Nature of Industry and Auditor Changes Influencing Fraudulent Financial Statements: Financial Stability as a Moderator

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Abstract

Purposes: This study examines the relationship between the nature of industry and auditor changes on fraudulent financial statements. In addition, this study uses financial stability as a moderating variable in the relationship between the nature of industry, auditor changes, and fraudulent financial statements.

Methods: This study uses technology sector companies listed on the Indonesia Stock Exchange (IDX) from 2020-2023, with a total analysis unit of 111. This study uses Moderated Regression Analysis (MRA) with Eviews.

Findings: The study's results indicate that the nature of industry and auditor changes positively affect fraudulent financial statements. In addition, financial stability moderates the relationship between the nature of the industry and fraudulent financial statements. However, financial stability cannot moderate the relationship between audit changes and fraudulent financial statements.

Novelty: To the best of the researcher's knowledge, this is the first research that uses financial stability as a moderator in the framework of the relationship between the nature of industry and auditor changes on fraudulent financial statements

Keywords: nature of industry, auditor changes, fraudulent financial statement, financial stability

INTRODUCTION

The integrity and quality of financial reporting are essential components of an effective business process. The presence of fraudulent activities in financial reporting negatively impacts the overall quality of the financial statements. Financial reporting fraud is an increasingly concerning condition. Financial reporting fraud significantly affects the economy. Financial reporting fraud has eroded investor confidence, distorted market efficiency, and damaged the

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integrity of financial reporting (Olaoye & Agbaje, 2024). Financial fraud manifests itself in various forms across market segments, involving a variety of financial instruments and actors, thus presenting complex challenges for regulators and stakeholders (Reurink, 2018). One of the important studies in this area was conducted by the Treadway Commission, which advocated The application of analytical procedures can significantly improve the identification of fraudulent financial reporting., highlighting the importance of examining financial ratios and trends (Kaminski et al., 2004). Recent developments, including conflicts of interest, less sophisticated market participants, increasing transaction complexity, and the use of secrecy, have facilitated financial fraud (Reurink, 2018). The high complexity of corporate transactions triggers various problems, one of which is opportunistic behavior by management.

In 2019, PT RGS explained that it did not make a financial report. In addition, based on PT Envy's 2019 financial report, it is known that the revenue obtained was IDR 188.58 billion, which showed an increase of 135% from last year's revenue of IDR 80.35 billion. The net profit generated by PT Envy also increased by 19% from IDR 6.79 billion in 2018 to IDR 8.05 billion in 2019 (Karina et al., 2023). PT Envy stated that it was true that the 2019 financial report presented was a consolidated report with its subsidiary, PT RGS, and this had been approved by the management of PT. RGS, who were in office at that time. The current management of PT. Envy is still doubtful about the 2019 financial report consolidation process, so it will check the truth in this case because it will have legal implications for both parties. The IDX has even suspended PT Envy's stock trading since December 1, 2020, on suspicion of financial report fraud (Karina et al., 2023). In addition, material misstatements were also found by PT. Bukalapak on the investment value in a subsidiary company, which should have been 1 million dollars but was recorded by management as 1 billion dollars in 2021 (Hermantoro, 2025).

Opportunistic behavior carried out by management can be caused by various things. Referring to the Fraud Triangle Theory identifies three key conditions that lead to fraud: opportunity, motivation (pressure), and rationalization. Understanding these elements is vital for organizations to identify and mitigate fraud risk. (Kagias et al., 2022). Opportunities increase fraud in companies. This condition is due to the weak internal controls or inadequate supervision (Maulidi & Ansell, 2022). Motivation or pressure, or incentive refers to any reason that drives fraud, such as financial aspects, rewards, or any facilities (Mandal & S, 2024) . Rationalization involves justifying fraudulent actions, which allows perpetrators to align their behavior with their moral compass (Di Carlo, 2022). Opportunity always happens while driving fraud (Awalluddin et al., 2022).

