The Moderating Effect of Audit Quality on Fraudulent Financial Statement

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Abstract: The fraud hexagon theory was used in this study to examine the moderating impact of audit quality on fraudulent financial statements. The sample for this study is made up of property, real estate, and building construction businesses that were listed on the Indonesia Stock Exchange between 2017 and 2020; 64 sample data were gathered using the purposive sampling method and preset criteria. Multiple linear regression analysis and moderated regression analysis (MRA) were used in the tests for this investigation. The results show that the nature of industry and arrogance affect fraudulent financial statement, while financial target, TATA, CEO education, and collusion have no effect on fraudulent financial statement. Then audit quality is able to moderate by weakening the nature of industry, arrogance, and collusion relationships with fraudulent financial statements. Meanwhile, audit quality is not able to moderate the relationship between financial targets, TATA, and CEO education with fraudulent financial statements.

Keywords: Fraud hexagon theory, fraudulent financial statement, audit quality

I.   INTRODUCTION

It is assumed that under these circumstances the company can confront market competition since the creation and presentation of financial statements that demonstrate a positive direction or increase in profits represent that the company is in good condition and performance. Users of financial statement information are led to believe that a company cannot compete successfully if it exhibits a negative direction or experiences diminishing profits, which indicate a company's bad condition and performance. In this approach, management tends to prefer financial statements that demonstrate an increase in profits while producing them.

[1] in agency theory explains that management and stakeholders have different goals. The management wants a large reward for the activities of the company they manage while the interested parties tend to expect the company to have good performance in order to survive in the face of business competition. These conditions can be a driving force for fraud.

In its survey, ACFE Indonesia Chapter 2020 found that the rate of fraudulent financial statement occurring in Indonesia is 9.2%, with this percentage being the lowest number of other frauds. The typical loss from fake financial statements is over 10 billion rupiah, however these losses have a high loss value. This demonstrates that, despite the little amount of fraud presented on the financial statements, the amount of losses reported is the biggest when compared to other types of fraud.

[2] conducted the most recent advancement of theory addressing the variables that initiate fraud. According to the fraud hexagon theory, there are six factors that might activate fraud, including pressure, opportunity, rationalization, capability, arrogance, and collusion. Fathmaningrum and Anggraini's research indicates that higher financial targets can drive financial statement fraud, however [3] research indicates that financial targets have no effect on financial statement fraud. [4] found that the nature of industry had an effect on financial statement fraud, however [5] concluded that the nature of industry has no effect on fraudulent financial statement.

Total accrual to total assets (TATA) can be used as a proxy for the rationalization factor. According to [6], accrual actions can provide impetus for management to commit fraudulent financial statements in order to obtain profits in accordance with their expectations, but [7]stated that accrual actions has no effect on fraud. The capability factor can be proxied by CEO education, a survey conducted by ACFE in 2016 showed that 51% of fraud perpetrators had a minimum bachelor's background, but [8]in their research showed that the higher the education taken by the CEO tends to make The company is free from fraud.

The arrogance factor can be proxied by the appearance of CEO photos above the average, [9]stated that the number of CEO photos in financial statements can be used as an indication of fraud, but [10] stated that the number of CEO photos in the financial statements does not reflect fraud. The collusion factor can be proxied by the company's cooperation with the government, [2] states that an agreement made by two or more parties can lead to fraudulent actions, but [3]show that the cooperation between the company and the government has no effect on fraudulent financial statements.

In addition, the quality possessed by the auditor can be considered a possibility for detecting financial statement fraud [11]. Financial statements that are pertinent, of trustworthy quality, and devoid of serious misstatements are a valuable source of information for decision making. Auditors that keep their credibility are able to provide such high-quality financial reports, since the process is carried out meticulously to detect any type of falsification [12]. According to Yang et al. (2017) and Guedhami & Pittman (2014) in [12] research, accounting firms that are part of the "big four" are more professional and have the ability to detect fraud in financial statements. Therefore, the presence of external auditors from one of The Big Four Accounting Firms can reduce the incidence of misleading financial statements within an organization.

