



Analysis of Detecting Potential Financial Statement Fraud in State-Owned Enterprises (SOEs) Using the Fraud Hexagon

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Abstract

This study aims to analyze the effect of elements in the Fraud Hexagon on financial statement fraud in state-owned enterprises (SOEs) listed on the Indonesia Stock Exchange (IDX) from 2018 to 2022. The dependent variable in this study is financial statement fraud, measured by the F-score Model. The independent variables are the six elements in the fraud hexagon: pressure, opportunity, rationalization, capability, arrogance, and collusion, each proxied by performance level, monitoring ineffectiveness, change of auditors, change of director, CEO duality, and audit fees. This study utilizes 105 sample data selected using the purposive sampling method. The data was analyzed using multiple linear regression analysis. The results indicate that pressure (performance level) has a positive and significant effect on financial statement fraud. Capability (change of director) has a negative and significant effect, suggesting that changes in leadership can mitigate fraud risks. However, opportunity (monitoring ineffectiveness), rationalization (change of auditors), arrogance (CEO duality), and collusion (audit fees) do not significantly influence the potential for financial statement fraud. These findings highlight the importance of monitoring performance levels and leadership changes in preventing financial statement fraud in SOEs. The study provides valuable insights for regulators and corporate governance bodies to enhance their fraud prevention frameworks and ensure the integrity of financial reporting. This research contributes to the existing literature by integrating the Fraud Hexagon model in the context of SOEs, offering a comprehensive understanding of the factors influencing financial statement fraud in a developing country.

1. Introduction

Financial statements are prepared to convey information and provide an overview of an entity's financial performance over a specific period. The information presented in financial statements is essential for interested users, thus the financial statements must contain relevant and accurate information. Company management, as the party responsible for presenting the financial statements, needs to ensure that the information does not mislead users. The importance of the information in financial statements drives management to take various measures to make the financial statements appear favorable, which in turn increases the risk of fraud.

Based on the survey conducted by the Association of Certified Fraud Examiners (ACFE) Indonesia (2020), there were 22 cases of financial statement fraud in Indonesia. This number increased from 10 cases in 2016 to 22 cases in 2019, indicating that financial

statement fraud cases have been steadily increasing each year. In the survey, State-Owned Enterprises (BUMN) were among the entities that suffered the most losses due to fraud, ranking second after government institutions.

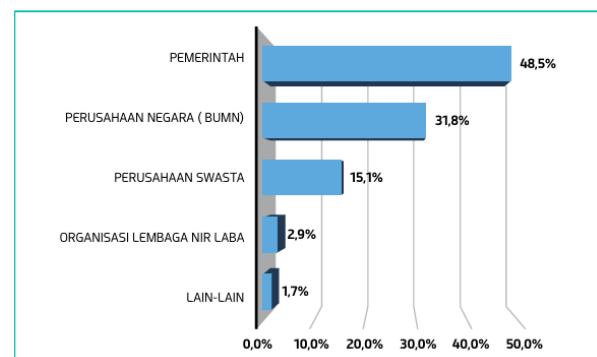


Figure 1. The types of institutions most affected by fraud.

Source: ACFE (2020)

Fraud in the presentation of financial statements by a company can result in a decline in public trust because the valuable information in the financial statements becomes unreliable



for assessing the company's performance (Achmad et al., 2022). Financial statement fraud causes losses not only for investors but also for other involved parties, including the company itself, its customers or service users, and external auditors. Therefore, preventive measures are needed to identify factors that can detect the likelihood of fraud in financial statements.

As the number of financial statement fraud cases increases, auditors need to detect potential fraud as early as possible from various perspectives, considering related factors, one of which is the theory about the causes of fraud. The rise in fraud cases has led to the development of theories explaining why fraud occurs. The fraud hexagon theory is the latest theory derived from the development of existing theories, namely the fraud pentagon theory. This theory was developed by Vousinas (2019), who added collusion as a factor that can influence the occurrence of fraud.