Several previous studies believe that there are many variables that determine the occurrence of financial reporting fraud, including the nature of the industry, the commissioner board, auditor changes, financial stability, and others (Achmad et al., 2022a; Nugraha & Nugraheni, 2025; Yarana, 2023). Hence, the company can implement an effective audit committee to minimize fraud (Hidayah & Ratmono, 2025). The nature of the industry in which a company operates can significantly influence its vulnerability to fraudulent financial reporting (Sari et al., 2022)

High competition may present greater opportunities for fraudulent activities. Hence, industries facing greater financial distress (Kwamboka et al., 2025). In addition, fraud is one of barriers for economic growth (Chowdhury et al., 2023). Frequent auditor changes may indicate disagreements between management and auditors regarding accounting practices or audit scope. This condition potentially leads to an increased risk of fraudulent financial reporting (Achmad et al., 2022b). In addition, financial stability, as a moderator, plays a significant role in shaping the relationship between industry nature, auditor changes, and fraudulent financial reporting. Financial stability can either exacerbate or reduce incentives and opportunities for fraudulent activity, depending on prevailing economic conditions and the financial health of the firm.

Fraud conditions in technology companies can be caused by several factors. According to the Fraud Triangle Theory, three key elements contribute to fraud, namely rationalization, opportunity, and pressure (Kagias et al., 2022; Tickner & Button, 2021). Opportunity can be

interpreted as a condition when someone plans engaging in fraud without being detected by others.The opportunity to commit fraud can occur when taking advantage of company conditions (Vousinas, 2019). This study uses the opportunity factor, which is proxied by the nature of the industry variable. Previous studies proved that the nature of the industry has a positive effect on fraudulent financial statements (Ariyanto & Jhuniantara, 2021; Fathmaningrum & Anggarani, 2021). Another study proved that the nature of industry has an insignificant effect on fraudulent financial statements (Supri et al., 2018).

The second element is rationalization. Rationalization can be interpreted as a justification that makes fraudsters assume that their actions do not violate the rules. A person who commits fraud will try to justify that he is innocent and frame the definition of crime to look good in front of others. This study utilizes the rationalization factor, which is represented by the variable for auditor changes. Previous research proved that auditor changes have a positive effect on fraudulent financial statements (Apriliana & Agustina, 2017; Napitupulu et al., 2023; Tomy et al., 2022). On the other hand, auditor changes had no effect on fraudulent financial statements (Nuristya & Ratmono, 2022).

The last is pressure, fraud is created because of the pressure of the need to increase finances or other incentives outside of financial factors, such as being required to increase results by superiors or environmental factors that make someone feel frustrated and stressed. Previous studies have examined stimuli using several proxies, one of which is financial stability. Financial stability can be quantified by changes in total assets or a comparison of income and total assets (Achmad et al., 2022b). Financial stability has an effect on fraudulent financial statements (Sihombing & Cahyadi, 2021). However, some researchers believe that financial stability has no effect on fraudulent financial statements.

This study investigates the impact of industry characteristics and auditor changes on fraudulent financial reporting. In addition, this research uses financial stability as a moderator. This study provides valuable insights for academics, practitioners, and regulators seeking to improve fraud detection and prevention efforts.

The nature of the industry is operational conditions that influence management flexibility, measured by the ratio of receivables to sales, which has the potential to be exploited for revenue manipulation (Skousen & Wright, 2008) . The company's operations can significantly affect its susceptibility to fraudulent financial reporting. Certain industries, due to their inherent characteristics, may present greater opportunities to engage in fraudulent activities. There is high competition, rapid technological change, and complex regulatory environments that create pressure on companies to achieve fraudulent financial performance (Lotfi et al., 2022; Trautman, 2021; Yang et al., 2017). The capability to identify and prevent fraud can be enhanced by understanding the characteristics of fraudulent businesses, the fraud triangle, and auditor procedures and skills. In addition, industries with weak regulatory oversight or a lack of transparency may provide greater opportunities for companies to conceal fraudulent activities. Empirical studies have shown that companies operating in industries with high growth rates or volatile market conditions are more probable to participate in fraudulent financial statements. This is due to the fact that these companies often face greater pressure to meet investor expectations and maintain their competitive position.