This research is anticipated to contribute to the advancement of forensic accounting and investigative auditing in relation to the elements that can lead to financial statement fraud. It is also envisaged that this research will give stakeholders with information regarding financial statement fraud and methods for detecting and preventing it.

II.   LITERATURE RIVIEW

2.1 Agency Theory
According to agency theory, an agency relationship is established when a principal hires an agent and delegates decision-making authority to the agent through a cooperation contract [1]. In the process of the agency relationship, there is a difference of interest between the principal and the agent, this is said to be a conflict of interest between the principal and the agent so that there is a gap for management to commit fraud. Moreover, a disparity in information between the agent and the principal can result in fraud. Agents who are closely involved in the entire operational activities of a company make it easy to conduct fraud by concealing information from the principal.

2.2 Contingency Theory
Contingency theory is a theory of leader suitability, where the leader's performance is determined from his understanding of the situation in which they lead [13]. In this theory, it is suggested that a leader must comprehend what his subordinates want under specific circumstances and then adapt his leadership style suitably.

2.3 Fraudulent Financial Statement
In order to deceive users of financial statement information, the Association of Certified Fraud Examiners defines fraudulent financial statements as a deliberate misstatement of the company's financial status through intentional misstatements [14].

2.4 Fraud Hexagon Theory
The fraud hexagon theory was put forward by [2] which explains that fraudulent activity can be identified through six components which include pressure, opportunity, rationalization, capability, arrogance and collusion.

SAS No. 99 defines financial targets as the pressure exerted by management to achieve the financial goals specified by the board of directors. This enables management to engineer the financial statements in order to satisfy the financial goals. [4] and [15]in their research show that financial targets have a positive effect on financial statement fraud. Based on this description, the following research hypotheses were created for this study:
H1: Financial Targets Has a Positive Effect on Fraudulent Financial Statements.

The nature of industry is an ideal condition for a company in an industrial environment, a condition where in a company's financial statements there are certain accounts whose balance is determined by an estimate. Summer & Sweeny (1998) in [16] noted that the accounts receivable and inventory require subjective assessments in estimating uncollectible accounts receivable and absolute inventory. The existence of subjective assessments of the financial statement accounts presents an opportunity for managers to do everything possible to make the company look in its best condition to attract investors, including fraud in the financial statements.

Research conducted by [4]shows that there is a positive influence of the nature of industry on financial statement fraud. Based on this description, the following research hypotheses were created for this study:

H2: Nature of Industry Has a Positive Effect on Fraudulent Financial Statements

Accruals are part of the decisions taken by management [17]. Accrual decisions made by management to obtain a stable financial condition can lead to rationalization in the financial statements. [6]in their research also shows a positive influence between accrual actions and financial statement fraud. Based on this description, the following research hypotheses were created for this study:

H3: TATA Has a Positive Effect on Fraudulent Financial Statements

A person must have the ability to understand and take advantage of existing opportunities to commit an act of fraud [18]. Someone who is educated and educated will participate more in decision making (Benadin & Russell, 1993). According to a survey conducted by ACFE (2016), there are 51% of perpetrators of financial statement fraud who have a minimum undergraduate background. Based on this description, the following research hypotheses were created for this study:

H4: CEO Education has a Positive Effect on Fraudulent Financial Statements

Arrogance is an attitude of superiority that a person has over a right he has, so that a person feels himself immune to internal control or company policies [19]. This can lead to fraudulent actions against financial statements because his arrogance feels that everything he does will not be hit by the law. [9] and [20] in his research stated that the number of photos in the financial statements had an effect on the existence of fraudulent financial statements. Based on this description, the following research hypotheses were created for this study:

H5: Arrogance Has a Positive Effect on Fraudulent Financial Statements

Collusion is an agreement that is carried out with the aim of carrying out an unethical act [2]. The ACFE Report to the Nations on Occupational Fraud and Abuse (2020) shows that there are 51% of fraudulent acts committed by two or more people who work together or collude. [21] in their research shows that there is a positive influence between collusion and financial statement fraud. Based on this description, the following research hypotheses were created for this study:

H6: Collusion has a Positive Effect on Fraudulent Financial Statements

The financial targets given by the principal can cause a conflict of interest with the management which in turn will make the agent commit fraud. The quality possessed by the auditor is considered to be able to carry out independent examinations to avoid conflicts of interest [20]. This is in line with research conducted by [22] which shows that audit quality has a negative influence on fraudulent financial statement. Based on this description, the following research hypotheses were created for this study:

H7: Audit Quality Can Weaken the Target's Financial Relationship with the Fraudulent Financial Statement.

In agency theory, it is assumed that the agent and principal have different levels of access to company information that can trigger agency conflicts, so a third party is needed to prevent this from happening. The quality possessed by the external auditor is considered to be able to find things that deviate in the accounting policies and methods used by the company, so as to prevent fraud in the company. [22] and [23] in their research show that the financial statements audited by The Big Four Accounting Firms are considered reliable. Based on this description, the following research hypotheses were created for this study:

H8: Audit Quality Can Weaken the Nature of Industry Relationship to Fraudulent Financial Statements.

The quality possessed by external auditors is expected to be able to detect rationalizations in the financial statements presented by the company through the company's total accruals divided by total assets, so as to minimize financial statement fraud. [24] in their research shows that audit quality is able to moderate by weakening the rationalization

relationship to financial statement fraud. Based on this description, the following research hypotheses were created for this study:

H9: Audit quality Can Weaken TATA's Relationship with Fraudulent Financial Statements.

With the existence of an external auditor who has high credibility, it is hoped that it will increase supervision of a CEO who has the ability to commit fraudulent financial statements. [24]in their research show that audit quality is able to weaken the relationship between compensation and financial statement fraud. Based on this description, the following research hypotheses were created for this study:

H10: Audit Quality Can Weaken CEO Education's Relationship to Fraudulent Financial Statements.

Arrogance can make a person act according to his wishes to gain personal gain and harm others. With the high quality and independence possessed by the auditor, it is expected to be able to detect the arrogance of a CEO to prevent fraudulent financial statements that can harm various parties.[22]states that the quality of auditors is able to minimize financial statement fraud. Based on this description, the following research hypotheses were created for this study:

H11: Audit Quality Can Weaken Arrogance's Relationship to Fraudulent Financial Statements.

Collusion is a collaboration with the aim of carrying out unethical actions that can harm others [2].The ability of external auditors to trace the company's financial statements is very reliable, because with quality audit results, fraud will be detected and can be avoided. The audit quality possessed by auditors from The Big Four Accounting Firms can emphasize fraudulent financial statements [22]. Based on this description, the following research hypotheses were created for this study:

H12: Audit Quality Can Weaken the Relationship of Collusion to Fraudulent Financial Statements.
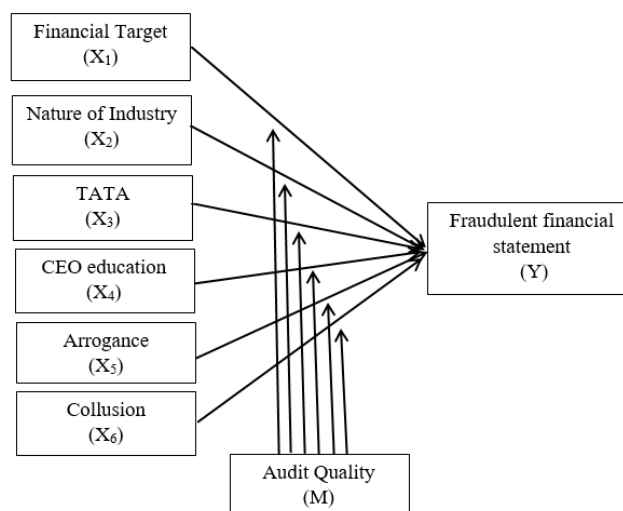

