

Fraud Hexagon Analysis in Detecting Fraud Financial Statements (Empirical Study of Manufacturing Sector Companies Listed on the Indonesia Stock Exchange in 2019-2021)

Rosikah Andaru Sikarini¹, Lintang Kurniawati²

¹*Faculty of Economics and Business,
University of Muhammadiyah Surakarta, Indonesia*

²*Faculty of Economics and Business,
University of Muhammadiyah Surakarta, Indonesia*

Abstract: The purpose of this research is to identify fraudulent financial statements using the fraud hexagon theory. The hexagon fraud theory has six elements, the six elements are the stimulus proxied by the financial target and financial stability, the capability element is proxied by the change in director, the collusion element is proxied by political connections, the opportunity element is proxied by nature of industry and ineffective monitoring, the rationalization element is proxied by an audit opinion and the ego element is proxied by the frequent number of CEO's picture. Meanwhile, the dependent variable, namely financial statement fraud, is proxied using the earnings management variable as measured by the Jones Modification. The sample used is 82 manufacturing sector companies listed on the Indonesia Stock Exchange for the 2019-2021 period. Sampling using a purposive sampling method. The analytical method uses multiple linear regression. The results of the study show that financial stability and audit opinion affect financial statement fraud, while financial targets, change in directors, political connections, nature of industry, ineffective monitoring, and the frequent number of CEO pictures do not affect financial statement fraud.

Keywords: fraud hexagon, financial statement, financial statement fraud, manufactures

1. Introduction

The primary indicator used in assessing the company is the financial statements. Financial reports are a communication tool that has the function of conveying financial information to parties who need this information, which can come from internal and external companies (Pramurza, 2021). One of the functions of financial reports, according to the FASB as outlined in The Statement of Financial Accounting Concept (SFAC) number 1, is "a provider of helpful information for potential investors, creditors, and other users to make rational investment decisions, granting credit, and similar choices other". Therefore, in addition to fulfilling the qualitative elements of financial statements, they must also be presented in accordance with the provisions of the Statement of Financial Accounting Standards (PSAK). PSAK will provide direction and accuracy in the presentation of financial statements and will affect the quality of the information produced (Santoso & Surenggono, 2018). The company will prepare complete financial reports to get the public's assumption that the company is in perfect condition. It can benefit the company because excellent financial reports attract investors and creditors. Considering that financial reports are essential for a company, management sometimes covers up the situation in the financial statements so that the performance looks positive, namely by committing fraudulent financial reporting (Agustina & Pratomo, 2019).

Fraud is an intentional act that causes harm to specific parties by outwitting and misleading users of financial statements by manipulating the presentation of the material value of financial statements. This fraud causes unreliable financial reports due to dishonesty in their production, and some elements mislead users in the decision-making process (Damayani et al., 2017).

According to the Association of Certified Fraud Examiners (ACFE) Indonesia Chapter (2019) the survey results show that 64.4% of fraud cases that often occur in Indonesia mention corruption cases, 28.9% mention asset misappropriation cases and 6.7% mention case of financial statement fraud. Meanwhile, if one pays attention to the largest media used for fraud, 38.9 % said it came from reports. The most frequent incidents of fraud at 67.4% mentioned financial statement fraud even though the loss was below ten million rupiah. This shows that the level of fraud in financial statements is easy to occur so that it will be prone to incurring losses in a relatively small nominal, but if this fraud occurs frequently it can benefit the company because it can convince stakeholders that the company's financial condition is fine even though it is only temporary (Nadziliyah & Primasari, 2022).

Companies that commit fraudulent financial statements will decrease public trust because financial reports as a valuable source of information for assessing the company's prospects in the future cannot be relied

upon. Therefore, it is necessary to prevent and detect fraud based on the financial statements issued by the company (Mukaromah & Budiwitjaksono, 2021). Financial statement fraud is influenced by several factors that have been proven in various fraud detection models initiated by the theory of Donald R. Cressey (1953), which mentions three elements that cause financial statement fraud, called the fraud triangle theory. These three conditions are financial pressure, opportunity, and rationalization (Vousinas, 2018). This theory was then developed by adding an element that encourages fraudulent financial statements called fraud diamond theory. The theory was then developed into a pentagon fraud theory by Crowe Howart (2012) called SCORE (Stimulus, Capability, Opportunity, Rationalization, and Ego) with a new element: ego. This fraud theory was then developed into a new fraud theory, namely the fraud hexagon theory or with the addition of collusion elements or can be called SCCORE (Stimulus, Capability, Collusion, Opportunity, Rationalization, and Ego) (Vousinas, 2019).

This study applies the fraud hexagon theory, which has six elements. The elements contained in the fraud hexagon theory are proxied by other variables. The proxy used in this study is Stimulus, proxied by financial targets and financial stability. The capability element is proxied by the change in director. The collusion element is proxied by political connections. The opportunity element is proxied by the nature of industry and ineffective monitoring. The rationalization element is proxied by an audit opinion, and the ego element is proxied by the frequent number of CEO pictures.

The author's motivation in conducting research on fraud in the manufacturing sector is because the contribution of the manufacturing industry sector is the largest compared to other sectors, so the industrial sector is used as a development priority, and this sector plays an important role as a driving force for economic growth. There is a need for research on fraud indicators that occur in the manufacturing sector.

