

## Fraud Detection in Financial Reporting Using Hexagon Fraud Theory (Empirical Study of State-Owned Enterprises Listed on the IDX for the Period 2017-2022)

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### ABSTRACT

This study aims to prove the dimensions of the fraud hexagon measured by pressure, opportunity, rationalization, capability, arrogance and collusion on fraud in the preparation of financial reports in state-owned companies listed on the Indonesia Stock Exchange. The data used is from 2017 to 2022. To obtain the right sample size, a purposive sampling technique was used, where 16 companies were selected. The data analysis method used is panel data regression and t-statistic testing. In accordance with the results of the hypothesis test, it was found that pressure, opportunity and arrogance had a significant effect on financial statement fraud, while rationalization, capability and collusion did not have a significant effect on financial statement fraud in state-owned companies listed on the Indonesia Stock Exchange.

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## **INTRODUCTION**

Financial reports have a very important meaning for stakeholders, especially investors, information obtained from financial reports will be very useful for investors in making investment decisions (Asmara & Situanti, 2018), but not all information in financial reports is relevant and describes the financial condition of a company at a certain time, this is due to fraud in the practice of preparing financial reports (Syamsudin et al., 2017). The occurrence of fraud in the preparation of financial reports has been stated in agency theory. According to Fama & Jensen (1983) there is a conflict of interest between the agent and the principal, the agent, namely the manager, has more complete information than the principal (shareholder). The agent will provide good news to the principal, of course the information conveyed by the agent can only be received by the principal, but there is information hidden by the manager, this action occurs due to information asymmetry (Sudiby, 2021). Information asymmetry provides opportunities for managers to carry out opportunistic behavior such as taking an illegal approach to auditors, or conveying false information to the auditors on duty (Shafina et al., 2017). Managers will tend to maintain their reputation by providing positive information about the development of the company they manage, due to information manipulation carried out by managers or other internal parties, many principals tend to take the wrong policies due to reading information in financial reports that have been manipulated by internal parties. This condition is actually very detrimental to shareholders or investors both in the company or in the regular market who intend to buy company shares.

The phenomenon of uncovering fraud in the preparation of financial reports has occurred a lot both in Indonesia and abroad, such as the uncovering of the case of fraudulent financial reports of PT Indofarma Tbk (INAF) in early May 2024. The fraud allegedly caused losses to the state of IDR 371.8 billion. The case was uncovered after the Audit Result Report (LHP) of the investigation into the financial management of PT Indofarma and its subsidiaries was submitted to the BPK. The results of the investigation stated that the independent auditor gave a statement without modification of the financial report on June 30, 2020, and the same thing happened in the financial reports for 2021 and 2022. The facts found by the BPK showed that Indofarma provided false information about their expenses, and manipulated the profit position in the financial report from 2020 to 2023. The impact of this case led to arrears in employee salaries and the threat of PT Indofarma for PKPU by the OJK. Other sanctions that will await PT Indofarma are stock suspension and fines whose values have not been determined.

The same problem also occurred at PT Asuransi Adisarana Wanaartha (WANA) in 2023, the OJK investigation team found a number of discrepancies in the financial report of PT Asuransi Adisarana Wanaartha, the discrepancy can be seen from the value of the debt position which is higher than it should be, in addition, after further investigation, the company has experienced three debt defaults and has negative profit performance, but this is different from the financial report submitted to the OJK. As a result of the manipulation of this information, many customers and investors have been harmed, ranging from

unpaid polish claims from customers to shares purchased by investors experiencing a significant decline. As a result of these findings, the OJK decided to revoke the license of PT Asuransi Adisarana Wanaartha (WANA) at the end of 2023.

The many losses caused by fraud in the preparation of a company's financial statements, of course, it is important for stakeholders to avoid fraud early on, namely by analyzing the concept of hexogen fraud theory. According to Sososutiksno et al., (2023) fraud in the preparation of financial statements is very likely to occur, and this is influenced by five situations including pressure, opportunity, rationalization, capability, arrogance, and collusion. When one of the hexagon fraud indicators is carried out by a manager or internal party, it shows that fraud has occurred in the governance of a company.

