E-ISSN : 2598-6074, P-ISSN : 2598-2885
Available online at:
http://ejournal.itbwigalumajang.ac.id/index.php/asset

The Effect of Fraud Hexagon Model on Fraud Financial Statements in Companies in the Financial Sector

Nuril Janah[1], Lia Rachmawati[2], Nanda Widaninggar[3]

Department of Accounting, Sekolah Tinggi Ilmu Ekonomi Mandala, Indonesia[1,2,3]

Corresponding Author: Lia Rachmawati (lia_rachmawati@stie-mandala.ac.id)

ARTICLE INFO

Date of entry:
7 April 2022
Revision Date:
10 May 2022
Date Received:
2 July 2022

ABSTRACT

This study aims to find the effect of the Fraud Hexagon Model on the Financial Statement Fraud. Fraud Hexagon Model consists of Stimulus which is proxied by Financial Target and External Pressure, Opportunity is proxied by Ineffective Monitoring, Rationalization is proxied by External Quality Auditor, Capability is proxied by Change in Director, Ego is proxied by Frequent Number of CEO's Picture, and Collusion proxied by Political Connection. This study uses purposive sampling method, and the number of companies that are sampled in the study are 42 of 105 companies and analyzed by binary logistic regression analysis. The results of this study found that External Pressure, Auditor External Quality, and Frequent Number of CEO's Picture have an effect on Financial Statement Fraud. Meanwhile, Financial Target, Ineffective Monitoring, Change in Director, and Political Connection have no effect on Financial Statement Fraud on companies in the financial sector listed on the IDX in 2016-2020.

Keywords: Fraud Hexagon Model, Fraud Financial Statement, IDX

Cite this as: Jannah, N., Rachmawati, L., & Widaninggar, N. (2022). The Effect of Fraud Hexagon Model on Fraud Financial Statements in Companies in the Financial Sector. *Assets : Jurnal Ilmiah Ilmu Akuntansi, Keuangan Dan Pajak*, *6*(2), 64–76. https://doi.org/10.30741/assets.v6i2.844

INTRODUCTION

The financial report is a structured presentation of the financial position and financial performance of an entity. The definition explains that financial statements are the result of an entity's accounting process in which there are Income Statements, Statements of Changes in Equity, Statements of Financial Position, Statements of Cash Flows, and Notes to Financial Statements for consideration in decision making. Good financial reports must be prepared in accordance with Financial Accounting Standards (SAK) so that the financial statements presented are understandable, relevant, meet the elements of materiality, are reliable, are presented honestly, their substance outperforms the form (documents), meets the elements of neutrality, has sound judgment, meets elements of completeness, and comparability, by users (PSAK, 2017). Financial statements are the main indicator in assessing the performance of a company. Management as the party that manages the company is obliged to report the company's financial performance to shareholders. Given the importance of financial statements for companies, so that sometimes management covers up the real situation, to make it look good, namely by fraudulent financial statements (Putri & Saphira, 2019).

Financial statement fraud is a deliberate misstatement of financial statements by omitting material information, or misrepresenting financial statements. Financial statement fraud is sometimes carried

E-ISSN : 2598-6074, P-ISSN : 2598-2885
Available online at:
http://ejournal.itbwigalumajang.ac.id/index.php/asset

out by : overstatement of asset accounts, revenue accounts, expense accounts, profit accounts, loss accounts and accounts payable experienced by the company. However, other actions can also be taken by deferring a revenue account that increases significantly in one period to help increase the revenue account in the next period. Fraud acts committed by company managers to manipulate financial statements are known as fraud, while fraudulent acts of financial statements are better known as fraudulent financial reporting. (Tessa & Harto, 2016).