This research will analyze hexagon fraud in detecting fraudulent financial statements of Manufacturing sector companies listed on the Indonesia Stock Exchange (IDX) for 2019-2021. Based on the background description above, the authors conducted research titled "Fraud Hexagon Analysis in Detecting Fraud Financial Statements (Empirical Study of Manufacturing Sector Companies Listed on the Indonesia Stock Exchange in 2019-2021).

2. Literature Review and Hypothesis

2.1 Agency Theory

Agency theory (agency theory) is the basic foundation of the company's business practices. The theory developed by Jensen & Meckling (1976) explains that the agency relationship as a contract between the investor (principal) and management (agent) results in the investor (principal) delegating authority and delegating decision-making authority to management (agent). However, sometimes the decisions taken by management (agent) are not in line with the interests of the investor (principal), so a conflict of interest arises, often called a conflict of interest. Differences in interests and information asymmetry between investors (principals) and management (agents) will trigger fraudulent financial statements made by management (agents) (Sagala & Siagian, 2021).

2.2 Financial Statement Fraud

Financial statements are a structured presentation of an entity's financial position and financial performance. This definition explains that financial statements result from an entity's accounting process in which there are income statements, changes in equity reports, statements of financial position, cash flow statements, and notes on financial statements as material for consideration in making decisions (Janah et al., 2022).

Financial reports must be prepared and presented following Financial Accounting Standards (SAK) so that the financial reports presented to users are understandable, relevant, meet the elements of materiality, can be relied upon, are presented honestly, and have elements of completeness and comparability. Financial statements are one of the main indicators to assess a company's performance. In managing financial reports, management sometimes covers up the real situation so that its performance looks positive. One of them is by committing fraudulent financial reporting (Putri & Saphira, 2019).

Fraud is the intentional misstatement of financial statements by omitting and adding material information or misrepresenting financial statements. Fraudulent financial statements include financial misstatements, restatements, delays in disclosing financial statements, and cancellation of financial statement disclosures. Financial misstatement is defined as intentional behavior to provide financial statements that are misstated materially or omitted to deceive stakeholders (An & Suh, 2020).

According to the Association of Certified Fraud Examiners (ACFE) in Septriani & Desi Handayani (2018), fraud is an act of deception or a mistake committed by someone who consciously knows that this action

can provide unfavorable benefits to individuals, entities, and other parties. Deliberate fraud by management is an act that violates the rules set by the regulator.

The actions of earnings management actions carried out by management as a result of agency problems between agents and principals are closely related to fraud because earnings management is an intentional misstatement as a form of manipulation in financial statements. Earnings management does not always mean manipulating profits to present higher yields. In previous empirical cases, it was often found that managers deliberately misrepresented lower earnings. That generally happens when companies have exceeded or are still below their targets (Kurniawansyah, 2018).

2.3 Fraud Hexagon Theory

In detecting fraud, initially using the fraud triangle theory put forward by Cressey (1953), then this theory continued to develop into fraud diamonds by Wolfe & Hermanson (2004), expanded again into pentagon fraud with the addition of elements of arrogance by Howarth (2012) (Nadziliyah & Primasari, 2022).

Fraud hexagon theory was introduced by Vousinas (2019) with the addition of one element, Collusion. From the expansion of the approach described above, the elements of the fraud hexagon are:

2.3.1 Stimulus

Based on the explanation of Skousen et al. (2009), when the company's performance decreases from the average industry performance in general, there will be pressure because this situation can indicate that the company cannot maximize its assets. There needs to be a more effective use of investment funds. The force that management gets continuously encourages management to prepare financial reports as best as possible, following the targets desired by the company to attract investors and debtors to obtain additional funding sources. This encouragement made management manipulate financial reports.

2.3.2 Capabilities

Capability is the ability possessed by company management to commit fraud and exploit existing internal controls in the company by using position, function, and authority. Many fraud perpetrators are experienced and intelligent people who understand the company's vulnerabilities (Wolfe & Hermanson, 2004).

2.3.3 Collusion

According to Vousinas (2019), collusion is an agreement to cheat between two or more people to carry out actions with bad intentions, such as defrauding third parties of their rights.

2.3.4 Opportunity

Opportunities or opportunities for management can be a loophole for committing fraud. These opportunities arise and can be taken when the company's internal controls and controls are weak. Opportunities are usually associated with an environment where fraud occurs due to weak internal controls, inadequate management oversight, and unclear procedures (Faradiza, 2019). According to Albrecht et al. (2011), factors that can increase opportunities for individuals to commit fraud, namely lack of controls to prevent and detect fraud, inability to assess the quality of work, failure to discipline perpetrators of fraud, lack of monitoring of access to information, indifference and inability to anticipate fraud and lack of audit trails.

2.3.5 Rationalization

Rationalization is the justification that appears in management's mind when fraud has occurred. This thinking will arise because they do not want their actions to be known, so they justify the manipulation that has been done. This action is taken so that they remain safe and free from punishment (Sari & Nugroho, 2021).

2.3.6 Ego

The ego element often occurs in individuals whose careers are in the top positions, causing arrogant behavior toward others. The higher nature of the ego in a company can trigger fraud because authority, position, and power can encourage individuals to do all kinds of things to maintain their position (Sagala & Siagian, 2021).

2.4 Financial Target

A company must achieve Financial targets, which can be in the form of profit in one period. According to the agency theory of Jensen and Meckling (1976) in Sasongko & Wijyantika (2019) financial targets are one of the causes of management committing fraud. In this case, it is based on management's desire to get performance results after fulfilling the manager's wishes to achieve financial targets. Return on assets can be

used to measure operational performance as indicated by the efficient use of company assets. The higher the targeted ROA, the more prone management will be to earnings manipulation. The results of Sagala & Siagian (2021) state that financial targets affect financial statement fraud, which is supported by research conducted by Santoso & Surenggono (2018).