Pleasure is the pressure felt by auditors who are given the task of preparing financial statements. When the pressure felt is getting stronger, the tendency for fraud to occur will be higher, the short time, and the complicated process influence an auditor's decision to commit fraud, such as manipulating information (Iqbal & Murtanto, 2016). The results of Landion & Lastanti's (2019) study stated that the strong pressure felt by auditors at work increases the possibility of fraud in the preparation of financial statements. The same thing was also obtained by Kurnia et al., (2024) who stated that time pressure and limited resources encourage someone to try to complete their tasks and responsibilities in a fraudulent manner, but this is different from the research results of Puspitasari & Harto (2024) who stated that pressure does not have a significant effect on fraud in the preparation of financial reports.

The second dimension of the fraud hexagon that triggers fraud in the preparation of financial statements is opportunity. According to Free (2015), fraud committed by auditors in the preparation of financial statements can occur because of opportunities. Lack of supervision by independent parties is the cause of opportunities for auditors to commit fraud in the preparation of financial statements. The results of a study by Melati et al., (2018) stated that the existence of opportunities due to loose supervision by independent parties of auditor activities in the preparation of financial statements will increase the occurrence of fraud in the form of information manipulation. The same thing was also expressed by Nurhidayah & Ridwan (2022) who found that freedom and lack of monitoring space for auditors during the preparation of financial statements increased the opportunity for fraud in the preparation of financial statements, then the results of a study by Sososutiksno et al., (2023) found that there was a strong positive relationship between opportunities and the possibility of fraud in the preparation of financial statements in a company.

Every fraud committed by certain individuals is certain to have a reason, so that the fraud becomes something that can be accepted (Iqbal & Murtanto, 2016). Auditors who are unprofessional and do not uphold moral values are certain to commit fraud to complete their work, and provide rational reasons to others, so that the fraud becomes something that is considered normal by everyone (Lastanti et al., 2022). The results of the study by Puspitasari & Harto (2024) found that rationalization had a positive effect on the tendency of auditors

to commit fraud in preparing financial reports. Furthermore, the findings of the study by Nurhidayah & Ridwan (2022) found that rational reasons for committing fraud tend to be unacceptable, if this is possessed by every auditor, it is certain that the tendency for fraud that may occur will decrease.

The fourth dimension in the fraud hexagon concept is capability or a person's ability to complete their duties and responsibilities, when a person has the ability that is in accordance with their job, the possibility of fraud will decrease and vice versa. The results of the study by Lastanti et al., (2022) found that capability has a negative effect on fraud in the preparation of financial reports, the same thing was also obtained by Sososutiksno et al., (2023) when an auditor has the ability to carry out his duties and responsibilities, the tendency to commit fraud will be smaller, but different results were found by Annisya et al., (2016) who found that capability has a positive effect on the tendency to commit fraud, the higher a person's ability to prepare financial reports, the higher the tendency to commit fraud in the preparation of financial reports.

The fifth dimension in the fraud hexagon is arrogance, when an investor has an arrogant or arrogant attitude, of course the individual is not liked and is considered unable to work together as a team, as a result, it is very likely for the auditor to commit fraud (Lastanti et al., 2022). The results of research by Oktavia et al., (2022) found that the arrogance of auditors in their duties had a positive effect on the possibility of committing fraud in the preparation of financial statements, then the results of research by Gunanti et al., (2024) stated that the arrogance of auditors in their duties encourages the possibility of the same investor to commit fraud to become stronger.

Furthermore, the sixth dimension of the fraud hexagon concept is collusion. According to Alhababsah & Alhaj-Ismail (2023) collusion is a form of cooperation between independent auditors and managers, the cooperation carried out is also a form of fraud, but the cooperation that occurs between auditors and internal parties will tend to increase fraud in the preparation of financial statements. The results of research by Lastanti et al., (2022) found that collusion is one of the alternative instruments that indicate the occurrence of fraud in corporate governance. In accordance with the description of the phenomenon and the pros and cons of the results of previous research, researchers are interested in trying to observe the dimensions of the hexagon fraud as a tool to detect possible fraud. This research was conducted at state-owned companies listed on the Indonesia Stock Exchange. The novelty that researchers claim in this research was conducted at a different time and place, and used a different research object from previous research.