H₁: The Nature of industry has a significant positive effect on Fraudulent Financial Statements

Auditor switching, defined as the replacement of one external audit firm with another, can be a significant indicator of potential fraudulent financial reporting (Widharma & Susilowati, 2020). While auditor switching can happen for valid reasons, such as the end of a contract or a desire to gain specialized expertise, it can also be a red flag for underlying financial irregularities. Companies may switch auditors in an attempt to "talk". It means that an auditor who is more lenient and who will accept questionable accounting methods. Previous research has shown the connection between the auditor switching and the heightened risk of financial statement fraud.

(Lou & Wang, 2009). In addition, auditor switching is related to fraudulent financial statements (Lee & Ha, 2021). In situations where a company is experiencing financial distress or is engaging in aggressive accounting practices, management may seek to replace the existing auditor with one who is less likely to challenge their methods

Inconsistent financial and nonfinancial measures can indicate a company's high risk of fraud.(Brazel et al., 2009). In addition, auditor changes have an impact on companies. Auditor departures, especially when accompanied by disagreements over accounting policies or internal controls, will lead to an unstable condition (Campa et al., 2025). It may raise concerns about the integrity of the financial statements.

H₂: Auditor changes have a significant positive effect on Fraudulent Financial Statements

Financial stability, characterized by consistent profitability, manageable debt levels, and stable cash flows, can play an important moderating role in the relationship between various factors and fraudulent financial statements. The fraud triangle theory states that three conditions must be present for fraud to occur: opportunity, motivation, and rationalization (Cressey, 1953). When a company is financially stable, the pressure to engage in fraudulent activities to meet performance targets or hide financial distress is reduced. This can weaken the connection between industry factors and the likelihood of financial statement fraud. Corruption has also been shown to be a major obstacle to economic development in developing and emerging economies, which ultimately has a negative impact on trade, investment, and public confidence in institutions and capital market development. In addition, financially stable companies tend to have strong internal controls and corporate governance mechanisms, which can prevent and detect fraudulent activities (Kwamboka et al., 2025). Hence, the financial stability can decrease the relationship between NOI and fraud.

H₃: Financial Stability weakens the relationship between the nature of industry and fraudulent financial statements

Auditor change is one of the signs of high financial statement fraud (Achmad et al., 2022a). When there is a change of auditor, it shows a gap in the company's management. Auditor change becomes an opportunity for management to cover up something that can reveal fraud committed by management. Borrowing the fraud triangle theory, auditor change is a condition that reflects rationalization in the company, where management considers the event to be normal in order to achieve the company's targets (Cressey, 1953). Furthermore, theoretically, financial stability can strengthen the relationship between auditor change and financial statement fraud. The existence of good company financial conditions actually puts pressure on management to carry out opportunistic practices in order to protect their own interests. As is appropriate, agency theory believes that there is information asymmetry between management and company investors (Jensen & Meckling, 1976). Therefore, the ideal financial stability of a company actually encourages management to change auditors. It leads to financial fraud more freely without the public knowing. This condition of fraud is done in order to obtain incentives for the interests of the management itself.

H₄: Financial Stability strengthens the relationship between auditor changes and has a significant positive effect on fraudulent financial statements

METHODS

The study used purposive sampling to select participants. Purposive sampling is a sample selection technique that is adjusted to the objectives of the researcher (Arif et al., 2022). This technique selects with several provisions so as to obtain samples that meet certain criteria. This study uses unbalanced panel data. Unbalanced panel data means the type of data in the cross-section unit has a different number of time series. This will allow companies that are not listed on the IDX in a particular year to still be used as long as they meet the criteria stated in this study. In

addition, many companies in the technology sector commit fraud (Indrastiti, 2019). Hence this research focuses on the technology sector as a sample.