Based on the explanation above, the financial target calculated using ROA can be used as an indicator to detect financial statement fraud.

H₁: Financial targets affect financial statement fraud.

2.5 Financial Stability

Financial stability is when the company's financial condition is stable or not. Things that can affect the financial stability of a company are economic conditions. According to SAS No. 99, financial statement fraud manipulated by management is influenced by the financial stability and profitability of the company (Larum et al., 2021). Unstable growth conditions will force management to manipulate financial reports to make them look good. According to Skousen et al. (2009) in Rusmana & Tanjung (2020), one of the forms of manipulation that can be carried out is related to asset growth. The ratio of change in assets can be a measurement of financial stability. Research conducted by (Sagala & Siagian, 2021) proves that financial stability by measuring it using the asset change ratio has a significant effect on financial statement fraud and is inversely proportional to research conducted by Sari & Nugroho (2021), which states that financial stability does not affect financial statement fraud.

H₂: Financial stability affects financial statement fraud.

2.6 Change in Director

Capability is the fourth element of the fraud theory proposed by Wolfe & Hermanson (2004), proxied by the change in the director variable. Capability is a person's capacity to commit fraud in a corporate environment. With the capacity and capabilities possessed, a person can easily take advantage of opportunities to be involved in committing acts of fraud (Mukaromah & Budiwitjaksono, 2021).

According to Wolfe & Hermanson (2004), a person's position in a company gives that person the capacity to commit fraud. Based on this statement, the position of directors can be a fraud factor. When the company director is replaced to improve performance, the previous director's performance is not very good, indicating an alleged financial statement fraud (Larum et al., 2021). Research conducted by Faradiza (2019) states that a change of directors affects financial statement fraud, in contrast to research conducted by Janah et al. (2022), who found that change in directors did not affect financial statement fraud.

H₃: Change in director effect on financial statement fraud.

2.7 Political Connection

Political connection is a proxy variable for the collusion element, the sixth element of the fraud hexagon theory discovered by Voutsinas (2019). Political connections will lead to giving benefits to the company. In other words, companies can get help from the government because of political connections when there is an economic crisis or other problems (Butje and Condro, 2014 in (Sagala & Siagian, 2021)). The convenience and privileges obtained by the company enable the company's management to commit financial statement fraud. Research by Matangkin et al. (2018) states that political connections affect financial statement fraud and is inversely proportional to research conducted by Imtikhani & Sukirman, (2021), which states that political connections do not affect financial statement fraud.

H₄: Political connections have an effect on financial statement fraud..

2.8 Nature of Industry

The ideal state of a company in the industry can be called the nature of industry. The nature of industry is a proxy variable for the opportunity element in the fraud hexagon theory. In the company's financial statements, there are accounts whose balances are determined by the company based on estimates, such as bad debt accounts and obsolete inventory accounts. Because of this, companies have the opportunity and discretion to change balances without arousing suspicion (Sari & Nugroho, 2021). The higher the value of the ratio of changes in the total inventory of a company, the higher the nature of industry, and it will have the potential to commit financial statement fraud. Research conducted by Nurardi & Wijayanti (2021) states that the nature of the industry influences financial statement fraud, supported by research conducted by Sari & Nugroho (2021).

H₅: Political connections affect on financial statement fraud.

2.9 Ineffective Monitoring

Fraud can occur when opportunities exist, and controls are ineffective or weak. Supervisory activities are very closely related to the Board of Commissioners because the Board of Commissioners has the authority to supervise company operations (Mukaromah & Budiwitjaksono, 2021). Weak supervision can be seen from the presence or absence of independent commissioners. Independent commissioners are members of the audit committee who are not company employees (Novita, 2019). The existence of an independent commissioner can minimize financial statement fraud because the effectiveness of supervision increases when supervision is carried out by external parties to the company (Wicaksono & Suryandari, 2021). Mukaromah & Budiwitjaksono's (2021) research states that ineffective monitoring affects financial statement fraud. This is inversely proportional to research conducted by Sagala & Siagian (2021), which states that ineffective monitoring does not affect financial statement fraud.

H₆: Ineffective monitoring affect on financial statement fraud.

2.10 Opini Audit

According to Mulyadi (2014) in Fatkhurizqi & Nahar (2021), an audit opinion is an opinion given on the fairness of the presentation of the company's financial statements audited by the auditor. One of the auditor's opinions given was unqualified with descriptive language. This opinion is a form of auditor tolerance for earnings management (Indriani & Terzaghi, 2018). When this opinion is given, it means that management can claim or rationalize that what was done was not wrong, so the tendency for financial statement fraud will increase. That is in line with research conducted by Sukirman & Sari, (2013), which states that the higher the value of the audit report in the form of an audit opinion, the higher the possibility for a company to commit fraud.

Research conducted by Nadziliyah & Primasari (2022) states that audit opinion significantly negatively affects fraudulent financial statements. These findings are inversely proportional to research conducted by Nugraheni & Triatmoko (2017), which states that audit opinion has no significant effect on financial statement fraud.

H₇: Audit opinion has an effect on financial statement fraud.

