performance image through financial reporting. However, sometimes, financial statements are more focused on creating a positive impression, which can encourage manipulation and present adverse information (Tessa & Harto, 2016).

According to the results of the Indonesian Fraud Survey (SFI), corruption is ranked first is corruption with a total of 167 cases with a total loss of IDR 373,650,000,000; the second rank is asset misuse, with a total of 50 cases with a total loss of IDR 257,520,000,000, and in third place is financial statement fraud with a total of 22 cases with a total loss of IDR 242,260,000,000. Another fact found in this fraud survey is that fraud is carried out by internal companies, namely at all levels of positions, namely employees, owners, and managers with the most service period of 6-10 years with a high educational background (ACFE Indonesia, 2019).

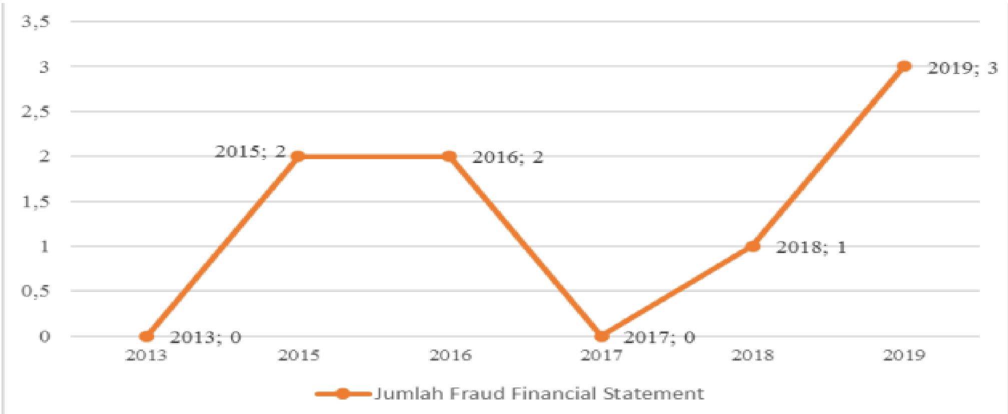

Figure 1. Number of Financial Statement Fraud in 2015 – 2019 Published in the Mass Media

Source: Research Data, 2021

Financial statement fraud is not new in many companies (Agusputri & Sofie, 2019). The findings of a survey by ACFE indicate that financial statement fraud occurs across all industrial sectors. The industrial sector had the most cases of financial statement fraud in construction industry companies at 16% in 2018, which increased 2020 to 25% (ACFE, 2018; 2020). Many factors are behind management committing fraud, including a conflict of interest between management, acting as agents, and investors, acting as principals, who frequently have divergent interests (Rahmayuni, 2018).

The factor that causes financial statement fraud is financial stability, which is a picture of the stability or not of a company's financial condition. Management consistently employs various strategies to maintain and enhance the company's financial stability. This puts pressure on management, particularly when the company's financial health is at risk, prompting them to engage in financial statement fraud (Aprilia, 2017). Loebbecke and Bell (Skousen et al., 2011) indicate that companies with growth below the industry average permit management to manipulate financial statements to enhance the company's outlook. Beasley et al. in (Skousen et al., 2011) said one way to manipulate financial statements involves altering asset growth. Thus, the rate of change in total assets serves as a proxy for the financial stability variable (Skousen et al., 2011). It also confirmed the view that an increase in the ratio of changes in a company's total assets raises the likelihood of financial statement fraud.

The second factor is the financial target, where management is often under pressure to show that the company has good value through good asset management and generates high profits so that the company will provide high returns to investors. With this goal, the company will try to present good financial statements by justifying all means, including committing fraud actions to cover up poor financial stability conditions (Tiffani, 2009). A change is a proxy of financial stability as measured by the rate of change in total company assets (Sihombing & Rahardjo, 2014). The study (Suryani, 2019) used financial stability variables to detect fraud in financial statements. According to SAS No. 99 (AICPA, 2002), a financial target can create a risk of excessive pressure on management to meet goals established by directors or executives, which often includes the aim of earning incentives based on sales and profits.