Table 1. Criteria of Sample

No	Criteria of Sample	2020	2021	2022	2023
1.	Companies in the technology sector that were listed on the Indonesia Stock Exchange from 2020-2023	22	28	34	44
2.	Technology sector companies that publish audited annual financial reports on the IDX website or the company's official website for the period 2020-2023	17	25	31	39
3.	Technology sector companies that present data related to this research in full in their annual financial reports for the period 2020-2023.	17	25	31	38
	Total of unit analysis	111			

This study uses a dependent variable in the form of fraudulent financial statements (FFS), and independent variables in the form of auditor change, nature of industry. The moderating variable is financial stability. The details can be seen in Table 2. Operational Definition of Variables.

Table 2. Operational Definition of Variables

Variable	Definition of Variable	Measurement
Fraudulent Financial Statement (FFS)	manipulation of financial report figures to intentionally deceive users of financial reports	**M-Score** $= -4,840 + 0,920$ DSRI $+0,528$ GMI $+0,404$ AQI $+0,892$ SGI $+0,115$ DEPI $-0,172$ SGAI $+4,679$ TATA $-0,327$ LVGI Mscore > -2.22 suspected financial manipulation Mscore ≤ -2.22 not suspected financial manipulation (Beneish, 1999)
Financial Stability (FS)	the company's ability to manage finances for the company's survival	**CATA** = Current asset/Total aset (Milasari & Ratmono, 2019)
Nature of Industry (NOI)	ideal conditions in the company that influence management flexibility (Skousen & Wright, 2008)	$Receivable = \dfrac{Receivable\,(t)}{sales\,(t)} - \dfrac{Receivable\,(t-1)}{sales\,(t-1)}$ (Skousen & Wright, 2008)
Auditor Changes (AC)	Changing auditors is one of the fraudulent actions that is considered normal	Auditor Change Dummy Variable: 1 = If there is a change of Public Accounting Firm in the 2020-2023 period; 0 = If there is no change of Public Accounting Firm in the 2020-2023 period (Skousen & Wright, 2008)

Table 3. Chow test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.108917	(39,68)	0.3484
Cross-section Chi-square	54.639999	39	0.0494

The Chow test results for the IDX-listed company show a Cross-Section Chi-square probability value of 0.0494, indicating statistical significance at the 5% level ($\alpha = 0.05$). Based on the analysis that H0 has been rejected and H1 has been accepted. This indicates that the Fixed Effect Model is more effective for estimating panel data regression compared to the Common Effect Model. Based on the results of the Chow test conducted, it shows that the Fixed Effect Model is better than the Common Effect Model. Therefore, the test is continued with the Hausman test. This analysis aims to determine the most accurate panel data regression estimate by comparing the Fixed Effect and Random Effect Models. The results of the Hausman test are summarized in the following table:

Table 4. Hausman test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	3.099071	3	0.3766

The Hausman test results indicate a random cross-section probability value of 0.3766, which exceeds the 5% significance level ($\alpha = 0.05$). Because of H1 has been rejected, and H0 has been accepted, indicating that the Random Effect Model is more suitable for estimating panel data regression. The test continues with the Lagrange Multiplier Test, which aims to compare the Random Effects Model with the Common Effects Model.

Table 5. Lagrange Multiplier Test

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	0.258509	0.000201	0.25871
	(0.6111)	(0.9887)	(0.611)
Honda	0.508438	0.014172	0.369541
	(0.3056)	(0.4943)	(0.3559)
King-Wu	0.508438	0.014172	0.151361
	(0.3056)	(0.4943)	(0.4398)
Standardized Honda	0.638401	0.441354	-4.25185
	(0.2616)	(0.3295)	(1.0000)
Standardized King-Wu	0.638401	0.441354	-2.55687
	(0.2616)	(0.3295)	(0.9947)
Gourieroux, et al.	--	--	0.25871
			(0.5252)