Figure 2.1 Research Framework

III.   METHODOLOGY

This is a causal study employing a quantitative methodology. The research data consists of annual reports of property, real estate, and building construction businesses listed on the Indonesia Stock Exchange in 2017-2020 collected from www.idx.co.id and the company's website. Determination of the sample for this research using the approach of purposive sampling with the following criteria:

1. Property, real estate, and building construction companies listed on the Indonesia Stock Exchange in 2017-2020
2. Property, real estate, and building construction companies that do not issue financial reports using rupiah currency.
3. Property, real estate, and building construction companies that suffered losses during the 2017-2020 research period.

Using the approach of purposive sampling to collect research samples, 64 testable sample data were available for this investigation. In this study, variables were examined using descriptive statistical tests, classical assumption tests,

model feasibility tests, the coefficient of determination, hypothesis testing, multiple linear regression analysis, and moderated analytic regression. This study's regression model is as follows:

Equation I:

$$FRAUD = \alpha + \beta 1FT + \beta 2NOI + \beta 3TATA + \beta 4EDU + \beta 5EGO + \beta 6COL + \beta 7AUQ + e$$

Equation II:

$$FRAUD = \alpha + \beta 1FT + \beta 2NOI + \beta 3TATA + \beta 4EDU + \beta 5EGO + \beta 6COL + \beta 7AUQ + \beta 8FT*AUQ + \beta 9NOI*AUQ + \beta 10TATA*AUQ + \beta 11EDU*AUQ + \beta 12EGO*AUQ + \beta 13COL*AUQ + e$$

Explanation	:
FRAUD	: Fraudulent Financial Statement
α	: Constant Coefficient
β	: Variabel Regression Coefficient
FT	: Financial Target
NOI	: Nature of Industry
TATA	: TATA
EDU	: CEO Education
EGO	: Arrogance
COL	: Collusion
AUQ	: Audit Quality
FT*AUQ	: Interaction between Financial Target and Kualitas Audit
NOI*AUQ	: Interaction between Nature of Industry and Kualitas Audit
TATA*AUQ	: Interaction between TATA and Kualitas Audit
EDU*AUQ	: Interaction between CEO Education and Kualitas Audit
EGO*AUQ	: Interaction between Arrogance and Kualitas Audit
COL*AUQ	: Interaction between Collusion and Kualitas Audit
e	: Eror

3.1 Variable Measurement

In this study, fraudulent financial statements are the dependent variable, the measurement of fraudulent financial statements uses the F-Score method that has been developed by [25]. The F-Score calculation model is calculated by adding up the components of accrual quality with financial performance which in this study is formulated as follows:

F-Score = Accrual Quality + Financial Performance

$$\textbf{Accrual Quality} = \frac{(\Delta Working\ Capital + \Delta\ Non\text{-}Current\ Operating + \Delta Financial\ Accrual)}{Average\ Total\ Assets}$$

Financial Performance= Change in receivable + change in inventory + change in revenue + change in earnings

Then for the measurement of independent variables and moderating variables in this study as follows:

Table 3.1 Variabel Measurement

	Variable	Measurement
Independent Variable	Financial Target	$ROA = \dfrac{\text{Profit After Tax}}{\text{Total Assets}}$
	Nature of Industry	$NOI = \dfrac{\text{Receivable}}{\text{Sales}} - \dfrac{\text{Receivable (t-1)}}{\text{Sales (t-1)}}$
	TATA	$\dfrac{\text{Operating Profit (t)} - \text{Operating cash flow (t)}}{\text{Total Assets (t)}}$
	CEO Education	Assessing CEO's latest education: Diploma and below = 1, S1 = 2, S2 = 3, S3 = 5
	Arrogance	Dummy, the value "1" if the CEO photo appears more than 3 times and the value "0" if the CEO photo appears less than 3 times in the financial statements.
	Collusion	Dummy, the value is "1" if the company has cooperation with the government and the value is "0" if the company does not have cooperation with the government.
Moderating Variable	Audit Quality	Dummy, the value is "1" for companies that use external auditors affiliated with the big four accounting firms and the value is "0" for companies that use external auditors that are not affiliated with the big four accounting firms.