## LITERATURE REVIEW

### *Agency Theory*

Fraud committed by internal parties in preparing financial reports is in line with the agency theory developed by Jensen Meckling (1976) in the concept it is stated that there is a conflict of interest between the agent and the principal, the agent will try to convey a number of important information of positive value to the principal, while the manager or principal will accept the information as it is. The manager realizes that he and the internal party have excess information

that the manager does not have, information asymmetry. When information asymmetry occurs, managers will easily carry out opportunistic behavior to save their personal interests in front of managers or investors, in this case one example of opportunistic behavior in company management is the practice of fraud in preparing the company's financial reports.

### ***Hypothesis Development***

#### ***The Influence of Pressure on Financial Report Fraud***

The occurrence of fraud in the practice of preparing financial statements cannot be separated from the pressure from internal parties, auditors who feel pressured tend to take advantage of the lax supervision of their activities to manipulate information (Skousen & Twedt, 2009). The short time will encourage auditors on duty to try to take advantage of the situation in order to maintain their reputation and responsibility (Skousen & Twedt, 2009). When internal parties put pressure on auditors to immediately complete financial statements, of course the auditors will feel pressured, the lack of professionalism they have encourages the possibility of fraud in preparing financial statements to be even stronger (Huang & Chiu, 2017). In addition, Narsa et al., (2023) stated that the pressure received while on duty in conducting an audit will increase the risk of fraud. In the results of research by Sihombing & Eirene Panggulu (2022) also found that pressure from internal parties had a positive effect on fraud in preparing financial statements.

H<sub>1</sub>: Pressure has an effect on the detection of financial reporting fraud.

#### ***The Influence of Opportunity on Financial Report Fraud***

Fraud is very likely to occur in the preparation of financial statements when supervision or monitoring by independent parties is not carried out, thus providing an opportunity for auditors to manipulate information in the financial statements (Skousen & Twedt, 2009). The internal party in charge will certainly have more complete information content compared to external parties or independent parties who monitor, the low frequency of monitoring is an opportunity that encourages fraud in the preparation of financial statements, starting from markup of profit positions, and reducing debt positions to maintain the manager's reputation. The relationship between opportunities and the tendency to commit fraud was obtained in the research of Febriani et al., (2023), as well as the research of Khamainy, Amalia, et al., (2022) which both found that opportunities have a positive effect on the tendency to commit fraud in the preparation of a company's financial statements.

H<sub>2</sub>: Opportunity has an effect on the detection of financial reporting fraud.

#### ***The Influence of Rationalization on Financial Report Fraud***

Reason is a form of rationalization given by individuals who commit fraud to others who are aware that fraud has occurred (Vousinas, 2019). Every auditor who is suspected of committing fraud in the preparation of financial statements will always look for a logical reason, so that the fraud that has been committed is justified (Haqq & Budiwitjaksono, 2020). Rationalizations accepted by interested parties tend to increase the possibility of the same fraud in the preparation of

financial statements in the future (Rizqi & Purwanto, 2022.). The results of Fitriyah & Novita's (2021) study found that rationalization had a positive and significant effect on fraud in the preparation of public company financial statements.

H<sub>3</sub>: Rationalization has an effect on the detection of financial reporting fraud.

#### ***The Influence of Capabilities on Financial Reporting Fraud***

Capability shows the ability of a person, especially an auditor, to be given the responsibility of auditing and preparing a company's financial statements (Devi et al, 2021). Managers or internal parties will tend to choose auditors who have high auditing skills, but they can influence them (Sari et al, 2020) Previous research conducted by Devi et al, (2021) and Puspitha & Yasa, (2018) auditor ability has two different blades in encouraging fraud in the preparation of financial statements. In the fraud diamond by Wolfe and Hermanson (2004), someone who has good experience and ability in the audit process tends to be better at committing fraud, but when the assigned auditor uses his abilities and experience by holding strong moral values, fraud can be reduced and even eliminated (Devi et al, 2021).

H<sub>4</sub>: Capability has an effect on the detection of financial report fraud.

#### ***The Influence of Arrogance on Financial Statement Fraud***

Vousinas (2019) stated that the arrogance of auditors will lead them to unhealthy relationships with internal parties, when this condition occurs, the tendency for fraud in the preparation of financial statements will be stronger. The arrogance of auditors makes auditors afraid of being declared a failure in their work, so they tend to do various cunning ways to get recognition from others (Crowe, 2011). The arrogance of auditors makes them trapped with their lack of independence in preparing financial statements (Nanda et al., 2019). The results of research by Devi et al (2021), Tarjo et al., (2021), Sari and Nugroho (2020) stated that there is a unidirectional relationship between auditor arrogance and fraud in the preparation of financial statements.