2.11 Frequent Number of CEO's Picture

According to Tessa G & Harto (2016), the number of images of the Chief Executive Officer (CEO) displayed in the company's annual financial report can represent the ego level of the CEO. High levels of arrogance can cause CEO to commit fraud because they feel that all internal controls do not apply to them because of their position. Research conducted by Tessa G & Harto (2016) states that frequent CEO pictures affect financial statement fraud. That is inversely proportional to the findings from research conducted by Sagala & Siagian (2021), which proves that the frequent number of CEO pictures has no significant effect on financial statement fraud.

H₈: Frequent number of CEO's Picture has an effect on financial statement fraud.

3. Methodology and Procedures

3.1 Population, Sample, and Sampling Methods

The population used in this study are all manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 period.

The data used in this study is secondary data obtained from the company's website or the official website of the Indonesia Stock Exchange (IDX) (www.idx.co.id). The sample was taken from this population using the purposive sampling method.

Table 1: Results of Purposive Sampling

No.	Information	Amount
1.	Total manufacturing sector companies listed on the IDX in the 2019-2021 period	193
2.	Manufacturing companies that do not publish complete annual reports during the 2019-2021 period	(27)
3.	Manufacturing companies that did not earn positive profit for the year in a row during the 2019-2021 period	(73)
4.	Manufacturing companies issuing currencies other than the rupiah in the 2019-2021 period	(11)
	Manufacturing companies that meet the criteria	82
	Total Study Sample = 82×3 years	246

Outliers Data	(11)
Processed samples	235

Source: Data Analysis Results, 2023

The dependent variable in this study is financial statement fraud, which is proxied by the earnings management variable (Rusmana & Tanjung, 2020). This variable is proxied by Discretionary Accrual. Discretionary Accruals are calculated using the Modified Jones Model Formula. This formula was chosen because it can detect earnings management better than other models, according to the results of Dechow et al. (1995). While the independent variables use the measurement components described in the following table:

Table 2: Measurement of Operational Variables

Fraud Risk Factors	Variable	Variable Operational Definitions	Source
Stimulus	Financial Targets (ROA)	$ROA = \frac{\text{Net Profit}}{\text{Total Assets}}$	Skousen et al. (2009)
	Financial Stability (ACCHANGE)	$\frac{(\text{Total Assets (t)} - \text{Total Assets (t - 1)})}{\text{Total Assets (t - 1)}}$	Skousen et al. (2009)
Capabilities	Director in Change (DCHANGE)	Dummy variable If the company experiences a change of directors in 2019-2021, code 1 If the company does not experience changes in directors in 2019-2021, code 0	(Wolfe & Hermanson, 2004)
Collusion	Political Connection (POLCON)	Dummy variable If the CEO or board of commissioners of the company has political connections during 2019-2021, code 1 If the CEO or board of commissioners of the company has no political connection during 2019-2021, code 0 It is said to have political connections if the CEO or the Board of Commissioners hold multiple positions or are former officials of: 1. Politicians associated with political parties 2. Government 3. Military	(Nadziliyah & Primasari, 2022)
Opportunity	Nature of Industry (NOI)	$NOI = \frac{\text{Receivable}}{\text{Sales}} - \frac{\text{Receivable (t - 1)}}{\text{Sales (t - 1)}}$	Skousen et al. (2009)
	Ineffective Monitoring (BDOUT)	$\frac{\text{number of independent commissioners}}{\text{total board of commissioners}}$	Skousen et al. (2009)
Rationalization	Audit Opinion (OPAUDIT)	Dummy variable If the company receives an unqualified opinion with explanatory language during the 2019-2021 period, code 1 If the company receives an opinion other than an unqualified opinion with explanatory language during the 2019-2021 period, code 0	Nadziliyah & Primasari (2022)
Ego	Frequent Number of CEO's Picture (CEOPIC)	The number of CEO photos or drawings that appear in the annual report in 2019-2021	Nadziliyah & Primasari (2022)

3.2 Data Analysis Techniques

The hypothesis testing used in this study is multiple linear regression analysis to prove the effectiveness of the independent variables on the dependent variable. This study uses a significance value of 5% with the following regression model:

$$FSF = \beta_0 + \beta_1ROA + \beta_2ACHANGE + \beta_3DCHANGE + \beta_4POLCON + \beta_5NOI + \beta_6BDOUT + \beta_7OPAUDIT + \beta_8CEOPIC + \varepsilon$$

4. Result and Discussion

4.1 Descriptive Statistical Analysis

Table 3: Results of Descriptive Statistical Analysis

Variable	N	Minimum	Maximum	Mean	Std. Dev
FSF	235	-0,88	0,24	0,0123	0,10341
ROA	235	0,00	0,86	0,0836	0,09448
ACHANGE	235	-0,31	0,62	0,0776	0,13343
DCHANGE	235	0,00	1,00	0,0851	0,27964
POLCON	235	0,00	1,00	0,2681	0,44391
NOI	235	-0,19	2,56	0,0195	0,22201
BDOUT	235	0,20	0,83	0,4135	0,10391
OPAUDIT	235	0,00	1,00	0,9957	0,06523
CEOPIC	235	0,00	11,00	2,4213	1,28982
Valid N (list wise)	235				