Pressure represents the force that drives someone to commit fraud. Management faces pressure regarding shareholders' expectations for returns on their invested capital, so the company will strive to demonstrate good performance, potentially leading to information manipulation. This is supported by the research of Pratiya et al. (2018), proving that performance level influences financial statement fraud, but the study by Hadi et al. (2021) rejects this theory.

The second element, opportunity, refers to the conditions or situations that create opportunities for someone to engage in fraudulent activities. Fraud can occur because management has the opportunity to do so. The research results of Lestari & Widiyati (2023) support this theory, but the findings of Hidayah & Saptarini (2019) and Achmad et al. (2022) indicate that opportunity has no effect. The third element, rationalization, involves justifying fraud. Fraud can occur because management considers it acceptable. Research by Septriani & Handayani (2018) and Septiningrum & Mutmainah (2022) shows that

rationalization has a positive effect on financial statement fraud.

The fourth element, capability, refers to someone's skill to take advantage of their surroundings, enabling them to commit fraud. This means that fraud occurs because management is capable of doing so without being detected. This is supported by the research of Hidayah & Saptarini (2019) and Yadiati & Rezwiandhari (2023), but the studies by Sari & Nugroho (2021) show non-significant results. The fifth element, arrogance, is the arrogant attitude of someone who feels superior.

This attitude drives perpetrators to commit fraud because they believe that internal controls and consequences of violations do not apply to them. Research by Sumbari et al. (2023) supports this theory, but studies by Ratnasari & Solikhah (2019) and Imtikhani & Sukirman (2021) show non-significant results. Lastly, the collusion element involves agreements or arrangements between two or more parties aimed at deceiving a third party. Fraud can occur if management collaborates with others to accomplish their actions. This is supported by the research by Aviantara (2021), but the study by Suri & Rahman (2023) using the same proxy, shows that collusion does not affect financial statement fraud.

This study aims to examine the elements of the fraud hexagon in relation to financial statement fraud. Financial statement fraud is measured using the F-score model, which provides high accuracy in detecting such fraud (Aghghaleh et al., 2016). The research reviews factors influencing financial statement fraud from the perspective of the fraud hexagon theory. The results of this study are expected to explain which factors influence financial statement fraud, thus enabling its detection.

2. Literature Review

2.1 Agency Theory

Jensen & Meckling (1976) argue that agency theory explains the relationship between principal and agent in the context of corporate governance. The rights and



obligations of the principal and agent are detailed in an employment agreement or contract. This agreement is designed to create mutually beneficial cooperation. Shareholders act as principals who delegate authority to management to run the company, while management acts as agents responsible to the principals for the authority delegated.

Delegating authority by the principal to the agent can lead to increased agency costs. Agency problems arise due to information asymmetry. This information asymmetry is divided into two types: when company management knows more about the company's performance than external parties, and when company management makes decisions without the knowledge of stakeholders, which violates the contract (Hendrastuti & Harahap, 2023). The difference in interests creates agency problems because the agent seeks to maximize their own interests while neglecting the principal's interests, thus violating the main purpose of the agreement, which should be for the welfare of the shareholders (Triyuwono, 2018).

2.2 Fraud Hexagon Theory

The fraud hexagon theory explains that fraud occurs due to six driving factors. Proposed by George L. Vousinas in 2019, this theory builds on previous theories. The basic foundation of this theory is the fraud triangle theory proposed by Cressey in 1953, which includes three elements: pressure, opportunity, and rationalization. The fraud triangle was later expanded into the fraud diamond theory by Wolfe and Hermanson in 2004 with the addition of the capability element. In 2011, Horwath further developed this into the fraud pentagon theory by adding the arrogance element. Vousinas (2019) reviewed these existing theories and added the element of collusion, forming the fraud hexagon theory. This theory consists of six elements that form a hexagon, namely pressure, opportunity, rationalization, capability, arrogance, and collusion.