The third factor is external pressure, based on previous research by (Safiq & Seles, 2019) demonstrating that external pressure influences financial statement fraud. These findings originate from research carried out by (Sihombing & Rahardjo, 2014). This study aims to analyze financial statement fraud detection using Pentagon factors, namely external pressure. Based on the data that has been concluded, external pressure has been proven to affect financial statement fraud positively. Company management will feel pressured by high credit risk and the high leverage ratio owned by the company. Studies carried out (Rachmania, 2018) and (Suryani, 2019) show that external pressure proxied with leverage is proven to affect financial statement fraud.

Through updates related to audit quality variables as moderation, this study aims to strengthen and improve understanding of the relationship between certain factors in the audit context with more accurate and reliable final results. With the concept of audit quality, researchers hope to provide a more in-depth view of the role of moderation in improving overall audit quality. Research on financial statement fraud has been widely conducted in Indonesia, including triangle, diamond, pentagon, and hexagon fraud. However, there are still inconsistencies in the results, so this study intends to provide additional variables in Auditor Quality.

LITERATURE REVIEW

In today's modern economy, the management of enterprises is separated from private ownership. This theory explains the relationship between owners and managers (Felix, 2017). The agency model is considered one of the oldest theories in the management and economics literature (Tate et al., 2010). This aligns with agency theory, highlighting the significance of business proprietors delegating company administration to skilled professionals, also known as agents or managers. The aim of segregating management from company ownership is to ensure that owners attain optimal profits at the most efficient expense by employing skilled professionals to accomplish these objectives. The agents or managers are entrusted with advancing the company's interests and possess leeway in managing its affairs; thus, they effectively serve as representatives of the shareholders. Agency theory acknowledges the emergence of conflicts of interest between managers and shareholders (Teng & Hachiya, 2013).

Management is often under pressure to show that the company has good value through good asset management and generates high profits so that the company will provide high returns to investors. With this objective, the company will try to present good financial statements by justifying all means, including committing fraud, to cover up poor financial stability conditions (Tiffani, 2009). If a company's financial stability is in question, management might feel pressured to adjust financial statements to portray a more favorable outlook, which can lead to fraudulent financial reporting (Sinarti & Nuraini, 2019). Research indicates that the financial stability of manufacturing firms has an impact on the occurrence of financial statement fraud; greater financial stability correlates with a reduced likelihood of fraudulent activities (Hidayah & Sayekti, 2023). Detecting fraud in financial statements can be facilitated by assessing financial stability (Suryani, 2019).

Management is under pressure to meet financial targets set by shareholders. When these targets cannot be achieved, management may feel compelled to manipulate financial statements to make their performance look better than it is (Anisykurlillah et al., 2023; Fitriana et al., 2024; Setiawan & Trisnawati, 2022). Aggressive financial targets may compel management to engage in financial statement manipulation in order to achieve them (Meihendri et al., 2023; Safiq & Seles, 2019). Although financial stability is vital for an organization, it is not a direct factor that causes fraudulent activity (Fitriana et al., 2024). Studies show that financial targets positively influence financial statement fraud (Mardiani et al., 2017).

H1: Financial stability affects financial statement fraud

H2: Financial targets affect financial statement fraud

External pressure refers to the undue stress placed on management to fulfill the demands or anticipations of external parties. The demand to meet the requirements in paying or fulfilling debt agreements is recognized as a source of external pressure. So, managers feel pressure due to the need to acquire additional debt or equity to keep the company competitive. Research (Mohamed Yusof. K., 2015) indicates that the quality of supervision greatly influences occurrences of financial statement fraud (Aprilia, 2017); it was mentioned that the replacement of internal auditors' leadership should adhere to the company's regulations. If the replacement of the internal auditor's head does not adhere to current regulations, the company is deemed ineffective. Frequently, the replacement of the internal auditor's leader can impact the internal audit conducted by the Internal Control System.

H3: External pressure affects financial statement fraud

The large number of total assets owned by the company has attracted investors if the overall assets held by major corporations will yield the highest returns for investors. Annisya et al., (2016) It was mentioned that the more significant the proportion of fluctuations in a company's total assets, the greater the likelihood of fraudulent profitability being reflected in the company's financial records. The company's established financial stability is seen as potentially elevating the likelihood of fraudulent activity in its financial reporting. Therefore, a monitoring mechanism is needed to ensure the financial reporting process occurs properly. Monitoring the financial reporting process, one of which is the company's Quality Auditor. The presence of high-quality auditors within the company can enhance managerial oversight and ensure the accuracy and precision of the company's financial reporting (Sugita et al., 2018). Therefore, the connection between financial stability and the detection of financial statement fraud will be more robust when an audit committee is present within the company.