Source: Data Output SPSS, 2023

Based on the results of the descriptive statistical test in Table 3, there is information about the minimum, maximum, average, and standard deviation values of each variable studied. The financial statement fraud variable proxied by earning management (FSF) in the 235 sample companies showed an average value of 0.0123, with the lowest value of -0.88 and the highest value of 0.24. The standard deviation shows a value of 0.10341. It shows that the average manufacturing sector companies listed on the Indonesia Stock Exchange (IDX) in the 2019-2021 period committed financial statement fraud of 1.2 3%. The financial target proxied by return on assets (ROA) measuring the ratio of net income to total assets in descriptive statistics shows an average value of 0.0836, with the lowest value being 0.00 and the maximum value being 0.86. The standard deviation shows a value of 0.09448. The average value above shows that manufacturing companies' ability to earn profits is 8.36%. Financial stability, proxied by the ratio of change in assets (ACHANGE) with the method of measuring changes in assets in the financial statements, shows an average value of 0.0776 with a minimum value of -0.31 and a maximum value of 0.62. The ACHANGE standard deviation shows a value of 0.13343. That shows that the ability level of manufacturing companies to manage assets is 7.76%. Change in director or change of directors (DCHANGE) has a minimum value of 0.00 and a maximum value of 1.00 with an average value of 0.0851. The standard deviation of DCHANGE shows a value of 0.27964. That shows that the percentage of changes in directors in manufacturing companies is 8.51%. Political connections proxied by the dummy variable (POLCON) have a minimum value of 0.00 and a maximum value of 1.00, with an average value of 0.2681. The POLCON standard deviation shows a value of 0.44391. That shows that 26.81% of manufacturing companies have political connections. The nature of industry (NOI), proxied by the accounts receivable ratio, has a minimum value of -0.19 and a maximum value of 2.56, with an average value of 0.0195. NOI standard deviation shows a value of 0.22201. That shows that the ideal state of a company in the sample is 1.95%.

Ineffective monitoring proxied by the percentage of independent commissioners to the entire board of commissioners in the company (BDOUT) shows a minimum value of 0.20 and a maximum value of 0.83 with an average value of 0.4135. The standard deviation of BDOUT is 0.10391. That shows that, on average, manufacturing companies have fulfilled the minimum requirement of 30% of the board of commissioners who are independent of the entire board of commissioners with a percentage of 41.35%. Audit opinion proxied by the dummy variable (OPAUDIT) shows a minimum value of 0.00 and a maximum value of 1.00 with an average of 0.9957. The OPAUDIT standard deviation shows a value of 0.06523. That shows that 99.57% of companies get an unqualified opinion from independent auditors. The frequent number of CEO pictures (CEOPIC) shows a minimum value of 0.00 and a maximum value of 11.00, with an average value of 2.4213 and a standard deviation of CEOPIC of 1.28982. That shows that the percentage of CEO photos displayed in the annual reports of manufacturing companies is 242.13%.

4.2 Discussion

Statistical testing with multiple linear regression requires a classic assumption test before carrying out multiple regression tests. The first test is the Kolmogorov-Smirnov normality test with the Monte Carlo

approach with a significance of $0.117 > 0.05$, which can be concluded that the data is normally distributed. For multicollinearity test results, Inflation Factor Value (VIF) 1.069-1.586 and a tolerance value of around 0.631 - 0.945, it can be concluded that the regression model is free from multicollinearity. For the results of the autocorrelation test using a run test with a significance of $0.396 > 0.05$, it can be concluded that the regression model is free from autocorrelation. The results of the heteroscedasticity test using the glacier test showed that the significance value of all independent variables was more significant than 0.05, so it could be concluded that the regression model was free from heteroscedasticity.

In this study, hypothesis testing was carried out using multiple linear regression analysis models. The following is a table of multiple linear regression analysis:

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	std. Error	Betas		
(Constant)	-0.892	0.102		-8,711	0.000
ROA	-0.017	0.071	-0.016	-0.239	0.811
ACHANGE	-0.190	0.042	-0.245	-4.577	0.000
DCHANGE	0.001	0.021	0.004	0.071	0.943
1 ON THE SHELF	0.004	0.013	0.017	0.304	0.762
FEMALE	-0.037	0.025	-0.080	-1.498	0.136
BDOOT	0.061	0.055	0.061	1,113	0.267
OPAUDITE	0.904	0.100	0.570	9,070	0,000
CEOPIC	-0,002	0,004	-0,027	-0,488	0,626
F				18,309	0,000
Adjusted R Square					0,372

Sumber: Data Proses, 2023

Based on Table 4, the results of the F test simultaneously show a significance value of 0.000 and less than 0.05, so the conclusion is all independent variables, namely financial targets, financial stability, change in directors, political connections, nature of industry, ineffective monitoring, audit opinion, and the frequent number of CEO's meets the requirements and can be said to be a fit regression model. The coefficient of determination shows an Adjusted R Square value of 0.372 or 37.2%. Indicates that 37.2% of the dependent variable, namely financial statement fraud, is explained by independent variables: financial targets, financial stability, change in directors, political connections, nature of industry, ineffective monitoring, audit opinion, and the frequent number of CEO pictures. While other variables outside of this study influence 62.8%.

Based on the results of the multiple linear regression test, the results of the calculation of each variable can describe the effect of each independent variable on the dependent variable as follows:

The results of statistical tests state that financial targets do not affect financial statement fraud. With a financial target significance level of 0.811, it is stated to be greater than the significance of $\alpha = 0.05$, thus making **H1 rejected** because it does not meet the established criteria. Financial targets do not affect financial statement fraud, which means that the ROA value cannot be used as an indicator of fraud, and the size of the ROA value targeted by the company does not affect management to carry out financial statement fraud because management considers that the company's ROA target is still relatively reasonable and sufficient. Easily accessible to managers. These results align with research conducted by Nurardi & Wijayanti (2021), which states that financial targets do not affect financial statement fraud.