The results of the Lagrange Multiplier Test conducted on companies listed on the Indonesia Stock Exchange (IDX) indicate a Cross-Section Chi-square probability value of 0.6110, which is greater than the 5% significance level ($\alpha = 0.05$). H0 has been rejected, and H1 has been accepted,

thus the chosen model is the Common Effect Model. This study employs a heteroscedasticity test to check for variance differences in the residuals across observations in the regression model. This study employs a residual heteroscedasticity test with limits (500, -500) to assess heteroscedasticity by regressing the absolute value of the residuals against the independent variable. The results of the heteroscedasticity test conducted in this study are presented in the table below.
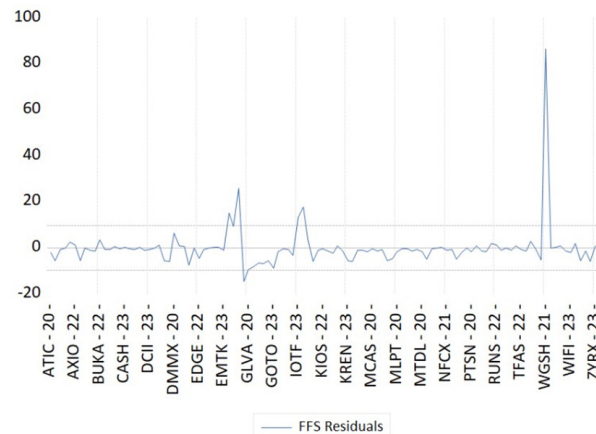

Figure 1. Heteroscedasticity

Based on the graph, it shows that the value is not above 500 or below -500. Indicates that there are no symptoms of heteroscedasticityThe multicollinearity test checks for high correlation among independent variables in a regression model to ensure accurate results.. A good moderation model should not have strong correlations between independent variables to prevent instability in the model. If the correlation value of the independent variables reaches 0.80 or more, then this indicates a multicollinearity problem in the model that can interfere with the validity of the analysis results.

Table 6. Multicollinearity Test Results

	NOI	AC	FS
NOI	1.000000	0.063141	0.017835
AC	0.063141	1.000000	0.073141
FS	0.017835	0.073141	1.000000

The table shows that the multicollinearity test indicates that all correlation values between independent variables in the regression model are below 0.80. In summary, there is no significant correlation between the independent variables, indicating no multicollinearity in the regression model. This study uses regression analysis to examine the influence of of Nature of Industry (NOI) and Auditor Changes (AC) on Fraudulent Financial Statements (FFS). The results of the Chow, Hausman, and Lagrange tests indicate that the Common Effect Model (CEM) is the best panel data regression model for this study. The results are shown in the following table.

Table 7. Common Effect Model (CEM)

Variable	Coefficient	Std. Error	t-Statistic
C	-1.890209	2.857938	-0.661389
NOI	0.609686	0.083852	7.270964
AC	4.677465	2.170506	2.155011
FS	0.312675	4.194415	0.074546
R-squared	0.358573	Mean dependent var	-0.561714

Adjusted R-squared	0.34059	S.D. dependent var	12.02657
S.E. of regression	9.766067	Akaike info criterion	7.431075
Sum squared resid	10205.24	Schwarz criterion	7.528716
Log likelihood	-408.4247	Hannan-Quinn criter.	7.470685
F-statistic	19.93856	Durbin-Watson stat	1.533836
Prob(F-statistic)	0.000000		

From the results of the logistic regression test above, the following is the regression equation obtained:

$$FFS = -1,890209 + 0,609686NOI + 4,677465AC + e \dots\dots\dots\dots\dots\dots\dots\dots\dots(1)$$