H4: Auditor quality moderates the effect of financial stability on financial statement fraud

Financial targets can be referred to as profits or efforts to be achieved by a company. This aligns with the opinion (Annisya et al., 2016) that managers endeavor to enhance their performance in order to meet different company objectives, such as financial goals (Sugita et al., 2018). Company managers in carrying out their performance are always required to carry out company activities with the best performance to achieve planned financial targets. This is done so that the company's activities can take place continuously. One of the measuring tools used to determine a company's financial targets is ROA. The company becomes increasingly susceptible to financial statement fraud as it aims for a higher Return on Assets (ROA). A study (Mardiani et al., 2017) demonstrates that the caliber of auditors enhances the ability to identify fraudulent financial reporting, thereby bolstering financial objectives.

External pressure refers to the overwhelming demand on management to meet criteria or fulfill expectations set by external parties. According to SAS No. 99 in (Tiffani, 2009), If external forces exert too much pressure, there is a potential for fraudulent activity in financial statements. This assertion is backed by expert opinion (Skousen et al., 2011); this suggests that one common challenge faced by company management is the requirement to secure more debt or external funding sources to stay competitive, which may include financing for research and development or capital expenses. Managers will face mounting pressure as they strive to secure extra financial resources through borrowing and investment avenues. Thus, the relationship of external pressure to detect financial statement fraud will be stronger with Audithor Quality in the company. This statement is based on the results of research (Mardiani et al., 2017), which proves that Auditor Quality moderates external pressure on detecting fraudulent financial reporting.

H5: Auditor quality moderates the effect of financial targets on financial statement fraud
H6: Auditor quality moderates the effect of external pressure on financial statement fraud