The results of statistical tests state that financial stability affects financial statement fraud. With a significance level of financial stability of 0.000, it is stated to be smaller than the significance of $\alpha = 0.05$, thus making **H2 accepted** because it meets the established criteria. The demands of a company's financial stability put pressure on management to take various ways to maintain financial stability by making financial reports that impress investors. One of the things that management can do to give a good impression in the financial statements is to use the ratio of changes in assets, where assets can be used as an indicator of company performance. These results align with research conducted by Sagala & Siagian (2021) and Imtikhani & Sukirman (2021), which state that financial stability affects financial statement fraud.

The results of statistical tests stated that change in director did not affect financial statement fraud. With a significance level of change in director of 0.943, it is stated to be greater than the significance of $\alpha = 0.05$, thus making **H3 rejected** because it does not meet the established criteria. Change in directors does not

affect financial statement fraud because the company replaces directors intending to improve company performance, and changes in directors are also carried out if the director enters retirement or the director's term of office has ended as determined in the results of the General Meeting of Shareholders regarding the appointment and term of office of the director. These results align with research by Janah et al., (2022) and Rusmana & Tanjung (2020), which state that changing directors does not affect financial statement fraud.

The statistical testing results state that a political connection has no effect on financial statement fraud. The degree of significance of political connections of 0.762 is stated to be greater than the significance of $\alpha = 0.05$, thus making **H4 rejected** because it does not meet the set criteria. Political connections do not affect financial statement fraud because the presence or absence of a political connection in a company does not necessarily make someone take advantage of a position or experience for personal and group benefits. These results align with research conducted by Imtikhani & Sukirman (2021) and Larum et al. (2021), which state that political connections do not affect financial statement fraud.

The results of statistical tests state that the nature of industry does not affect financial statement fraud. With a nature of industry significance level of 0.136, it is stated to be greater than the significance of $\alpha = 0.05$, thus making **H5 rejected** because it does not meet the established criteria. The nature of industry variables, as measured by changes in company receivables, has not been proven to affect financial statement fraud because the average value of changes in company receivables from the previous year does not affect the company's cash turnover. The number of trade receivables owned by the company does not reduce the amount of cash that can be used by the company for its operational activities so that the ratio of changes in trade receivables does not trigger management to commit fraudulent financial statements. These results align with research conducted by Sasongko & Wijyantika (2019) and Septriani & Desi Handayani (2018), which state that the nature of industry does not affect financial statement fraud.

The results of statistical tests state that ineffective monitoring does not affect financial statement fraud. With a significance level of ineffective monitoring of 0.267, it is stated to be greater than the significance of $\alpha = 0.05$, thus making **H6 rejected** because it does not meet the established criteria. Ineffective monitoring does not affect financial statement fraud. Fraud can still be minimized through good supervision by an independent commissioner so that supervision of company activities can be carried out objectively and independently and avoid interference from other parties. In a company, an independent board of commissioners is needed to properly monitor the company so that fraudulent practices do not occur. This is supported by the phenomenon observed by Larum et al. (2021), where independent commissioners refuse to sign company financial reports that they think are not following Financial Accounting Standards (SAK). These results align with research conducted by Sagala & Siagian (2021) and Janah et al. (2022), which state that ineffective monitoring does not affect financial statement fraud.

The results of statistical testing stated that audit opinion affects financial statement fraud. A significance level of audit opinion of 0.000 is stated to be smaller than the significance of $\alpha = 0.05$, thus making **H7 accepted** because it meets the established criteria. The audit opinion variable affects financial reporting fraud because an unqualified audit opinion indicates fraud. This is due to the pressure to be accountable for performance in managing the company, so the efforts made are to manipulate the financial reports, which will be submitted to the shareholders, accompanied by an analysis of the financial statements, which shows an unqualified audit opinion. Companies that get unqualified audit opinions can build trust and look good in the eyes of investors and competitors. These results align with Nadziliyah & Primasari (2022) research, which states that audit opinions affect financial statement fraud.

The results of statistical tests state that the frequent number of CEO pictures does not affect financial statement fraud. With a significance level of the frequent number of CEO pictures of 0.626, it is stated to be greater than the significance of $\alpha = 0.05$, thus making **H8 rejected** because it does not meet the established criteria. The frequent number of CEO picture variables does not affect financial statement fraud because the CEO image has the function of introducing to parties who need the company's annual report, which is the company's CEO. The number of CEO photos in the annual report is also adjusted to the tradition and format of the company's annual report, and the majority of CEO photos are displayed only in the opening section of the company profile along with the board of directors and commissioners and in the director's profile section. That does not represent the arrogance of the CEO. These results align with research conducted by Sagala & Siagian (2021) and Rusmana & Tanjung (2020), which state that the frequent number of CEO pictures does not affect financial statement fraud.