2.3 Hypothesis Development

a. The effect of performance level on financial statement fraud

Management faces pressure due to expectations and high tendencies for profit or performance level from institutional capital investment. Performance level is a factor used to assess a company's ability to provide equity returns and to grant shareholders rights to profits (Hadi et al., 2021). Pratiya et al. (2018) revealed a significant relationship between performance level and financial statement fraud. The difference in interests between agents and principals relates to the company's return level, where investors expect high returns on their investment in the company. This condition can be pressure management to achieve high profits. Poor financial performance threatens the sustainability of capital flows in the company and indicates the personal financial condition of directors who may face difficulties.

H1: performance level has a significant positive effect on financial statement fraud.

b. The effect of monitoring ineffectiveness on financial statement fraud

Based on agency theory, management as an agent has more information than the principal, so management must be well supervised to minimize fraudulent actions. Ineffective supervision by the board of commissioners over financial reporting and internal management controls of the company can provide opportunities for management to engage in fraud (Tuanakotta, 2013). Supervision can be carried out through an independent board of commissioners that is not biased towards any financial statement user. Research by Lestari & Widiyati (2023) confirms that ineffective supervision affects the increase in financial statement fraud. The greater the ratio of independent commissioners to the board of commissioners, the smaller the likelihood of fraud (Wicaksono & Suryandari, 2021).

H2: monitoring ineffectiveness has a significant positive effect on financial statement fraud.



c. The effect of change of auditors on financial statement fraud

Excessive management desire to increase its stock price and maintain a good profit trend can drive management to justify fraudulent actions (Tuanakotta, 2013). Auditors can detect indications of fraudulent actions by company management through their examinations, prompting management to minimize fraud detection by changing auditors. Auditor turnover is carried out by companies as an effort to eliminate traces of fraud found by previous auditors (Ratnasari & Solikhah, 2019). Companies may change auditors to reduce the likelihood of financial statement fraud detection by subsequent auditors (Achmad et al., 2022). Research by Septriani & Handayani (2018) and Septiningrum & Mutmainah (2022) reveals that rationalization has a positive effect on financial statement fraud.

H3: change of auditors has a significant positive effect on financial statement fraud.

d. The effect of change of director on financial statement fraud

Director turnover can trigger a stressful period that increases the risk of fraudulent activities (Achmad et al., 2022). Director turnover is carried out to build better management performance through more competent organizational restructuring. However, new directors need time to adapt to the company's culture and characteristics, which can reduce performance effectiveness. Financial statement fraud is generally committed by top executives of the company (Tuanakotta, 2013).

If there is a change of directors, it will be difficult to detect fraud committed by the previous directors. Director turnover can be carried out as an effort to cover up fraudulent actions committed by the previous directors (Septriani & Handayani, 2018). This statement is supported by Lionardi & Suhartono (2022), Hidayah & Saptarini (2019), and Yadiati & Rezwiandhari (2023).

H4: Change of director has a significant positive effect on financial statement fraud.

e. The effect of CEO duality on financial statement fraud

CEO duality is a condition in which a CEO holds more than one position in a company (Wicaksono & Suryandari, 2021). In relation to agency theory, CEO duality can increase conflicts of interest between agents and principals because the CEO will struggle to separate his duties from personal and corporate interests. The CEO's dominance resulting from CEO duality leads to a lack of board independence (Sasongko & Wijyantika, 2019). CEOs with dual roles exerting dominance may exhibit arrogant and superior behavior, which can influence company policies (Imtikhani & Sukirman, 2021). This statement is supported by the findings of Sumbari et al. (2023). Arrogance drives CEOs to employ various methods to maintain their positions and status. H5: CEO duality has a significant positive effect on financial statement fraud.

f. The effect of audit fees on financial statement fraud

High audit fees can be advantageous for Public Accounting Firms. Accounting firms receiving high fees are more likely to face complexity in conflicts of interest related to providing clean audit opinions and a tendency to retain clients (Aviantara, 2021). Aviantara's research (2021) further emphasizes the relationship between audit fees and financial statement fraud. The benefits of high audit fees can trigger a mutual relationship between auditors and top management, thus encouraging fraud. Auditors also contribute to covering up fraud by providing unqualified opinions on the audited financial statements.

H6: Audit fees have a significant positive effect on financial statement fraud.