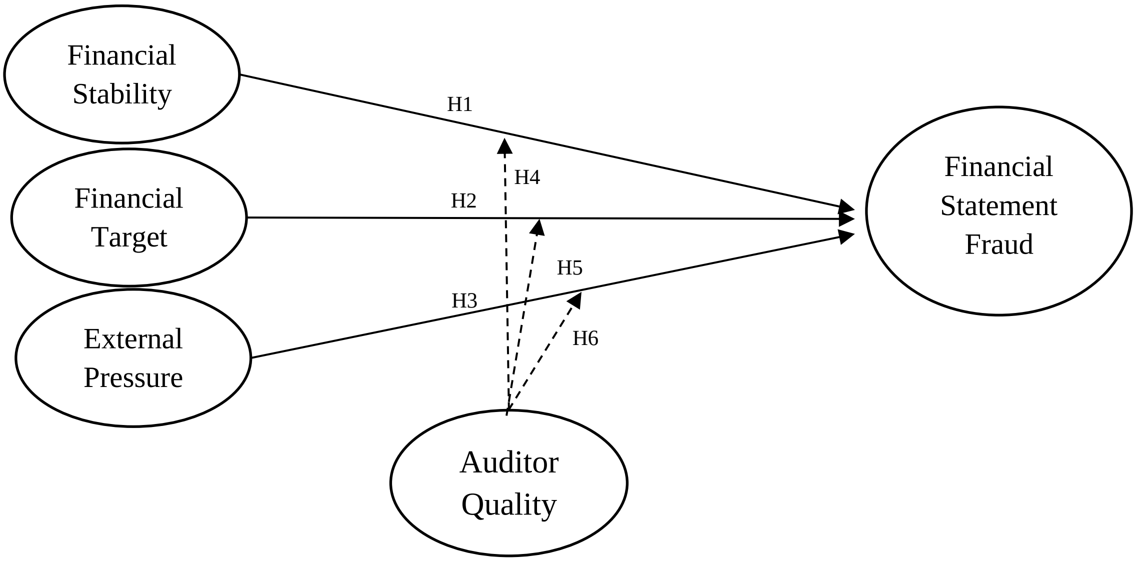

Figure 2. Research Framework

RESEARCH METHOD

This study employs quantitative methods and relies on secondary data gathered from sources such as the Indonesia Stock Exchange (www.idx.co.id) and the company's official website. The population in this study is all Primary Consumer Goods sector companies totaling 87 companies consisting of Drug Retail & Distributors sub-sector 7 companies, Supermarkets & Convenience Store sub-sector 5 companies, Liquors sub-sector 2 companies, Soft Drink sub-sector 3 companies, Dairy Products sub-sector 3 companies, Processed Foods sub-sector 18 companies, Fish, Meat & Poultry sub-sector 10 companies, Plantation & Crops sub-sector 25 companies, Tabacco sub-sector 5 companies and Personal Care Products sub-sector 8 companies listed on the Indonesia Stock Exchange February 2021 update as for samples using the purposive sampling method, which is a sample that is used with consideration. The sample selection criteria used are as follows: 1) Primary Consumer Goods sector companies listed on the stock exchange in 2021, 2) The Company publishes financial statements in rupiah (Rp), 3) A Primary Consumer Goods Company that publishes a complete annual report during the research year (2021), and 4) Primary Consumer Goods Companies that are indicated to be fraud at least once in the observation period.

The data of this study is quantitative. Quantitative data is a type of data that can be measured or calculated mathematically. Quantitative data in this study includes financial stability, financial targets, external pressure, and personal financial need data. The type of data used in this study is secondary data. Secondary data is data taken through intermediaries or other parties. Data on research using documentation techniques. Documentation techniques are taken through a database on the IDX website (www.idx.co.id) in the form of annual financial statements and from the company's website. Quantitative data in this study includes financial stability, financial targets, external pressure, and personal financial need data.

The variable in this study is financial fraud proxied with Beneish M-Score. Fraud in financial reporting uses dummy variables, which are given a value of 1 if the company is categorized as a company that commits fraud and 0 if the company does not commit fraud. The company will be categorized as committing fraud if the M-Score value >-2.22. Meanwhile, if the beneish M-Score value<-2.22 is indicated by a non-manipulator company. The formula for calculating the Beneish M-Score is:

Beneish M-score = -4.84 + 0.920DSRI + 0.528GMI + 0.404AQI + 0.892SGI + 0.115DEPI – 0.172 SGAI – 0.327LVGI + 4.697TATA

In this study's data analysis and hypothesis testing, data processing was carried out with the SPSS (Statistical Product and Service Solution) program. After the data is collected, data analysis is then carried out using logical regression and moderation tests. (a) descriptive statistics; (b) classical assumption tests; (c) moderation regression analysis; (d) hypothesis test.

RESULT AND DISCUSSION

Table 1. Respondent's Profile

Descriptive Statistics (After Outliers)					
	N	Minimum	Maximum	Mean	Std. Deviation
Financial Stability	60	.014	.542	.20497	.111905
Financial Target	60	.001	.188	.06227	.047558
External Pressure	60	.001	.937	.48903	.205656
Financial Statement Fraud	60	-4455.000	2018381.000	39803.32548	261484.267091
Quality Auditor	60	.000	1.000	.40000	.494032
Valid N (listwise)	60				

Source: Secondary Data Processed, 2023

First, regarding financial stability, the analysis involved 60 data, giving a minimum value of 0.014, a maximum value of 0.542, with an average of about 0.20497, and a data distribution reflected through a standard deviation of 0.111905. Second, the financial target variable has 60 data values between 0.001 and 0.188. The mean of this variable is about 0.06227, with a standard deviation of 0.047558, indicating a relatively low level of variation in the data. Third, external pressure is reflected in 60 data, indicating a minimum value of 0.001 and a maximum of 0.937. The average external pressure was 0.48903, with a standard deviation 0.205656, illustrating significant data variation.

Fourth, regarding financial statement fraud, there are 60 data involving unusual minimum values (-4455,000) and significant maximum values (2018381,000). The mean of this variable is 39803.32548, with a high standard deviation of 261484.267091, indicating a significant degree of variation in the data. Fifth, the quality of auditors is evaluated through 60 data with a minimum value of 0,000 and a maximum of 1,000. The average auditor quality is 0.40000, and a standard deviation of 0.494032 indicates a variation in response to auditor quality.