5. Conclusion

This study was conducted to test whether hexagon fraud indicators proxied by financial target variables, financial stability, change in directors, political connections, nature of industry, ineffective monitoring, audit opinion, and the frequent number of CEO's pictures have an effect on financial statement fraud in sector

companies manufacturers listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 period. Based on the results of the data analysis described in the previous discussion, the following conclusions can be drawn:

1. The financial target variable has a significance value of 0.811 which is more significant than 0.05 or 5%. So it can be concluded that the financial target does not affect financial statement fraud.
2. The financial stability variable has a significance value of 0.000, less than 0.05 or 5%. So it can be concluded that financial stability affects financial statement fraud.
3. The change in the director variable has a significance value of 0.943, more significant than 0.05 or 5%. So it can be concluded that a change in director does not affect financial statement fraud.
4. The political connection variable has a significance value of 0.762, more significant than 0.05 or 5%. So it can be concluded that political connections do not affect financial statement fraud.
5. The nature of the industry variable has a significance value of 0.136, more significant than 0.05 or 5%. So it can be concluded that the nature of industry does not affect financial statement fraud.
6. The ineffective monitoring variable has a significance value of 0.267, more significant than 0.05 or 5%. So it can be concluded that ineffective monitoring does not affect financial statement fraud.
7. The audit opinion variable has a significance value of 0.000, less than 0.05 or 5%. So it can be concluded that the audit opinion affects financial statement fraud.
8. The frequent number of CEO's picture variables has a significance value of 0.626 which is more significant than 0.05 or 5%. So it can be concluded that the frequent number of CEO pictures does not affect financial statement fraud.

This study has limitations that future researchers can consider to obtain better results. Suggestions that can be considered for further research are:

1. Future research is expected to increase the research years and use other sector companies that have yet to be widely studied to generalize the research results.
2. Future research is expected to add other variables that are suspected of influencing financial statement fraud, such as the quality of external auditors, changes in public accounting firms, personal financial needs, CEO duality, state-owned enterprises, and others.

References

- [1] Agustina, R. D., & Pratomo, D. (2019). Pengaruh Fraud Pentagon Dalam Mendeteksi Kecurangan Pelaporan Keuangan. *Jurnal Ilmiah Manajemen, Ekonomi, & Akuntansi (MEA)*, 3(1), 44–62. <https://doi.org/10.31955/mea.vol3.iss1.pp44-62>
- [2] An, B., & Suh, Y. (2020). *Identifying financial statement fraud with decision rules obtained from Modified Random Forest*. 54(2), 235–255. <https://doi.org/10.1108/DTA-11-2019-0208>
- [3] Damayani, F., Wahyudi, T., & Yuniartie, E. (2017). Pengaruh Fraud Pentagon Terhadap Kecurangan Laporan Keuangan Pada Perusahaan Infrastruktur Yangterdaftar Di Bursa Efek Indonesiatahun 2014 – 2016. *AKUNTABILITAS: Jurnal Penelitian Dan Pengembangan Akuntansi*, 11(2), 151–170. <https://doi.org/10.29259/ja.v11i2.8936>
- [4] Faradiza, S. A. (2019). Fraud Pentagon Dan Kecurangan Laporan Keuangan. *EkBis: Jurnal Ekonomi Dan Bisnis*, 2(1), 1. <https://doi.org/10.14421/ekbis.2018.2.1.1060>
- [5] Fatkhurrizqi, M. A., & Nahar, A. (2021). Analisis Fraud Triangle Dalam Penentuan Terjadinya Financial Statement Fraud. *Jurnal Akuntansi*, 7(1), 14–25. <https://financial.ac.id/index.php/financial%0AANALISIS>
- [6] Imtikhani, L., & Sukirman, S. (2021). Determinan Fraudulent Financial Statement Melalui Perspektif Fraud Hexagon Theory Pada Perusahaan Pertambangan. *Jurnal Akuntansi Bisnis*, 19(1), 96. <https://doi.org/10.24167/jab.v19i1.3654>
- [7] Indriani, P., & Terzaghi, M. T. (2018). Fraud Diamond Dalam Mendeteksi Kecurangan Laporan Keuangan. *I-Finance: A Research Journal on Islamic Finance*, 3(2), 161. <https://doi.org/10.19109/ifinance.v3i2.1690>
- [8] Janah, N., Rachmawati, L., & Widaninggar, N. (2022). *The Effect of Fraud Hexagon Model on Fraud Financial Statements in Companies in the Financial Sector*. 6(2), 64–76.
- [9] Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360. [https://doi.org/doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/doi.org/10.1016/0304-405X(76)90026-X)
- [10] Kurniawansyah, D. (2018). Apakah Manajemen Laba Termasuk Kecurangan?: Analisis Literatur. *Jurnal Riset Akuntansi Dan Bisnis Airlangga*, 2(2). <https://doi.org/10.31093/jraba.v3i1.97>
- [11] Larum, K., Zuhroh, D., & Subiyantoro, E. (2021). Fraudlent Financial Reporting: Menguji Potensi Kecurangan Pelaporan Keuangan dengan Menggunakan Teori Fraud Hexagon. *AFRE (Accounting and*