H<sub>5</sub> Arrogance influences the detection of financial reporting fraud

#### ***The Influence of Collusion on Financial Statement Fraud***

The hexagon fraud model is used as a development of the pentagon fraud model which aims to determine indications of fraud, where collusion plays a role in financial statement fraud (Vousinas, 2019). When the auditor in charge can be controlled by the manager, of course collusion will occur, thus encouraging the information presented in the company's financial statements to be irrelevant to the actual conditions (Achmad et al., 2022). Cooperation between managers and internal parties creates collusion that further increases the tendency for fraud to occur in the preparation of financial statements in a company (Bahar & Herliansyah, 2023).

H<sub>6</sub> Collusion has an effect on the detection of financial reporting fraud

## METHODOLOGY

This study is a quantitative study that aims to prove and analyze the influence of a number of factors that influence the occurrence of fraudulent financial reporting in public companies on the Indonesia Stock Exchange. The companies used are state-owned public companies. The data used is from 2017 to 2022.

The data used in this research is secondary data obtained through the annual report of each company selected as a sample. The data collection process was carried out by studying literature through the website of each state-owned company selected as a sample.

In this study, two categories of variables were used, namely dependent variables and independent variables. In this research, there are five variables that are independent variables, namely pressure, opportunity, rationalization, capability, arrogance, and collusion, while the dependent variable is financial statement fraud. In this research, financial performance is measured by the following formula: (Dechow et al, 2011).

$$F\text{-score} = \text{Accrual Quality} + \text{Financial Performance}$$

Before producing the formula above, first look for the value

$$RSST \text{ Accrual} = \frac{(\Delta WC + \Delta NCO + \Delta FIN)}{\text{Average Total Assets}}$$

After obtaining the accrual value, it is necessary to find the financial performance which can be formulated using the following formula.:

$$\text{Financial Performance} = \text{Change in Receivable} + \text{Change in Inventories} + \text{Change in Cash Sales} + \text{Change in Earning}$$

If the F-score <1 indicates that there is no manipulation of information in the financial statements, but if the F-score > 1 indicates fraud, (Ratmono et al., 2020).

Pressure is the first independent variable to measure pressure using return on assets which can be found using the formula quoted in Ross et al., (2021), namely:

$$ROA = \frac{\text{Earning After Tax (EAT)}}{\text{Total Assets}} \times 100\%$$

The second independent variable is opportunity which is measured by the nature of industry (NOI), namely by comparing changes in company revenue compared to the sales growth value in a particular year as seen below:

$$NOI = \frac{\text{Receiveble}}{\text{Sales}} - \frac{\text{Receiveble (t - 1)}}{\text{Sales (t - 1)}}$$

The third independent variable, rationalization, is proxied by auditor change. (Devi et al., 2021). To measure auditor change, a dummy of 1 is used for companies detected to have changed auditors, and 0 for companies that have not changed auditors. The fourth independent variable, capability, is proxied by changes in directors. Changes are measured using binary numbers, namely 1 for companies that have changed directors, while 0 is given to companies that have not changed directors (Handoko & Tandean, 2021). The fifth independent variable is arrogance, which is measured by dual positions, namely held by the CEO, if the CEO has role ambiguity, a score of 1 is given, while CEOs who do not have other positions other than CEO are given a score of 0. Furthermore, the sixth independent variable is collusion, this variable is measured by a dummy where the code "1" indicates a political connection during the study period and the code "0" otherwise.