Table 2. Kolmogorov-Smirnov Test

Variable	*Asym. Sig. (2-tailed)*
Financial Stability	0.200
Financial Target	0.063
External Pressure	0.200

Source: Secondary Data Processed, 2023

The table above results from the Kolmogorov-Smirnov normality test on financial stability, financial target, and external pressure on financial statement fraud. The table above shows the value of sig. 0.200 > 0.05, 0.063 > 0.05, 0.200 > 0.05, then it can be concluded that the data in this study are typically distributed.

Table 3. Autocorrelation Test Results

Model Summary	
N	60
Durbin-Watson (d)	2.068
dL (α = 5%) (k = 3)	1.4443
dU (α= 5%) (k = 3)	1.7274
4-dL	2.5557
4-dU	2.2726

Source: Secondary Data Processed, 2023

The table above results from the Durbin-Watson autocorrelation test on financial stability, financial target, and external pressure on financial statement fraud. The table above shows a durbin-watson value (d) of 2.068. Durbin-Watson values of 2.068 dU > 1.7274 and 2.068 < 4-dU of 2.2726. So, it can be concluded that the data in this study did not occur autocorrelation.

Table 4. Multicollinearity Test Results

Variable	*Collinearity Statistics*	
	Tolerance	VIP
Constant		
Financial Stability	0.872	1.147
Financial Target	0.849	1.177
External Pressure	0.981	1.019
Quality Audit	0.967	1.034

Source: Secondary Data Processed, 2023

The table above results from a multicollinearity test on financial stability, financial target, and external pressure on financial statement fraud. Each variable shows a tolerance value of > 0.1 and a VIF value of < 10. So, it can be concluded that the data in this study did not experience multicollinearity.

Table 5. Heteroskedasticity Test Results

Variable	*Unstandardized Coefficients*		*Sig.*
	B	Std. Error	
(Constant)	182140.601	105402.105	.090
Financial Stability	-58105.667	308248.580	.851
Financial Target	-580951.668	734871.901	.433
External Pressure	-30547.306	158106.484	.848
Quality Audit	-101967.768	66301.169	.130

Source: Secondary Data Processed, 2023

The table above results from heteroskedasticity tests on financial stability, financial target, and external pressure on financial statement fraud. The table above shows sig. > 0.05. So, it can be concluded that heteroskedasticity does not occur.

Moderated Regression Analysis or moderation regression equations examine the direct influence and moderation effect between an independent and dependent variable. Moderation analysis tests moderation variables, such as independent variables moderated by moderation variables against dependent variables.

Table 6. Standard Error Analysis Model I Path

Model Summary		
Model	R Square	Adjusted R Square
1	0.007	-0.046
Predictors (constant), *financial stability*, *financial target*, and *external pressure*		

Source: Secondary Data Processed, 2023

According to the information provided in Table 6, the R-square values for financial stability, financial target, and external pressure in relation to financial statement fraud are 0.007. This indicates that the combined contribution of these factors to financial statement fraud is 0.7%.

Table 7. Standard Error Analysis Line Model II

Model Summary		
Model	R Square	Adjusted R Square
1	0.025	-0.085
Predictors (constant), *Financial Statement Fraud*		

Source: Secondary Data Processed, 2023

Referring to Table 7 above, it is evident that the R-squared values for financial stability, financial target, and external pressure in relation to financial statement fraud are 0.025. This indicates that the combined contribution of financial stability, financial target, and external pressure to financial statement fraud amounts to 2.5%.

Table 8. Results of Model II Moderation Regression Analysis

Coefficients					
Model		*Unstandardized Coefficients*		*Standardized Coefficients*	*Say.*
		B	Std. Error	Beta	
2	*(constant)*	91555.719	112359.250		0.419
	Financial Stability	14294.618	401251.179	0.006	0.972
	Financial Target	-738135.816	1041824.413	-0.134	0.482

Coefficients				
Model	*Unstandardized Coefficients*		*Standardized Coefficients*	*Say.*
	B	Std. Error	Beta	
External Pressure	33802.278	189022.211	0.027	0.859
Financial Stability X Quality Audit	-131980.037	655540.289	-0.064	0.841
Financial Target X Quality Audit	675713.010	1643584.470	0.105	0.683
External Pressure X Quality Audit	-150269.819	272122.516	-0.151	0.583
Dependent Variable: *Financial Statement Fraud*				