Reviewing the results of the regression equation, it shows a constant value (α) is −1.890209. The constant value can be interpreted that if all indep shows that if all are independent variables are 0, then the Financial Statement (FFS) value is −1.890209. The Nature of Industry (NOI) coefficient is 0.609686, which means it shows a positive relationship. Every increase of one (1) unit of Nature of Industry (NOI) will increase the Financial Statement (FFS) by 0.609686 assuming all other variables remain constant.. The Auditor Changes (AC) coefficient is 4.677465, which means it shows a positive relationship. Every increase of one (1) unit of Auditor Changes (AC) will increase the Financial Statement (FFS) by 4.677465 assuming that other variables remain constant.. The regression analysis in this study aims to determine the effect of Nature of Industry (NOI) and Auditor Changes (AC) on Fraudulent Financial Statements (FFS) with Financial Stability (FS) as a moderating variable.

Table 8. MRA Test

Variable	Coefficient	Std. Error	t-Statistic
C	-2.084972	3.010898	-0.692475
NOI	-5.385632	2.259543	-2.383505
AC	-3.205787	8.097272	-0.395909
FS	0.120131	4.457483	0.026950
NOI_FS	12.70131	4.782725	2.655664
AC_FS	10.52029	11.64028	0.903784
R-squared	0.399573	Mean dependent var	-0.561714
Adjusted R-squared	0.370981	S.D. dependent var	12.02657
S.E. of regression	9.538357	Akaike info criterion	7.401058
Sum squared resid	9552.926	Schwarz criterion	7.547519
Log likelihood	-404.7587	Hannan-Quinn criter.	7.460473
F-statistic	13.97511	Durbin-Watson stat	1.637715
Prob(F-statistic)	0.000000		

From the results of the MRA test above, the following is the regression equation obtained:

$$FFS = -2,084972 - 5,385632NOI - 3,205787AC + 0,120131FS + 12,70131NOI\_FS + 10,52029AC\_FS + e \dots\dots\dots\dots\dots\dots\dots\dots\dots(2)$$

The constant value (α) of -2.084972 is negative, which means that independent variables such as Nature of Industry (NOI) and Auditor Changes (AC) have constant or fixed values of 0, then the value of the dependent variable Fraudulent Financial Statement (FFS) is -2.084972. The Nature of Industry (NOI) coefficient is -5.385632, which means it shows a negative relationship.

Every one (1) unit increase in Nature of Industry (NOI) will decrease the Financial Statement (FFS) by -5.385632 assuming other variables are constant. The Auditor Changes (AC) coefficient is -3.205787, which means it shows a negative relationship. Every one (1) unit increase in Auditor Changes (AC) will decrease the Financial Statement (FFS) by -3.205787 assuming other variables are constant. The NOI_FS coefficient is the interaction of Nature of Industry (NOI) with Financial Stability (FS) of 12.70131, which means it shows a positive relationship. Every increase of one (1) unit of NOI_FS will increase the Financial Statement (FFS) by 12.70131 assuming that other variables remain constant. The AC_FS coefficient is the interaction of Auditor Changes (AC) with Financial Stability (FS) of 10.52029, which means it shows a positive relationship. Every increase of one (1) unit of AC_FS will increase the Financial Statement (FFS) by 10.52029 assuming other variables are constant. The coefficient of determination has a meaning to measure how far the ability of an independent model variation in explaining its dependent variable. The greater the R^2 value, the better because the model can explain the influence between the independent variable and the dependent variable. The coefficient of determination in this study can be seen in the following table

Table 9. The Adjusted R-squared

R-squared	0.358573
Adjusted R-squared	0.340590

The table presents the Adjusted R-squared value in the Common Effect Model (CEM) is 0.340590 or 34.05%. This means that, based on the Common Effect Model (CEM), the Nature of Industry (NOI) and Auditor Changes (AC) variables, this study can provide an explanation the Fraudulent Financial Statement (FFS) variable by 34.05%. While 65.95% can be explained by other variables outside the panel data regression model in this study. The F-statistic test was used to evaluate the feasibility of the regression model applied in this study. The F statistical test indicates how independent variables affect the dependent variable together. If the significance value of the regression model is 5%, then the regression model is not suitable for use. The following table shows the results of the F statistical test used in this study.