The data analysis method used to prove the truth of the hypothesis in this research is panel data regression. The testing stage begins with testing the requirements of panel data regression which includes the Chow, Hausman and Langrange Multiplier tests. After these procedures are met, one panel data regression effect will be selected to be analyzed. After the panel data regression effect model is determined, the hypothesis testing stage is carried out using the t-statistic test,

## RESEARCH RESULT

### *Statistic Descriptive*

In accordance with the results of the data processing that has been carried out, the descriptive statistics of the research variables used can be narrated as shown in Table 1 below:

Table 1 Descriptive Statistics

	<b>N</b>	<b>Mean</b>	<b>Min</b>	<b>Maks</b>	<b>Std Deviasi</b>
ROA	96	0.032	-0.279	0.282	0.066
NOI	96	-0.002	0.222	-0.264	0.089
AUD	96	0.208	0.000	1.000	0.408
DIR	96	0.875	0.000	1.000	0.332
RJB	96	0.667	0.000	1.000	0.473
COL	96	0.875	0.000	1.000	0.332
F-Score	96	-0.042	-1.612	1.978	0.583

The results of the F-score calculation in detecting financial reporting fraud in the study showed that the minimum value was -1.61236, namely at PT Bank Mandiri Tbk in 2017, meaning that if the result is less than 1, it means that the company is not related to financial reporting fraud. The maximum value is 1.97753, namely PT Jasa Marga (Persero) Tbk in 2022, if the F-score results show a value greater than 1, then this indicates the possibility of fraud in the Company (Ratmono et al, 2020). The standard deviation value of 0.56312 is higher than the average value of -0.04193. This shows that the data distribution tends to be heterogeneous because the standard deviation value is higher than the average

value. The results of the calculation of the pressure variable represented by ROA (Return on Assets) in this study sample show that the minimum value is -0.27932, namely PT Indofarma (Persero) Tbk in 2022, meaning that the company needs to increase productivity in asset management to generate profit. The maximum value of 0.28173, namely PT Bukit Asam Tbk in 2022, means that the company is able to generate high profits from the company's assets owned so that high ROA can provide a positive signal to investors. The standard deviation value of 0.06585 is higher than the average value of 0.03182. This shows that the data distribution tends to be heterogeneous because the standard deviation value is higher than the average value.

The calculation results of the opportunity variable represented by the ratio of changes in receivables. Based on the data in the research sample, the minimum value is -0.26446, namely PT Wijaya Karya (Persero) Tbk in 2021, meaning that there was no increase in receivables in the financial statement period. The maximum value is 0.22169, namely PT Wakita Karya (Persero) Tbk in 2020, meaning that there was an increase in receivables in that period which can be used by management as a tool for manipulating financial statements. The standard deviation value of 0.08942 is higher than the average value of -0.00265. This shows that the data distribution tends to be heterogeneous because the standard deviation value is higher than the average value. The calculation results of the rationalization variable represented by the change of external auditors. Code 1 for companies that change external auditors in the 2017-2022 period, which is 21%. While code 0, for companies that do not change auditors in the 2017-2022 period is 79%. This means that the sample companies did not change auditors, thus not providing a loophole for management to commit financial reporting fraud.

The calculation results of the capability variable represented by the change of directors. Code 1 for sample companies that experienced a change of directors in the 2017-2022 period, which is 88%. While code 0, for sample companies that did not experience a change of directors in the 2017-2022 period, is 12%. This shows that companies often change directors which will increase the risk of fraud. Because one of the reasons companies change directors is to improve company performance. This creates a stress period for new directors which can provide the potential for fraud. So, BUMN companies have a high potential for committing financial reporting fraud.

The calculation results of the arrogance variable represented by the dual position of directors. Code 1 for sample companies that have directors who have dual positions in the 2017-2022 period, which is 67%. While code 0, for sample companies that have directors who do not have dual positions in the 2017-2022 period, is 33%. The calculation results of the collusion variable represented by political connections. Code 1 for sample companies that have government assignments in the 2017-2022 period, which is 88%. While code 0, for sample companies that do not have government assignments in the 2017-2022 period, is 12%.

**Panel Data Regression Model Selection**

**Chow Test**

The first panel data regression selection procedure is the Chow test, according to the test that has been carried out, the results obtained are shown in table 2 below:

Table 2 Chow Test Results

Effect Test			Chi <sup>3</sup>	Prob
Cross	Section	F	6.051	0.000
Cross	Section	Chi-Square	76.845	0.000

According to table 2, the use of FEM is more acceptable compared to CEM ( $P < 0.05$ ), but this must be confirmed after carrying out the Hausman test..

**Hausman Test**

According to the Hausman test, the results are described as shown in Table 3 below:

Table 3 Hausman Test Results

Effect Test	Chi-Sq Stat	Prob
Cross Section Random	3.709	0.716

In the Hausman test, the  $P > 0.05$  was obtained so that panel data analysis with the Random Effect Model is also feasible. Given that there are two effects that can be used in the analysis, the LM-test must be carried out.