Source: Secondary Data Processed, 2023

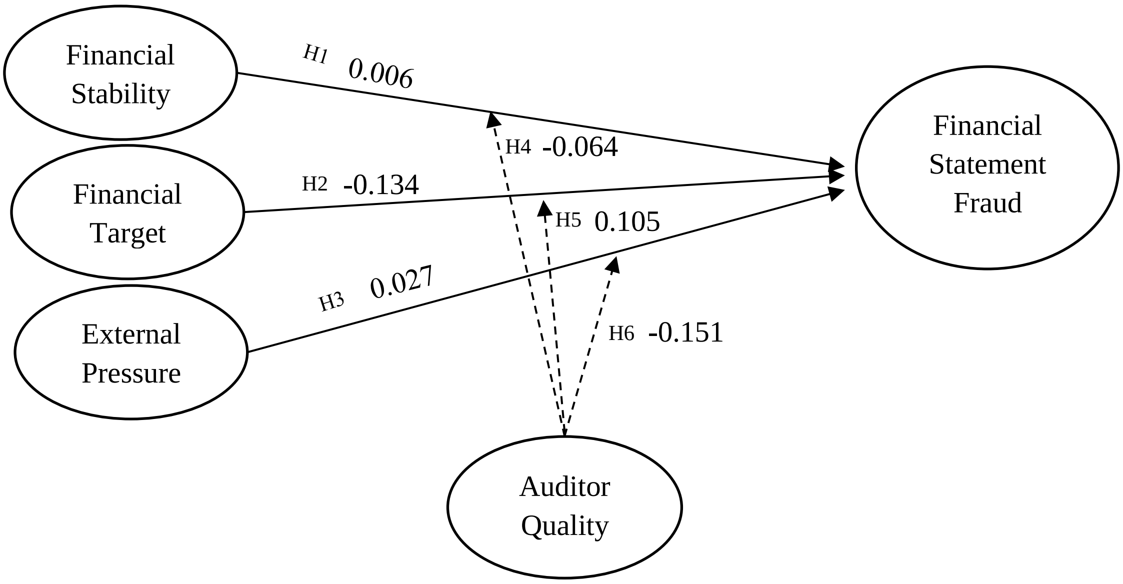

Figure 3. Moderated Regression Analysis

Moderated Regression Analysis (MRA):

FSF = a + b1FNST + b2FTRG + b3EXPR

FSF = 91555.719 + 0.006 – 0.134 + 0.027

FSF = a + b1FNST + b2FTRG + b3EXPR + B4PFRN + B5FSNT*QA + b6FTRG*QA + b7FTRG*QA

FSF = 91555.719 + 0.006 – 0.134 + 0.027 – 0.064 + 0.105 – 0.151

The financial stability regression coefficient is 0.006 with a significance value of 0.972, greater than 0.05. This value shows that the results of the financial stability regression do not significantly affect financial statement fraud. The target financial regression coefficient is -0.134, with a significance value of 0.482, greater than 0.05. This value shows that the results of the financial target regression do not have a significant effect on financial statement fraud. The external pressure regression coefficient is 0.027 with a significance value of 0.859, greater than 0.05. This value shows that the results of external pressure regression do not significantly affect financial statement fraud. The regression coefficient of audit quality moderation is -0.064 with a significance value of 0.841, greater than 0.05. This value shows that the quality audit moderation regression results cannot moderate financial stability's effect on financial statement fraud. The regression coefficient of audit quality moderation is 0.105 with a significance value of 0.683, greater than 0.05. This value shows that the quality audit moderation regression results cannot moderate financial targets' effect on financial statement fraud. The regression coefficient of audit quality moderation is -0.151 with a significance value of 0.583, greater than 0.05. This value shows that the quality audit moderation regression results cannot moderate the effect of external pressure on financial statement fraud.

Table 9. Hypothesis Test Results

Variable	t Stat	t Table	Sig.
Financial Stability	0.036	1.665	0.972
Financial Target	-0.709	1.665	0.482
External Pressure	0.179	1.665	0.859
Financial Stability X Quality Audit	-0.201	1.665	0.841
Financial Target X Quality Audit	0.411	1.665	0.683
External Pressure X Quality Audit	-0.552	1.665	0.583

Sources: Data processed, 2023.