IV. RESULT AND DISCUSSION

4.1 Descriptive Statistic

Table 4.1 Descriptive Statistic

	N	Minimum	Maximum	Mean	Std. Deviation
FT	64	.001	.175	.05063	.140776
NOI	64	-.528	.788	.05750	.178263
TATA	64	-.081	.132	.01738	.038958
EDU	64	.00	3.00	2.3125	.83333
EGO	64	.00	1.00	.2187	.16674
COLL	64	.00	1.00	.6406	.48361
AUQ	64	.00	1.00	.1406	.13503
FRAUD	64	-.947	1.421	-.05894	.437931

Source: Data processed, 2022

4.2 Classical Assumption Test Results

Based on the data that has been processed in this study, the results of the classical assumption test are as follows. The first test of the normality test, [26] states that in the Kolmogorov-Smirnov test model a data distribution can be said to be normal if the significance value is more than 0.05. The results of the Kolmogorov-Smirnov test in this study showed a significance result of 0.200 for 64 sample data, so it can be said that the data in this study were normally distributed.

Furthermore, multicollinearity testing was carried out, [26]revealed that the correlation between variables can be seen through the tolerance value and VIF value, if the tolerance value is more than 0.10 and the VIF value is less than 10, a regression can be said to be free from multicollinearity. The results of the multicollinearity test in the first equation regression model showed a tolerance value > 0.10 and a VIF value < 10 so that in the regression equation there was no multicollinearity. However, in the second equation regression model there are variables that experience multicollinearity, namely the FT_AUQ variable with a tolerance value of 0.56 and a VIF value of 17.706. The EDU_AUQ variable also shows a tolerance value of 0.045 and a VIF value of 22.149. Both variables have a tolerance value of less

than 0.10 and a VIF value of more than 10. This can occur because the two variables are interactions between 2 variables that can cause multicollinearity.

The next test is an autocorrelation test, [27]states if the D-W value is between -2 to +2 then in a regression it can be said to be free from autocorrelation. The results of the autocorrelation test of this study in the first regression model showed the Durbin-Watson value of 2,000 and the second equation regression model showed the Durbin-Watson value of 1,976. So that in the regression model the first and second equations in this study are free from autocorrelation.

Heteroscedasticity testing in this study uses the Spearman's rank correlation test if the significance value is more than 0.05 then in the regression model there is no heteroscedasticity, on the contrary if the significance value is less than 0.05 then in the regression model there is heteroscedasticity. The results of the heteroscedasticity test of this study showed the value of sig (2-tailed) above 0.05 for the regression model of the first equation and the second equation. So it can be said that the regression model of this study does not occur heteroscedasticity.

4.3 Goodness of Fit Test Result

In testing the goodness of fit, a regression model can be said to be fit or feasible if the significance value is less than 0.05 and F count > F table, it can be said that the independent variables in the study can affect the dependent variable together. The goodness of fit test that has been carried out in this study for the first equation regression model shows an F-count value of 2.670 > 2.175 F-table with a significance value of 0.019 <0.05. For the regression model, the second equation shows the F-count 2.494 > 1.921 F-table with a significance value of 0.010. Based on these results, the regression model in this study can be said to be fit or feasible.