**Lagrange Multiplier Test**

The LM-test is intended to ensure that the use of Random Effect Model or Common Effect Model analysis is in accordance with the data processing that has been carried out, the following results were found.:

Table 4 Lagrange Multiplier Test

		Cross Section	Test Hypothesis	Boat
Cross	Section	40.988	0.000	40.988
Random		(0.000)	(0.993)	(0.000)

Based on the results of the lagranger multiplier test in table 3, it can be seen from the Breusch Pagan Cross-section p-value of 0.0000, meaning that the value is smaller than alpha (0.05), meaning that the selected model is FEM. So that the best panel data model is obtained and used in this study is REM.

**Hypothesis Testing Results**

After the hypothesis testing procedure is fulfilled, the hypothesis testing stage can be carried out. In accordance with the data processing carried out, the results are described in the following table 5:

Table 5 Hypothesis Testing Results

	<b>Coefficient Regression</b>	<b>t-stat</b>	<b>Prob</b>	<b>Result</b>
Constanta	-0.497	-2.243	0.0213	
ROA	2.573	3.298	0.0014	Significant
NOI	-3.090	-8.435	0.0000	Significant
AUD	0.036	0.408	0.6836	Not Significant
DIR	0.078	0.720	0.4734	Not Significant
RJB	0.312	2.531	0.0131	Significant
COL	0.094	0.645	0.5203	Not Significant

In the hypothesis testing stage, it was found that pressure measured by ROA proved to have a positive and significant effect on fraud in the preparation of financial statements ( $P < 0.05$ ), but the results of the study were relatively different from the theory, found in the second hypothesis where opportunity measured by NOI had a negative slope regression coefficient of -3,090 and a P value  $< 0.05$  so that it can be concluded that opportunity has a negative effect on fraud in the preparation of financial statements. In the third and fourth hypothesis testing stages, namely rationalization and capability, statistically did not have a significant effect on fraud in the preparation of financial statements ( $P > 0.05$ ), while in the fifth hypothesis testing stage, arrogance was found to have a positive and significant effect on fraud in the preparation of financial statements, but in the sixth hypothesis testing, collusion did not have a significant effect on fraud in the preparation of financial statements.

## DISCUSSION

In accordance with the results of the first hypothesis test, it was found that pressure has a strong positive effect on fraud in the preparation of financial reports in BUMN companies on the Indonesia Stock Exchange, these results are caused by strong pressure due to the difficulty of the financial report preparation procedure, incomplete data, and short preparation times influencing auditors to manipulate information in the preparation of financial reports of BUMN companies in Indonesia, this is in line with the opinion of Landion & Lastanti (2019) who stated that the strong pressure felt by auditors in working increases the possibility of fraud in the preparation of financial reports. The same thing was also obtained by Kurnia et al., (2024) who stated that time pressure and limited resources encourage someone to try to complete their tasks and responsibilities in a fraudulent manner, but different from the results of the study by Puspitasari & Harto (2024) which stated that pressure does not have a significant effect on fraud in the preparation of financial reports.

In testing the second hypothesis, it was found that opportunity has a positive and significant effect on fraud in the preparation of financial statements in BUMN companies listed on the Indonesia Stock Exchange. The lack of supervision or monitoring of auditor activities by independent parties opens up opportunities for less professional auditors to manipulate information in BUMN company financial statements, this finding is consistent with the research of

Melati et al., (2018) which states that there is an opportunity due to loose supervision by independent parties over auditor activities in the preparation of financial statements will increase the occurrence of fraud in the form of information manipulation. The same thing was also expressed by Nurhidayah & Ridwan (2022) who found that freedom and lack of monitoring space for auditors during the preparation of financial statements increased the opportunity for fraud in the preparation of financial statements, then the results of the research by Sososutiksno et al., (2023) found that there was a strong positive relationship between opportunities and the possibility of fraud in the preparation of financial statements in a company.