- Financial Review*), 4(1), 82–94. <https://doi.org/10.26905/afr.v4i1.5818>
- [12] Matangkin, L., Ng, S., & Mardiana, A. (2018). Pengaruh Kemampuan Manajerial Dan Koneksi Politik Terhadap Reaksi Investor Dengan Kecurangan Laporan Keuangan Sebagai Variabel Mediasi. *Simak*, 16(02), 181–208. <https://doi.org/10.35129/simak.v16i02.42>
- [13] Mukaromah, I., & Budiwitjaksono, G. S. (2021). *Fraud Hexagon Theory dalam Mendeteksi Kecurangan Laporan Keuangan pada Perbankan yang Terdaftar di Bursa Efek Indonesia Tahun 2015-2019*. 14(1), 61–72.
- [14] Nadzilayah, H., & Primasari, N. S. (2022). *Analisis Fraud Hexagon Terhadap Financial Statement Fraud Pada*. 2(1), 21–39. <https://doi.org/10.47153/afs21.2702022>
- [15] Novita, N. (2019). TEORI FRAUD PENTAGON dan DETEKSI KECURANGAN PELAPORAN KEUANGAN. *Jurnal Akuntansi Kontemporer*, 11(2), 64–73. <https://doi.org/10.33508/jako.v11i2.2077>
- [16] Nugraheni, N. K., & Triatmoko, H. (2017). ANALISIS FAKTOR-FAKTOR YANG MEMPENGARUHI TERJADINYA FINANCIAL STATEMENT FRAUD: PERSPEKTIF DIAMOND FRAUD THEORY (Studi Pada Perusahaan Perbankan Yang Terdaftar Di Bursa Efek Indonesia Periode 2014-2016). *Jurnal Akuntansi Dan Auditing*, 14(2), 118–143.
- [17] Nurardi, D. S., & Wijayanti, R. (2021). Determinan Financial Statement Fraud Dengan Analisis Fraud Hexagon Model (Studi Empiris pada Perusahaan Sektor LQ 45 yang Terdaftar di Bursa Efek Indonesia Periode II Agustus-Januari 2016-2019). *The 13th University Research Colloquium 2021*, 2019(3), 430–441.
- [18] Pramurza, D. (2021). Analisis Pengaruh Fraud Diamond Dalam Mendeteksi Financial Statement Fraud Pada Perusahaan Sub Sektor Farmasi Di Bursa Efek Indonesia Tahun 2013-2018. *Jurnal Akrab Juara*, 6(1), 230–250.
- [19] Putri, T., & Saphira, J. (2019). FRAUD PENTAGON DALAM MANAJEMEN LABA DI PERUSAHAAN MANUFAKTUR LOGAM DAN KIMIA. *Jurnal Ilmiah Wahana Akuntansi*, 14(2), 143–155.
- [20] Rusmana, O., & Tanjung, H. (2020). Identifikasi Kecurangan Laporan Keuangan Dengan Fraud Pentagon Studi Empiris Bumh Terdaftar Di Bursa Efek Indonesia. *Jurnal Ekonomi, Bisnis, Dan Akuntansi*, 21(4). <https://doi.org/10.32424/jeba.v21i4.1545>
- [21] Sagala, S. G., & Siagian, V. (2021). Pengaruh Fraud Hexagon Model Terhadap Fraudulent Laporan Keuangan pada Perusahaan Sub Sektor Makanan dan Minuman yang Terdaftar di BEI Tahun 2016-2019. *Jurnal Akuntansi*, 13(2), 245–259. <https://doi.org/10.28932/jam.v13i2.3956>
- [22] Santoso, N. T., & Surenggono. (2018). Predicting Financial Statement Fraud with Fraud Diamond Model of Manufacturing Companies Listed in Indonesia. *State-of-the-Art Theories and Empirical Evidence*, 151–163. https://doi.org/10.1007/978-981-10-6926-0_9
- [23] Sari, S. P., & Nugroho, N. K. (2021). Financial Statements Fraud dengan Pendekatan Vousinas Fraud Hexagon Model: Tinjauan pada Perusahaan Terbuka di Indonesia. *Annual Conference of Ihtifaz: Islamic Economics, Finance, and Banking*, 409–430.
- [24] Sasongko, N., & Wijyantika, S. Fitriana. (2019). Faktor Resiko Fraud terhadap Fraudulent Financial Reporting. *JURNAL Riset Akuntansi Dan Keuangan Indonesia*, Vol.4 No.1, 67–76.
- [25] Septriani, Y., & Desi Handayani, D. (2018). Mendeteksi Kecurangan Laporan Keuangan dengan Analisis Fraud Pentagon. *Jurnal Akuntansi, Keuangan Dan Bisnis*, 11(1), 11–23. <http://jurnal.pcr.ac.id>
- [26] Skousen, C. J., Smith, K. R., & Wright, C. J. (2009). Detecting and predicting financial statement fraud: The effectiveness of the fraud triangle and SAS No. 99. In *Corporate Governance and Firm Performance* (Vol. 13, Issue 2). Emerald Group Publishing Limited.
- [27] Sukirman, & Sari, M. P. (2013). Model deteksi kecurangan berbasis Fraud Triangle. *Jurnal Akuntansi & Auditing*, 9(2), 199–225.
- [28] Tessa G, C., & Harto, P. (2016). Pengujian Teori Fraud Pentagon Pada Sektor Keuangan Dan Perbankan Di Indonesia. *Symposium Nasional Akuntansi*, 1–21. file:///C:/Users/ASUS/Downloads/Pengujian Teori Fraud Pentagon Pada Sektor Keuangan dan Perbankan di Indonesia.pdf
- [29] Vousinas, G. L. (2018). *Elaborating on the theory of fraud . New theoretical extensions*. 1–18.
- [30] Vousinas, G. L. (2019). Advancing theory of fraud: The S.C.O.R.E. Model. *Journal of Financial Crime*. <https://doi.org/https://doi.org/10.1108/JFC-12-2017-0128>
- [31] Wicaksono, A., & Suryandari, D. (2021). The Analysis of Fraudulent Financial Reports Through Fraud Hexagon on Public Mining Companies. *Accounting Analysis Journal*, 10(3), 220–228. <https://doi.org/10.15294/aaj.v10i3.54999>
- [32] Wolfe, D. T., & Hermanson, D. R. (2004). ‘The Fraud Diamond: Considering the Four Elements of Fraud: Certified Public Accountant.’ *The CPA Journal*, 74(12), 38–42.