4.4 Coefficient of Determination Test Result

Based on the results of testing the coefficient of determination in this study, the adjusted R square value in the first equation regression model shows that the dependent variable of financial statement fraud as measured by f-score can be explained by financial target variables, nature of industry, TATA, CEO education, arrogance, collusion and audit quality of 56.5% while the remaining 43.5% is explained by other variables outside of this study. The second equation in this study shows that 43.6% of the dependent variable of financial statement fraud can be explained by financial target variables, nature of industry, TATA, CEO education, arrogance, collusion, audit quality, and the interaction between these variables and the moderating variable of audit quality.

4.5 Hypothesis Testing

This test is seen from the results of the t count and the significance value, if the significance is less than 0.05 or the t-count is greater than t-table, the research hypothesis is accepted (Ghozali, 2018). The results of hypothesis testing in this study are as follows:

Table 4.2 Hypothesis Test Results

Variable	t-table	Equation 1		equation 2		Explanation
		t-count	sig	t-count	sig	
FT	2,00324	0,582	0,563			Rejected
NOI		2,853	0,006			Accepted
TATA		1,420	0,161			Rejected
EDU		1,619	0,111			Rejected
EGO		3,771	0,004			Accepted
COLL		-1,492	0,141			Rejected
AUQ		-1,726	0,090	-0,830	0,410	Rejected
FT_AUQ	2,00856			-0,707	0,483	Rejected
NOI_AUQ				-2,417	0,019	Accepted
TATA_AUQ				-0,095	0,925	Rejected
EDU_AUQ				1,697	0,096	Rejected
EGO_AUQ				-2,473	0,017	Accepted
COLL_AUQ				-2,956	0,005	Accepted

Source: Data processed, 2022

Based on the results of hypothesis testing that has been carried out using multiple linear regression equations and moderated regression analysis equations as follows:

Equation I:

FRAUD = -0,295 + 0,755 FT + 0,870 NOI + 1,869 TATA + 0,115 EDU + 1,101 EGO – 0,173 COLL - 0,270 AUQ + e

The constant value of -0.295 can be interpreted, if the variables FT, NOI, TATA, EDU, EGO, COLL, and AUQ are constant or equal to zero, it will reduce FRAUD by 0.295.

Equation II:

FRAUD = -0,252 + 0,884 FT + 0,980 NOI + 2,225 TATA + 0,082 EDU + 0,422 EGO – 0,134 COLL – 0,715 AUQ – 5,934 FT_AUQ – 3,859 NOI_AUQ – 0,703 TATA_AUQ + 0,550 EDU_AUQ – 1,943 EGO_AUQ – 1,898 COLL_AUQ + e

The constant value of -0.252 can be interpreted that, if FT, NOI, TATA, EDU, EGO, COLL, AUQ, and the interaction variables between the independent variable and the audit quality variable as the moderating variable are constant or equal to zero, then the fraud value will be decreased by 0.252. The audit quality regression coefficient (AUQ) as a variable in this study shows a value of -0.715. This value can be interpreted that every increase in audit quality can reduce the potential for fraud by 0.715.

4.6 The influence of financial targets on fraudulent financial statement
Based on the hypothesis testing that has been done, the financial target variable shows a t-count value of 0.582 < 2.00324 t table, besides that the financial target variable shows a significance value of 0.563 > 0.05. Based on these results indicate that H1 in this study is rejected, the financial target has no effect on fraudulent financial statements. It might be claimed that the increase in the firm's financial goals does not put management in the organization under sufficient pressure to commit fraud. The results of this study are in line with research conducted by [3] which shows that financial targets based on the size of the ROA level that have been targeted do not affect management to commit fraudulent financial statement.

4.7 The influence of the nature of industry on fraudulent financial statement
Based on the results of hypothesis testing, it shows the results of t count 2.853 > 2.00324 t table with a significance value of 0.006 < 0.05. This value indicates that H2 is accepted, the nature of the industry has a positive effect on fraudulent financial statements. The growth in the company's receivables shows that the company's cash turnover is not acceptable, and it will decrease the amount of cash available for the company's operational activities. It will be possible for managers to commit fraud in the financial accounts by altering the amount and due date of receivables in order to minimize the amount of receivables, given the limited cash available to the company. The results of this study are in line with research conducted by [4] and [3] which showed a positive influence of the nature of industry on fraudulent financial statements.