3. Research Methods

This study employs a quantitative approach to illustrate the correlation between the fraud hexagon and financial statement fraud. The data consists of secondary data gleaned from annual reports and financial statements of state-owned enterprises (SOEs),



sourced from both the Indonesia Stock Exchange and official company websites. The study encompasses all state-owned enterprises (SOEs), including subsidiaries, listed on the Indonesia Stock Exchange (IDX) over a five-year period from 2018 to 2022. Sample selection utilizes purposive sampling techniques. Data analysis involves descriptive statistics, multiple linear regression analyses, and model feasibility tests.

Prior to conducting the regression analysis, classical assumption tests must be met. The accuracy of the regression function in

estimating actual values can be assessed by examining the feasibility of the model, which can be statistically measured through the coefficient of determination, F-statistics, and t-statistics (Ghozali, 2021). Operational definitions offer concise descriptions for measuring or observing each variable in the research. Since the elements of the fraud hexagon used as independent variables cannot be directly measured, proxies are employed to represent each of these elements. The operational definitions and measurements of the research variables are detailed in Table 1.

Table 1. Operational Definitions of Variables and Their Measurement

Y Variable		Definitions	Measurements
Financial Statement Fraud		Management's deliberate act of presenting false information to mislead users of financial statements.	F-score = Accrual Quality + Financial Performance (Dechow et al., 2011)
X Variables	Proxy	Definitions	Measurements
Pressure (X1)	Performance levels	The level of performance in terms of returns that management is expected to achieve.	ROE = $\frac{\text{Earning after tax}}{\text{Total Equity}}$ (Hadi et al., 2021)
Opportunity (X2)	Monitoring ineffectiveness	Ineffective monitoring by independent commissioners.	BDOUT = $\frac{\text{Independent commissioners}}{\text{Total commissioners}}$ (Wicaksono & Suryandari, 2021)
Rationalization (X3)	Change of auditors	The condition in which a company replaces the public accounting firm that audits its financial statements.	Dummy variable, with code 1 for companies changing auditors and code 0 otherwise. (Achmad et al., 2022)
Capability (X4)	Change of director	There is a turnover of members in the company's board of directors.	Dummy variable, where code 1 represents companies experiencing board turnover, and code 0 otherwise (Achmad et al., 2022).
Arrogance (X5)	CEO duality	The condition when a company's CEO holds multiple positions.	Dummy variable, with code 1 for companies with CEO duality and code 0 otherwise (Sasongko & Wijyantika, 2019).
Collusion (X6)	Audit fees	The charges paid by the company for the use of the audit services of the public accountant.	LN audit fees(Aviantara, 2021).

Source: Processed by author (2024)



4. Results and Discussion

4.1 Descriptive Statistics

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
FSCORE	105	-2.40	1.98	.1428	.63912
ROE	105	-4.96	.70	-.0067	.62611
BDOUT	105	.29	.70	.4530	.11585
AUDCHANGE	105	.00	1.00	.2000	.40192
DCHANGE	105	.00	1.00	.4190	.49577
CEODUO	105	.00	1.00	.2667	.44434
AUDFEE	105	18.98	24.98	21.6093	1.35310
Valid N (listwise)	105				

Source: SPSS output (2024)

Table 2 displays the minimum, maximum, mean, and standard deviation values for each research variable. The highest value of financial statement fraud for SOEs is 1.98, with a mean of 0.12. The highest Return on Equity (ROE) value is 0.70, with a mean of -0.006. Similarly, the highest Board Independence (BDOUT) value is 0.70, with a mean of 0.45. The average values for

Auditor's Change (AUCHANGE), Director Changes (DCHANGE), and CEO Duality (CEODUO) are 0.2, 0.41, and 0.26, respectively. Additionally, the highest Audit fees (AUDFEE) value is 24.98, with a mean of 21.61.