The results of the third hypothesis test show that rationalization does not have a significant effect on the possibility of fraud in the process of preparing BUMN financial reports on the Indonesia Stock Exchange, these findings indicate that external parties will not accept rationalization that encourages auditors in charge of committing fraud in preparing BUMN financial reports, because fraudulent behavior will certainly harm stakeholders in general, The results obtained are supported by research by Nurhidayah & Ridwan (2022) which also states that rational reasons for committing fraud tend to be unacceptable, if this is possessed by every auditor, it is certain that the tendency for fraud that may occur will decrease.

In the fourth hypothesis testing stage, it was found that capability did not have a significant effect on fraud committed by auditors in preparing financial reports of BUMN companies listed on the Indonesia Stock Exchange. This result occurred because the high or low capability of each auditor on duty could potentially manipulate information to maintain the manager's reputation, especially in the audit process that occurs in BUMN companies. This result is consistent with the results of research by Annisya et al., (2016) which found that the higher or lower a person's ability in preparing financial reports, the tendency for fraud in preparing financial reports has a relatively equal level of possibility.

In the fifth hypothesis testing stage, arrogance was found to have a positive effect on the possibility of fraud in the preparation of financial statements in state-owned companies listed on the Indonesia Stock Exchange, in this case the more arrogant the auditor on duty, the lower the communication and socialization with the company's data holders, so that it will increase the occurrence of fraud in the preparation of financial statements. The results obtained are in line with the research of Oktavia et al., (2022) who found that auditor arrogance in carrying out duties has a positive effect on the possibility of committing fraud in the preparation of financial statements, then the results of the research of Gunanti et al., (2024) stated that auditor arrogance in carrying out duties encourages the possibility of the same investor to commit fraud to become stronger.

In the sixth hypothesis testing stage, collusion was found to have no significant effect on the tendency of auditors to commit fraud in the preparation of financial statements of state-owned companies listed on the Indonesia Stock Exchange, these findings indicate that fraud cannot be eliminated, but can only be reduced even though monitoring instruments can prevent collusion between

internal parties and auditors on duty. The results obtained reject the findings in the research of Lastanti et al., (2022) who found collusion to be an alternative instrument that indicates the occurrence of fraud in corporate governance.

## **CONCLUSIONS AND RECOMMENDATIONS**

In accordance with the results of the analysis and discussion of the results of the hypothesis testing, it can be concluded that the first result of pressure proxied by financial targets in the form of Return on Assets (ROA) has a significant influence individually on financial statement fraud, second opportunity proxied by Nature Of Industry (NOI) has a significant influence individually on financial statement fraud, third Rationalization proxied by auditor changes does not have a significant influence individually on financial statement fraud, fourth Capability proxied by changes in directors does not have a significant influence individually on financial statement fraud, fifth arrogance proxied by dual positions has a significant influence individually on financial statement fraud and sixth collusion proxied by government projects does not have a significant influence individually on financial statement fraud. In accordance with the description of the analysis and discussion obtained, several recommendations are proposed for further researchers, it is expected to add additional independent variables outside the variables of this study by using other proxies that can influence company behavior more significantly, and expand the population to get more up-to-date results, in addition, companies are expected to be better and more careful about the potential for fraudulent financial reporting that can be caused by fraud hexagon elements, for example: pressure to meet targets, opportunities to manipulate financial reports, personal motivation, lack of supervision and transparency, and company environmental factors. Therefore, companies need to strengthen their internal control systems, increase transparency, and motivate an ethical culture so that the potential for fraud can be minimized. In addition, independent audits and routine checks are also very important to maintain the integrity of financial reports.

## **ADVANCED RESEARCH**

Building upon the findings of this study, future research should explore a more comprehensive model incorporating additional independent variables and alternative proxies to deepen the understanding of financial statement fraud. Specifically, integrating behavioral and psychological factors, such as executive overconfidence, earnings management tendencies, and corporate governance effectiveness, could provide a more nuanced perspective on fraud motivations. Furthermore, employing machine learning techniques and big data analytics to detect fraud patterns across a larger and more diverse population of companies would enhance the generalizability of findings. A cross-industry comparative approach could also be valuable in identifying sector-specific vulnerabilities and regulatory gaps. Additionally, the role of emerging technologies, such as blockchain and artificial intelligence, in strengthening financial transparency and fraud prevention mechanisms warrants further exploration. By expanding the scope and methodology of research, future studies can contribute to developing

more robust fraud detection frameworks, thereby assisting regulators, auditors, and corporate stakeholders in mitigating financial misconduct effectively.

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