Association of Certified Fraud Examiners (ACFE), in the Indonesia Fraud Survey stated that the biggest loss due to fraud comes from corrupt practices. This shows that fraud in the form of corruption is at most for losses of less than Rp. 10,000,000.00 (Ten Million Rupiah). Interestingly, both in the case of Fraud in the form of corruption, Financial Statement Fraud and Misappropriation of Assets, the nominal value is not large, in the majority of cases it is under Rp. 10,000,000.00 (Ten Million Rupiah) although with the most occurrences. On the other hand, in cases of corruption, the incidence is the least, but has the largest loss value, which is above IDR 10,000,000,000.00 (Ten Billion Rupiah) (https://acfe-indonesia.or.id)

Phenomenon of fraud cases happening in the world, gave rise to corporate guidelines to help entities design and implement an effective enterprise approach to risk management. The Committee Of Sponsoring Organization (COSO) issued an "Enterprise Risk Management (ERM)–Integrated Framework". Framework it is defined as the essence of the component of ERM, which discusses the principles and concepts of ERM, describes ERM in general, provides clear direction and guidance on ERM. (https://www.kompas.com)

Phenomenon of fraud cases in Houston, Texas, United States, which happened to Enron, is one of the world's leading companies in the fields of electricity, natural gas, pulp and paper, and communications with 21,000 (Twenty One Thousand) employees. The Enron case in 2001 involved a public accountant, namely KAP Arthur Andersen who had a high reputation in the accounting profession, but the KAP was unable to properly adhere to its motto, namely "Think Straight, Talk Straight". This incident can be seen when the profits of the Enron company were manipulated to be bigger with the aim of lifting the stock price. But this, in fact, had a negative impact, and then caused even greater losses, even destroying Enron's reputation forever (https://www.kompas.com)

The Enron case is a white-collar crime through bookkeeping, which manipulates profits with the aim of keeping stocks attractive to investors. However, in September 2001, Enron announced a loss of US$600,000,000.00 (Six Hundred Million United States Dollars) and Enron's asset value decreased to US$1,200,000,000,000.00 (One Trillion Two Hundred Billion United States Dollars). Judging from this report, the value of Enron's shares began to drop drastically from US$90 (Ninety United States Dollars) to 26 Cents (Twenty-Six Cents). Then, on December 2, 2001, Enron declared and publicly announced that the company had to go out of business. (https://www.kompas.com).

The phenomenon of fraud cases also occurred in Indonesia, one of the cases that was revealed was at PT. Sunprima Nusantara Financing (SNP Finance), which has been handled by the authorities, is related to cases of alleged criminal acts of document falsification, embezzlement, fraud, and money laundering in its business activities as a finance company. Bank Mandiri Secretary Rohan Hafas said SNP Finance had shown bad faith in the last few months, namely that its loans had started to fail and the company's management filed for voluntary bankruptcy. In fact, the bad credit at that time reached Rp. 1,200,000,000,000.00 (One Trillion Two Hundred Billion Rupiah). Then the Ministry of Finance said that two public accountants who audited SNP Finance's financial statements, namely KAP Marlinna and KAP Merliyanan Syamsul, had violated Professional Auditing Standards (SAP). Citing official data from the Financial Professional Development Center (PPPK), in auditing SNP Finance for the 2012-2016 financial year, they have not fully implemented information system controls related to customer data and the accuracy of financing receivable journals. The public accountant has also not implemented the acquisition of appropriate audit evidence on consumer

E-ISSN : 2598-6074, P-ISSN : 2598-2885
Available online at:
http://ejournal.itbwigalumajang.ac.id/index.php/asset

financing receivable accounts and has not carried out procedures related to the process of detecting risks and responding to fraud. (https://www.cnbcindonesia.com).