Table 10. F Test

F-statistic	19.93856
Prob(F-statistic)	0.000000

According to the data presented in the table, the F value is 19.93856 with a significance level of 0.000000. The level of significance in the regression model of this study is <5% which indicates that the variables Nature of Industry (NOI) and Auditor Changes (AC) are simultaneous to Fraudulent Financial Statement (FFS).

Table 11. Summary of Hypothesis Test

	Hypothesis	Coefficient	Significant	Results
H1	Nature of industry has a significant positive effect on Fraudulent Financial Statements	0,609686	0,0000	Accepted
H2	Auditor changes have a significant positive effect on Fraudulent Financial Statements	4,677465	0,0334	Accepted
H3	Financial Stability moderates the relationship between Nature of industry and Fraudulent Financial Statement	12,70131	0,0091	Accepted
H4	Financial Stability moderates the relationship between Auditor changes and Fraudulent Financial Statements	10,52029	0,3682	Rejected

Based on Table 11. show that The Nature of Industry (NOI) value gets a probability value of 0.0000 and a coefficient of 0.609686. This means that Ha has been accepted and Ho has been rejected because the Nature of Industry (NOI) value is less than 0.05 (0.0000 <0.05), so It may be concluded that the Nature of Industry (NOI) has an effect on Fraudulent Financial Statement (FFS) (H1 is accepted). The Auditor Changes (AC) value gets a probability value of 0.0334 and a coefficient of 2.170506. This means that Ha has been accepted and Ho has been rejected because the Auditor Changes (AC) value is less than 0.05 (0.0334 <0.05), so it can be concluded that Auditor Changes (AC) has an effect on Fraudulent Financial Statement (FFS) (H2 is accepted). Moderated Regression Analysis (MRA) Test Results. The Nature of Industry (NOI) value moderated by Financial Stability (FS) gets a probability value of 0.0091 and a coefficient of 12.70131 This means that Ha has been accepted and Ho has been rejected because the probability value is less than 0.05 (0.0091 <0.05) and has a direction that is in accordance with the hypothesis, it can be concluded that Financial Stability (FS) is able to moderate the relationship between the Nature of Industry (NOI) Value and the Fraudulent Financial Statement (FFS) (H3 is accepted). The Auditor Changes (AC) value moderated by Financial Stability (FS) gets a probability value of 0.3682 and a coefficient of 10.52029 This means that Ho has been accepted and Ha has been rejected because the probability value is less than 0.05 (0.3682 > 0.05) and has a direction that is in accordance with the hypothesis, it can be concluded that Financial Stability (FS) is not able to moderate the relationship between the Auditor Changes (AC) Value and the Fraudulent Financial Statement (FFS) (H4 is rejected).

Nature of industry has a significant positive effect on the Fraudulent Financial Statement

The outcomes.of the study show that the nature of industry has an effect on fraudulent financial statements. This is in line with the fraud triangle theory that Management may have the opportunity to commit fraud. In addition, agency theory explains that management tries to achieve its targets by doing everything to meet expectations and targets. The nature of industry provides an opportunity for management to utilize estimated accounts such as receivables to manipulate financial statements. The unstable nature of industry presents a challenge for management to make adjustments to operational activities that continue to run smoothly. However, management that is wrong in handling the nature of industry has an impact on the decline in the company's finances. This condition causes shareholders' expectations to not be met. The unfulfilled expectations of shareholders trigger low incentives for management (Matsumoto, 2002). Therefore, in order to obtain incentives for their own interests, management tends to manage the nature of industry. The ideal nature of the industry shows the condition of a stable company that is able to compete globally. The findings of this study align with those of previous research that the nature of industry has a positive effect on fraudulent financial statements (Khamainy et al., 2022)

Auditor changes have a significant positive effect on Fraudulent Financial Statements