4.8 The influence of TATA on fraudulent financial statement
Based on the tests that have been carried out, the results of t arithmetic are 1.420 < 2.00324 with a significance value of 0.161 > 0.05. This value shows that H3 is rejected, TATA has no effect on fraudulent financial statements. Not all accrual decisions are made by management with the intention of stabilizing financial performance, which is anticipated to deliver strong financial performance when the company is having problems by manipulating financial statements. This research is in line with research conducted by [7] which shows that accrual decisions have no effect on fraudulent financial statement.

4.9 The influence of CEO education on fraudulent financial statement
Based on the tests that have been carried out, the results show the t-count value of 1.619 < 2.00324 t table with a significance value of 0.111 > 0.05. This value shows that H4 is rejected, CEO education has no effect on fraudulent financial statements. CEOs with a greater level of knowledge tend to make decisions that are more productive, efficient, and devoid of fraud. CEOs with a higher level of education have a foundation of knowledge, theory, logic, and enhanced analytic skills that prevents them from making decisions that will ultimately result in losses for many stakeholders. The results of this study are in line with research conducted by [8] which shows that the higher the education taken by a person, the more ethical that person will be.

4.10 The influence of arrogance on fraudulent financial statement

Based on the tests that have been carried out, the t-count value is 3.771 > 2.00324 t-table with a significance value of 0.004 < 0.05. This value indicates that H5 is accepted, arrogance has a positive effect on fraudulent financial statements. The arrogance of a person is sometimes accompanied by a sense of escape from the applicable law. With the mindset that no one can hold him accountable because he believes he is above the law, this arrogance can result in fraudulent behavior for personal gain. The results of this study are in line with [9] which states that the large number of CEO photos in the financial statements can be an indication of fraud.

4.11 The influence of collusion on fraudulent financial statement

Based on the tests that have been carried out, the t-count value is -1.492 < 2.00324 t-table with a significance value of 0.141 > 0.05. This value shows that H6 is rejected, collusion has no effect on fraudulent financial statements. The cooperation carried out by the company with the government is not with the aim of doing something unethical, this can happen because the agreement was made to provide proper facilities or services for the community. The cooperation carried out by the company also does not mean only to get high profits, but also pay attention to things that can be detrimental so that this collaboration does not trigger fraudulent financial statements. The results of this study are in line with research conducted by [10] which states that cooperation between companies and the government shows good performance and committing fraud is not a habit committed by them.

4.12 The moderating effect of audit quality on the relationship between financial targets and fraudulent financial statement

Based on the tests that have been carried out, the t-count value is -0.707 < 2.00856 t-table with a significance value of 0.483 > 0.05. This value indicates that H7 is rejected, audit quality cannot weaken the relationship between financial targets and fraudulent financial statements. In conducting audits of financial statements, a public accountant, whether from one of the "big four" or a non-"big four" accounting firm, has the same level of independence. Because a public accountant must comply with applicable standards and the code of ethics of the public accounting profession when performing their job. This study supports the results of research conducted by [24]that audit quality cannot moderate the relationship between the pressure component and fraudulent financial statement.

4.13 The moderating effect of audit quality on the relationship between nature of industry and fraudulent financial statement

Based on the tests that have been carried out, the t-count value is -2.417 > 2.00856 t table with a significance value of 0.019 <0.05. This value shows that H8 is accepted, audit quality is able to weaken the nature of industry relationship to fraudulent financial statements. In agency theory, it is assumed that an agency conflict can occur between the agent and the principal, so a third party is needed to prevent this from happening. The quality possessed by the external auditor is considered to be able to find things that deviate in the accounting policies and methods used. The The Big Four Accounting Firms are considered to be accounting firms that have a good reputation and credibility so that it is considered that the audit results produced are more reliable in detecting fraud. The results of this study are also in line with research conducted by [22] that audit quality is able to minimize financial statement fraud. [23] also stated the same thing, that the financial statements audited by the The Big Four Accounting Firms are considered to reflect the real financial condition.