Fraud case In Indonesia, the next thing is regarding fraudulent investments in the Binomo application, which since 2019 has been designated as an illegal investment by the Investment Alert Task Force (SWI) and is suspected of having binary options activities such as gambling. So, there is never a real trade that becomes the underlying asset Binomo transactions, only money is played like gambling. According to the police, of the eight victims who reported the owners and affiliates of binomo, the total loss was IDR 3,800,000,000.00 (Three Billion Eight Hundred Million Rupiah). This case involves IK and DS influencers who become affiliates or third parties to promote the Binomo Application. On February 24, 2022, IK became a suspect and was entangled in various articles of the Electronic Information and Transactions Law (UU ITE) and the Crime of Money Laundering (TPPU) with the threat of 20 years in prison. In addition to these sanctions, the Center for Financial Reporting and Analysis (PPATK) blocked four accounts belonging to IK because it was suspected that the money was in the tens of billions (https://national.kompas.com).

Research on various factors that influence Financial Statement Fraud has been carried out by several researchers and shows inconsistencies in the results, including research from Lestari & Henny, (2019) regarding the influence of the Fraud Hexagon Model against fraudulent financial statements in banking companies. The results of this study indicate that financial stability and ineffective supervision affect financial statement fraud, while financial targets, auditor turnover, CEO education, and CEO image frequency have no effect on financial statement fraud.

Further research on financial statement fraud was carried out by Agusputri and Sofie (2019) regarding the influence of the Fraud Hexagon Model against Fraudulent Financial Statements in manufacturing companies. This study proves that financial targets and the ineffectiveness of supervision have a positive effect on Financial Statement Fraud, while external pressure, the nature of the industry, auditor turnover, and rationalization have a negative effect on Financial Statement Fraud. However, there was no effect of financial stability, change of directors, and CEO image frequency on Financial Statement Fraud.

Companies that commit fraudulent financial statements will result in decreased public trust because information sources are considered to know the company's prospects are not reliable. Cressey's theory (1953) states that there are three elements that cause Financial Statement Fraud, namely Stimulus, Opportunity, and Rationalization which is called Fraud Triangle Theory. The theory was developed by Wolfe & Hermanson, (2004) by adding one element, namely Capability which aims to strengthen in detecting Fraud in Financial Statements and is called Fraud Diamond Theory. Then Crowe (2012) added the element of Ego and became SCORE (Stimulus, Capability, Opportunity, Rationalization, and Ego) and called the Fraud Pentagon Theory. In 2019 this fraud theory was later developed by Vousinas into Fraud Hexagon Theory or also called SCCORES (Stimulus, Capability, Collusion, Opportunity, Rationalization, Ego, and Collusion) (Lailatuddzkriyah, 2021).

One of the dimensions of the Fraud Hexagon Model is Stimulus which is proxied by Financial Target and measured through the acquisition of a company's profit level called Return on Assets (ROA) (Skousen et al ., 2009). Jaya & Poerwono (2019); Setiawati & Baningrum (2018) in their research also supports the test used with the Pentagon's Fraud Theory showing that Financial Statements Fraudulent is significantly affected by Financial Target.

Dimensions of Fraud Hexagon Model next is External Pressure, which explains the causes of management seeking loans from other parties with the aim that the company can compete competitively. This pressure will be a trigger for management to engineer the company's financial statements (Aprilia, 2017). Management will put more effort into all kinds of ways to get loans and will try to present perfect financial reports so that their performance is assessed as good. This explanation is supported by the results of research from Oktafiana et al., (2019) which shows that there is an influence of External Pressure on Financial Statement Fraud.

The third dimension of the Fraud Hexagon Model, namely Opportunity which is proxied by Ineffective Monitoring, explains that Opportunity can be seen when there is a weakness in the company's internal control system (Romney & Steinbart, 2015). Companies with a weak internal control system will have many opportunities for management to regulate transactions, especially financial transactions as presented in the financial statements. This statement is supported by research conducted by Tarjo et al., (2021) with the results that Ineffective Monitoring has an effect on Fraudulent Financial Statements, but not by research conducted by Bawekes et al., (2018) and Damayani et al., (2017).