The study's results of the indicate that auditor changes have a positive effect on the occurrence of fraudulent financial statements. This is in line with the fraud triangle theory with the rationalization element. Management tends to justify its fraudulent behavior by considering it a way to achieve targets. The change of auditors is one way for management to avoid the disclosure of fraud by the previous auditor. The change of auditors provides an opportunity for management to reconstruct perceptions and control over the audit in accordance with management's wishes. This is what tends to lead to deviations in financial statements. This condition is in line with agency theory where conflicts of interest and asymmetric information always occur in the company (Jensen & Meckling, 1976). This situation increases the opportunity for management to hide certain things, such as auditor replacement strategies, to cover up fraud that occurs. Auditor changes are an early alarm that there is a risk of financial statement fraud (Biduri & Tjahjadi, 2024). New auditors need more time to understand the ins and outs of the company, thus providing room for management to hide something. This is consistent with previous research findings that auditor changes can increase the risk of fraud (Biduri & Tjahjadi, 2024). Furthermore, new auditors need

more time to adapt and find fraud (Nacer et al., 2024). In addition, the continuous change of auditors tends to reduce the overall quality of audits, so that fraudulent financial statements are difficult to minimize.

Financial Stability Moderates the Relationship between the Nature of Industry and Fraudulent Financial Statement

The study results show that financial stability moderates the relationship between the nature of industry and fraudulent financial statements. The nature of industry has an important role in measuring the company's ability to allocate data sources efficiently (Fei et al., 2021). The nature of the industry is very vulnerable to economic fluctuations. The existence of financial stability is able to increase the relationship between the nature of the industry and fraudulent financial statements. Referring to the fraud triangle theory, financial stability is related to the pressure element to maintain the performance of the company to look good. When the company is in a stable condition, management experiences pressure to maintain this image, thus encouraging the manipulation of financial statements. The existence of the nature of industry provides an opportunity to commit fraud against accounts receivable. This condition illustrates the gap between management and investors in terms of information control (Jensen & Meckling, 1976). The existence of financial stability actually encourages management to do something about the nature of the industry, thus increasing the likelihood of fraudulent financial statements.

Financial Stability Moderates the Relationship between Auditor Changes and Fraudulent Financial Statements

The findings of the study suggest that financial stability is unable to moderate the relationship between auditor changes and fraudulent financial statements. Auditor changes are one form of rationalization in the fraud triangle theory (Cheliatsidou et al., 2023). Management justifies its actions in changing auditors to cover up the fraud that it has committed. This is done by management under the pretext of achieving the target of shareholders, namely that the company always has a good image. On the other hand, good financial stability conditions actually pressure management to always perform consistently (Fitriana & Sinarasri, 2024; Sari et al., 2024). The company's stable financial condition is unable to increase the relationship between auditor changes and fraudulent financial statements. This is due to the conflict of interest between management, which wants high incentives, and owners, who want high profits. Therefore, the good or bad financial stability of the company does not have any impact on the auditor changes made by management to meet its targets.

CONCLUSIONS

This study shows that the nature of industry has a significant positive effect on fraudulent financial statements. This means that the higher the complexity of the business, the higher the possibility of using accounts receivable estimates, the higher the chance of financial statement manipulation. In addition, auditor changes have a significant positive effect on fraudulent financial statements. This means that the more frequently a company changes auditors, the greater the likelihood of financial statement fraud. In addition, financial stability is able to moderate the relationship between the nature of industry and fraudulent financial statements. However, financial stability is unable to influence the relationship between auditor changes and fraudulent financial statements. This study provides theoretical contributions in strengthening the application of fraud triangle theory and agency theory in the framework of fraud risk. Practically, this study encourages regulators to conduct stricter supervision of companies that implement high estimate-based accounting. This study has a limitation, it focuses only on technology companies so that the findings cannot be generalized to companies in other sectors. Therefore, further research can expand the scope of the company sector. In addition, further research can apply qualitative analysis by conducting direct interviews with the company's directors and management.

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