4.14 The moderating effect of audit quality on the relationship between TATA and fraudulent financial statement

Based on the tests that have been carried out, the t-count value is -0.095 < 2.00856 t table with a significance value of 0.925> 0.05. This value shows that H9 is rejected, audit quality is not able to weaken TATA's relationship with fraudulent financial statements. External auditors that are affilated with The Big Four Accounting Firms cannot weaken the rationalization that results in fraudulent financial statements. This is possible because an external auditor from one of the big four accounting firms or another firm will perform an audit in compliance with accounting professional standards and the applicable code of ethics for the public accounting profession. In compliance with Statement on Auditing Standards No. 99, which states that an auditor must maintain professionalism and be able to detect purposeful and accidental misstatements. The results of this study support the results of research that has been confirmed by [28] that the quality of external auditors cannot weaken or strengthen the rationalization relationship to fraudulent financial statement.

4.15 The moderating effect of audit quality on the relationship between CEO education and fraudulent financial statement

Based on the results of the tests that have been carried out, the t-count value is 1.697 < 2.00856 t table with a significance value of 0.096> 0.05. This value shows that H10 is rejected, audit quality is not able to weaken the relationship between CEO education and fraudulent financial statements. External auditors, both those working under the big four accounting firms and outside the big four accounting firms, work according to the procedures and codes of ethics for public accountants that apply and uphold their professionalism and independence. This research is in line with research conducted by [28]which shows that audit quality cannot affect fraudulent financial statement.

4.16 The moderating effect of audit quality on the relationship between arrogance and fraudulent financial statement

Based on the research that has been done, the t-count value is -2.473 > 2.00856 t table with a significance value of 0.017 <0.05. This value indicates that H11 is accepted, audit quality is able to moderate by weakening the relationship between arrogance and fraudulent financial statements. With the oversight of a third party, specifically an external auditor with high credibility and membership in one of the four largest accounting firms, it is possible to reduce the CEO's arrogance, which may lead to fraud. The results of this study are in line with research conducted by [22] that the quality of auditors is able to minimize financial statement fraud.

4.17 The moderating effect of audit quality on the relationship between collusion and fraudulent financial statements.

Based on the results of the tests that have been carried out, it shows the t-count value -2.956> 2.00856 t table with a significance value of 0.005 <0.05. This value indicates that H12 is accepted, audit quality is able to moderate by weakening the relationship between collusion and fraudulent financial statements. External auditors who are members of the big four accounting firms are considered to be able to audit financial statements carefully in tracing any misstatements and all forms of fraud. External auditors who come from big four accounting firms can weaken the existence of collusion that causes financial statement fraud. The results of this study support the results of research conducted by [22]which states that auditors who are members of the big four accounting firms can prevent fraudulent financial statement.

V. CONCLUSION

The results of this study's tests indicate that the nature of the industry and arrogance can influence fraudulent financial statements, whereas financial targets, TATA, CEO education, and collusion have no effect on fraudulent financial statements of property, real estate, and building construction companies registered in IDX 2017-2020. In addition, this study is able to demonstrate that audit quality can be used as a moderating variable, as audit quality acts as a pure moderator in this study, demonstrating that audit quality results are able to moderate by weakening the nature of industry, arrogance, and collusion relationships with fraudulent financial statements in property, real estate, and building construction companies listed on the Indonesia Stock Exchange during the period 2017-2020.

Based on the research that has been done this research has several limitations, among others. The period of this study was only 4 years so that only 64 sample data were obtained. The regression equation in this study occurs multicollinearity in two variables. Based on the limitations of this study, the researcher hopes that further research is expected to extend the research period and increase the research sample and can use other measurements for testing moderation and conducting research updates that can be useful for the field of science.

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