4.2 Classical Assumption Tests

a. Normality Test

Table 3. Normality Test

		Unstandardized Residuals
N		105
Normal Parameters	Mean	.0000000
	Std. Deviation	.55441341
Most Extreme Differences	Absolute	.072
	Positive	.072
	negative	-.051
Statistical Tests		.072
Asymp . Sig. (2-tailed)		.200

Source: SPSS output (2024)

Before conducting data regression analysis in the study, it is essential to ensure that the data are normally distributed. Based on the results of the Kolmogorov-Smirnov test on the research data, the Asymp . Sig. (2-tailed) value is 0.20. Since this significance value is

greater than 0.05 ($0.20 > 0.05$), it indicates that the processed research data are normally distributed.

b. Multicollinearity Test

Table 4. Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
ROE	.943	1,061
BDOUT	.955	1,047



AUDCHANGE	,952	1,050
DCHANGE	,993	1,007
CEODUO	,966	1,035
AUDFEE	,898	1,114

Source: SPSS output (2024)

Based on the results of the multicollinearity test conducted, both the tolerance values and VIF meet the test requirements, which are tolerance greater than

0.10 and VIF less than 10, thus fulfilling the multicollinearity assumption.

c. Heteroscedasticity Test

Table 5. Heteroscedasticity Test

Model	Sig.
ROE	,370
BDOU	,536
AUDCHANGE	,910
DCHANGE	,380
CEODUO	,415
AUDFEE	,099

Source: SPSS output (2024)

The heteroskedasticity test can be conducted using the Glejser test, which regresses the absolute residual values against the dependent variable (Ghozali, 2021). Table 5 shows that all independent variables in the

study have sig. values > 0.05. Therefore, it can be concluded that there are no independent variables exhibiting heteroskedasticity.

d. Autocorrelation Test

Table 6. Autocorrelation Test

Model	Durbin-Watson
1	2,182

Source: SPSS output (2024)

After testing, a Durbin-Watson (DW) value of 2.1832 was found. The test criterion is $dU < DW < (4-dU)$. The test result and the DW table value at a significance level of 0.05 indicate $1.8042 < 2.182 < 2.1958$. Therefore, it can be concluded that there is no autocorrelation.

4.3 Multiple Linear Regression

After conducting multiple linear regression analysis, the equation obtained is as follows:

$$\begin{aligned}
 \text{FScore} = & 1.402 + 0.406 \text{ ROE} + 0.004 \text{ BDOU} \\
 & - 0.069 \text{ AUDCHANGE} - 0.314 \text{ DCHANGE} + \\
 & 0.055 \text{ CEODUO} - 0.107 \text{ AUDFEE} + \epsilon
 \end{aligned}$$

The regression equation above can be represented as follows:

- 1) The constant value has a positive value of 1.402. If the independent variable has a value of 0, then the dependent variable, which is financial statement fraud measured by F-score, has a value of 1.402.
- 2) The regression coefficient of the pressure variable with the performance level proxy is 0.406. If the other independent variables remain constant, an increase of 1 unit in this variable will be followed by an increase in the F-score value by 0.406.
- 3) The coefficient value of the chance variable (X2) is 0.004 with a positive direction. Thus, it can be assumed that if the other independent variables are held constant, an



increase of 1 unit in this variable will lead to an increase in the F-score value by 0.004.

- 4) The coefficient value of the rationalization variable (X3) is negative at -0.069. Therefore, if the other independent variables remain constant, each increase of 1 unit in this variable will result in a decrease in the F-score value by -0.069.
- 5) The coefficient value of the capability variable (X4) is negative at -0.314. Therefore, if the other independent variables remain constant, each increase of 1 unit in this variable will be followed by a decrease in the F-score value by -0.314.

- 6) The coefficient value of the arrogance variable (X5) is positive at 0.055. Therefore, if the other independent variables remain constant, each increase of 1 unit in this variable will be followed by an increase in the F-score value by 0.055.
- 7) The coefficient value of the collusion variable (X6) is negative at -0.107. Therefore, if the other independent variables remain constant, each increase of 1 unit in this variable will be followed by a decrease in the F-score value by -0.107.