Based on the hypothesis test table above, testing the financial stability variable on financial statement fraud gets a statistical t-value of 0.036. The stat t value is smaller than the table t, which is 1.665. The data above shows that financial stability significantly influences fraud related to financial statements. The statement shows that hypothesis 1 in this study, namely financial stability, significantly affects financial statement fraud, but it is rejected. Furthermore, the hypothesis test table above shows that testing the financial target variable against financial statement fraud gets a statistical t-value of -0.709. The value of the t stat is smaller than the t of the table, which is 1.665. The data above shows that the financial target significantly influences financial statement fraud. This statement shows that hypothesis 2 in this study, namely, the financial target significantly affects financial statement fraud, is rejected. Furthermore, the hypothesis test table above shows that testing the external pressure variable on financial statement fraud gets a statistical t-value of 0.179. The t stat value is smaller than the table t, 1.665. The data above shows that external pressure significantly influences fraud in financial statements. This statement shows that hypothesis 3 in this study, namely external pressure, which significantly affects financial statement fraud, is rejected.

Furthermore, the hypothesis test table above shows that testing the quality audit moderation variable on the financial stability variable against financial statement fraud gets a statistical t value of -0.201. The stat t value is smaller than the table t, which is 1.665. The data above shows that quality audits do not significantly affect financial stability or fraud in financial statements. The statement shows that hypothesis 4 in this study, namely quality audit can moderate financial stability against financial statement fraud, is rejected. Furthermore, the hypothesis test table above shows that testing the quality audit moderation variable on the financial target variable for financial statement fraud gets a statistical t value of 0.411. The stat t value is smaller than the table t which is 1.665. The data above shows that the quality audit does not have a significant financial target effect on financial statement fraud. The statement shows that hypothesis 5 in this study, namely, quality audits can moderate financial targets for financial statement fraud, is rejected. Furthermore, the hypothesis test table above shows that testing the quality audit moderation variable on the external pressure variable on financial statement fraud gets a statistical t value of -0.552. The t stat value is smaller than the table t which is 1.665. The data above shows that quality audits cannot moderate external pressure on financial statement fraud. The statement shows that hypothesis 6 in this study, namely, the quality audit can moderate external pressure on financial statement fraud, is rejected.

Financial stability does not negatively affect financial statement fraud, meaning that the more stable the company is, there is no reason for management to commit fraud. This is because when the company is in stable condition, management does not need to commit fraud in financial statements, so it will make investors interested and trust the company, which indicates that it is a positive signal for investors to invest. This study's results align with research conducted by (Rachmania, 2018), which stated that financial stability does not affect financial statement fraud. However, it differs from the results of previous research (Suryani, 2019; Susianti & Yasa, 2015), which stated that financial stability affects fraud in financial statements. According to the agency theory proposed by (Jensen & Meckling, 1976), agency theory in companies identifies the existence of parties in the company who have various interests to achieve goals in company activities. The company's financial stability, which continues to increase every year, makes shareholders feel safe investing their funds in the company. The findings of this research indicate that financial stability, represented by ACHENGE, does not influence financial statement fraud due to minimal or insignificant increases in total assets among most companies, thus not impacting the likelihood of increased financial statement fraud.

Financial targets do not negatively affect financial statement fraud. The lower the target given, the lower the possibility of fraud. The results showed that the financial target measured by the ROA ratio compares profit with the number of assets. In contrast, the ROA ratio is a ratio that shows how much return is generated on the use of company assets. ROA is often used to assess managers' performance in determining bonuses and wage increases. Targets that are too high for managers will make them do whatever they should to reach their targets. However, if they lower the target requested, the chances of managers cheating on financial statements are also lower. This study's results align with research conducted by (Paransi et al., 2023), which states that this study has succeeded in proving that financial targets do not have a significant effect on financial statement fraud.