4.4 Hypothesis Testing

a. Coefficient of Determination Test

Table 7. Coefficient of Determination Test

Model	R Square	Adjusted R Square
1	,248	,201

Source: SPSS output (2024)

Table 7 shows an adjusted R-Square value of 0.201 or 20.1%. This means that 20.1% of the dependent variable is explained by the independent variables, while the remaining

79.9% is explained by other variables not examined in this study.

b. F Test

Table 8. F Test Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10,515	6	1,752	5,372	,001
	Residual	31,967	98	,326		
	Total	42,481	104			

Source: Data processed by author (2024)

The significance value of the F-test is $0.001 < 0.05$, and the calculated F-value is greater than the tabulated F-value ($5.372 > 2.192$). Thus, it can be concluded that the independent variables collectively have a

significant effect on financial statement fraud (Y). The regression model in this study is well-fitted and suitable for use.

c. t Test

Table 9. Partial Test Results

	B	t	Sig.	Results	Conclusion
C	1,402	1,486	,140		
ROE	,406	4,498	,001	Significant positive	Accepted
BDOU	,004	,048	,962	Not significant	Rejected
AUDCHANGE	-.069	-.767	,445	Not significant	Rejected
DCHANGE	-.314	-3,570	,001	Significant negative	Rejected
CEODUO	,055	,538	,538	Not significant	Rejected
AUDFEE	-.107	,248	,248	Not significant	Rejected

Source: Data processed by author (2024)



Based on the results of the partial tests, the performance level and change of director significantly affect financial statement fraud, as evidenced by significance values of 0.001 and 0.001 greater than 0.05. Meanwhile, monitoring ineffectiveness, change of auditors, CEO duality, and audit fees do not significantly affect financial statement fraud, as evidenced by significance values of 0.962, 0.445, 0.538, and $0.248 > 0.05$, respectively.

4.5 Results Discussion

a. The effect of performance level on financial statement fraud

The analysis results indicate that the pressure variable, proxied by performance level, has a significant positive effect on financial statement fraud, so H1 is accepted. This is proven by the significance value of 0.001, which is less than 0.05. This study reveals that the higher the ROE ratio, the higher the tendency for financial statement fraud in companies. This study is a continuation of the research conducted by Pratiya et al. (2018), which demonstrated that performance level significantly affects financial statement fraud. Companies with good performance can provide dividends to shareholders, thus attracting investor interest in investing. This aligns with shareholders' expectations of maximizing returns on investment. As a result, companies are under pressure to maintain optimal performance to retain investors.

b. The effect of monitoring ineffectiveness on financial statement fraud

The analysis results indicate that the ineffectiveness of monitoring through the ratio of independent commissioners does not have a significant effect on financial statement fraud, as evidenced by the significance value of 0.962, which is greater than 0.05, thus H2 is rejected. This finding is consistent with the findings of Sari & Nugroho (2021), Achmad et al. (2022), and Yadiati & Rezwiandhari (2023). The research data shows that the average ratio of independent commissioners is 0.45 or 45%, which is in line with the minimum ratio of 30%

set by the OJK in Regulation No. 33/POJK.04/2014. This study reveals that the ineffectiveness of supervision by the board of commissioners does not provide sufficient opportunity for management to manipulate financial statements. The presence of an independent board of directors does not guarantee that supervision over the company will be better and more objective.

c. The effect of change of auditors on financial statement fraud

The analysis results indicate that the variable of change of auditors does not have a significant influence on financial statement fraud, as evidenced by the significance value of the partial test at 0.445, which is greater than 0.05; thus, H3 is rejected. Change of auditors is not an effort by management to prevent fraudulent actions from being detected but rather to comply with applicable regulations or for other reasons approved by shareholders. The analysis results show that change of auditors is not among the factors explaining financial statement fraud, consistent with the findings of research conducted by Ratnasari & Solikhah (2019), Wicaksono & Suryandari (2021), and Achmad et al. (2022), which stated that change of auditors does not significantly affect financial statement fraud. Change of auditors is carried out to improve the quality of financial statements and is regulated by OJK Regulation No. 13/PJOK.03/2017, which requires a change every three years at most.

d. The effect of change of director on financial statement fraud

The analysis results indicate that the variable of capability, with change of director as its proxy, has a significant value of 0.001, which is less than 0.05, with a negative beta coefficient of -0.314. Thus, it rejects H4, which hypothesizes that capability has a positive effect on financial statement fraud. Change of director as a proxy for the capability variable has a significant negative effect on financial statement fraud. This means that change of



director has an impact on reducing the level of financial statement fraud.

Company-initiated change of director may occur because the company is trying to improve its performance or implement strategic changes. This also serves to prevent the board from engaging in fraud due to poor performance. Change of director can drive the company to grow further because the new board is perceived to provide good participation for the company. Good board capabilities will impact the company's performance improvement and contribute to the reduction of financial statement fraud because the performance presented in the financial statements is good enough to retain investors. This research finding is consistent with the results of studies conducted by Nadziliyah & Primasari (2022) and Inawati & Arief (2022).

e. The effect of CEO duality on financial statement fraud

The analysis results indicate that the arrogance variable, proxied by CEO duality, does not have a significant effect on financial statement fraud, thus H5 is rejected. This can be seen from the significance value of 0.538, which is greater than 0.05. CEOs holding multiple positions are not factors influencing financial statement fraud. CEOs with multiple positions may take advantage of their positions to improve company performance and maintain their position within the company (Wicaksono & Suryandari, 2021).

Directors of State-Owned Enterprises (SOEs) are permitted to hold multiple positions in subsidiaries as commissioners, as regulated by Regulation of the Ministry of State-Owned Enterprises No. PER-03/MBU/02/2015. This regulation can limit directors from abusing their power to commit fraud. Directors who hold positions as commissioners in subsidiaries only oversee their subsidiaries on behalf of the parent company, rather than exhibiting arrogance to commit fraud. The supervisory role of the board of commissioners in monitoring the CEO can mitigate the risk of the

CEO abusing their authority for financial statement fraud. This research finding is consistent with the results of studies conducted by Sasongko & Wijyantika (2019), Imtikhani & Sukirman (2021), and Wicaksono & Suryandari (2021).

f. The effect of audit fees on financial statement fraud

The analysis results indicate that the collusion variable, proxied by audit fees, does not have a significant effect on financial statement fraud. This is proven by a significance value of 0.248, which is greater than 0.05, thus H6 is rejected. The high audit fees received by Public Accounting Firms (KAP) do not indicate any conflicts of interest or loyalty to the audited company (Suri & Rahman, 2023). High audit fees are usually related to the complexity of the company and tend to increase in companies with large assets. Regulations regarding external auditor turnover and KAP, as well as the determination of audit fees in OJK Regulation No. 13/PJOK.03/2017, limit the interdependence relationship between auditors and the audited company. These research findings are supported by the study of Suri & Rahman (2023).

5. Closing

5.1 Conclusion

This study reveals that pressure from the required level of performance has a significant positive influence on financial statement fraud, indicating that the higher the ROE ratio, the greater the potential for fraud or intentional material misstatement in financial statements. Change of director has a significant negative influence on financial statement fraud, suggesting that new boards tend to reduce the potential for fraud. Meanwhile, monitoring ineffectiveness, CEO duality, change of auditors, and audit fees do not have a significant influence.

The proportion of independent commissioners is not sufficient to prevent the manipulation of reports, auditor turnover is more related to compliance with regulations set



by the OJK, dual roles are not a manifestation of arrogance to commit fraud, and high audit fees are not an indicator of collusion to commit fraud. This study emphasizes that some elements in the fraud hexagon, such as pressure and capability, have a significant influence on financial statement fraud, while opportunity, rationalization, arrogance, and collusion do not show a significant influence. However, this research is limited to the use of one proxy for each element, which can be further expanded to provide a more comprehensive understanding.

5.2 Suggestions

Financial statement users are advised to be more cautious and careful when reading the information presented in financial statements before making decisions. Companies with high profits and high return ratios do not necessarily guarantee that the company is in good condition, as they are vulnerable to manipulation in financial statements. Users should also pay attention to changes in the company's board of directors. Board turnover can help prevent financial statement fraud, so companies with directors serving for too long should be viewed with caution, as this may indicate the potential for financial statement fraud.

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