External pressure does not affect financial statement fraud. External pressure does not always directly affect the occurrence of financial statement fraud. Organizational theory highlights that each entity can respond to external pressures with various strategies, such as business restructuring, policy changes, or strategy adjustments. In this context, engaging in financial statement fraud may not be a rational or effective response to external pressure. Instead, organizations seek legal and sustainable solutions to cope with the changing business environment or increased competition. Natural changes in business can also be a more adequate response to external pressures. Companies facing challenges from a changing business environment or increased competition can respond with strategy adjustments, product innovation, or market development. In this context, manipulating financial statements might be considered a high-risk act that does not substantially solve the company's core problems. The concept of external oversight, such as independent auditors, regulators, or financial analysts, according to agency theory, serves as a barrier against fraudulent practices. External monitoring makes it harder to hide the manipulation of financial statements because these external parties have no direct interest in allowing fraud to occur.

Reputation and long-term impact are significant balancing factors. Financial statement fraud can seriously damage a company's reputation, trigger lawsuits, drop stock prices, and lose the trust of customers and investors. Therefore, many companies prefer to defend their integrity and reputation rather than engage in financial fraud that can cost them substantially. Thus, although external pressures may exist, these factors explain why they are not always direct drivers of financial statement fraud. The results of this study are also researched by (Istikhoroh et al., 2021), showing that Pressure does not affect financial reporting fraud. Another study also revealed that external pressure does not affect financial statement fraud (Nugraha & Surya, 2018).

Quality audits cannot moderate financial stability against financial statement fraud. Quality auditors do not moderate the effect of financial stability on financial statement fraud, indicating the role of quality auditors in facing the company's financial challenges. High-quality auditors are expected to be able to detect and overcome potential financial statement fraud. Meanwhile, the company's financial stability can be a crucial factor that triggers motivation to commit fraud to maintain a positive image. The hypothesis describes the extent to which the quality of auditors moderates the negative impact of financial stability on the tendency of companies to commit financial statement fraud. Quality auditors face obstacles in moderating the effect of financial stability on financial statement fraud. Limited resources, complexity of financial structures, and pressure to retain clients can reduce the effectiveness of auditors.

Quality Auditors do not moderate the relationship of financial stability to financial statement fraud. Quality auditors do not moderate the effect of financial targets on financial statement fraud. Several factors can influence this decision, such as limitations in the disclosure of information provided by company management. Auditors may have difficulty evaluating their impact on potential fraud if information about financial targets is not presented transparently. Factors influencing the relationship between financial targets and fraud involve the complexity of accounting rules, management practices, and the extent to which auditors can detect or prevent fraud. In practice, a good auditor should have careful and in-depth audit procedures, including fraud risk evaluation, internal control testing, and detailed examination of transactions. Auditors are also expected to have high independence and integrity to cope with pressures that may arise from tight financial targets.

Quality Auditors do not moderate the relationship of financial stability to financial statement fraud. The effect of moderation of quality auditors on external pressure is only a homology of moderation. This means that it can be concluded that the role of quality auditors in moderating personal financial needs is only as a homologizer moderator. For several reasons, quality audits can moderate the relationship between external pressures and financial statement fraud in the consumer goods sector. First, limitations in disclosure become a key factor, where auditors may not have full access or knowledge of all internal aspects of the company related to external pressures faced by management. Specific information about certain external pressures may not be revealed during the audit process, causing auditors to be unable to moderate their impact on potential financial statement fraud.

CONCLUSION

Three variables, namely financial stability and financial target, and external pressure of financial statements, fraud test results have no significance. Financially stable companies are not always protected from financial fraud. Likewise, pressure to achieve financial targets does not always encourage management to commit fraud. The findings also suggest that external expectations, such as from investors or creditors, do not necessarily encourage management to commit fraud. It also found that quality auditors did not moderate the relationship between financial stability, financial targets, external pressure, and financial statement fraud. This shows that high-quality auditors cannot always prevent financial statement fraud.

Companies can prioritize financial risk management by focusing more on other aspects that may significantly impact financial statement fraud. Although variables such as financial stability, financial targets, and external pressure do not directly affect financial statement fraud, monitoring efforts are still significant to minimize risk. Strong internal controls and an excellent ethical culture are necessary to prevent financial statement fraud, regardless of the company's financial stability conditions. Future research may consider other factors that might influence financial statement fraud. It can also conduct research with larger and more diverse samples to retest the hypothesis of this study.

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