The next dimension is Rationalization which is proxied by the External Quality Auditor, explaining that Rationalization is a justification that arises in management's mind when fraud is detected, and is carried out to keep it safe and free from sanctions (Aprillia, 2017). The selection of a Public Accounting Firm (KAP) is considered a measure of the quality of a company's financial statements, so that KAP is believed to be able to influence the occurrence of fraudulent financial statements. Lennox & Pittman, (2010) stated that external auditors in the Big Four are better at detecting fraud than KAPs other than the Big Four. Apriliana (2017) and Nilzam (2020) shows that the quality of external audit has an influence on Financial Statement Fraud.

The next dimension of the Fraud Hexagon Model is Capability as proxied by Change in Director, the Capability dimension shows how much power and capacity a person has to commit fraud in the company environment, one of which is the stress period caused by changes in the board of directors that affect the company because adjustments are needed. In agency theory, this change in directors is due to a conflict of interest from the old directors who are considered not in line with the company. Management sees this phenomenon as an opportunity for fraud to occur. This study was supported by Melati et al., (2020); Widyatama & Setiawati, (2020) stated that the change of directors had an effect on Fraudulent Financial Reporting.

The next dimension is Ego (Arrogance) which is proxied by Frequent Number of CEO's Picture, what is meant by Ego is the attitude of superiority or greed of people who believe that internal control does not apply personally (Crowe, 2012). According to Tessa & Harto, (2016); Damayani et al., (2017) stated that many images of the Chief Executive Officer (CEO) displayed in the company's annual report can show the level of arrogance or superiority of the CEO. Investigation of Fraudulent Financial Statements influenced by Frequent Number of CEO's Picture supported by (Sari & Nugroho, 2020).

The last dimension of the Fraud Hexagon Model is Collusion which refers to a deceptive or compact agreement between two or more people, for one party to take another action for some unfavorable purpose, such as to deceive third parties from their rights (Vousinas, 2019). The Collusion dimension is proxied by Political Connection, which tends to be profitable for the company. Companies that have political connections are easier to get government support if they experience an economic crisis or other problems (Butje & Tjondro, 2014).

The dependent variable in this study is Financial Statement Fraud, which explains that a report or statement that is known to be untrue and made is not in accordance with the facts and is intended to influence people who use the report to suffer losses (Priantara, 2013). Financial Statement Fraud is proxied by F-Score, which is considered very accurate in detecting the risk of Financial Statement Fraud and provides the highest level of truth. The types of industries that are most disadvantaged by fraud, based on the 2019 Indonesia Fraud Survey, are the financial and banking sectors.

E-ISSN : 2598-6074, P-ISSN : 2598-2885
Available online at:
http://ejournal.itbwigalumajang.ac.id/index.php/asset

The Indonesian Fraud Survey in 2019, showed that the sector that was most disadvantaged by fraud was the financial and banking industry at 41.4 % . This is in accordance with the results of the ACFE study, (2018) "Report to The Nations 2018" which shows that the financial and banking industry ranks first among institutions that are harmed by fraud, on the contrary in the 2016 Indonesia Fraud Survey, the financial and banking industry ranks second. among institutions that have been harmed by fraud. The type of financial and banking industry included in the Indonesia Fraud Survey is one of nine industries based on industry classifications determined by the Indonesia Stock Exchange.
The Indonesia Stock Exchange (IDX) is an official institution from the Indonesian government that facilitates all buying and selling activities of go public companies. IDX has six sectors, including basic materials, consumer cyclicals, consumer non-cyclicals, energy, financial and healthcare. In addition, the IDX has a stock listing board, namely the main board, development board and acceleration board. Meanwhile, in this study, companies in the financial sector listed on the IDX in 2016-2020 include companies that provide financial services such as banks, consumer finance institutions, venture capital, investment services, insurance, and holding companies.

Previous researchers on cases of Fraudulent Financial Statements showed inconsistencies in the results, so this research is interesting and still deserves to be reviewed. Researchers are interested in testing the ability of Hexagon Model Theory proposed by Georgios L. Vousinas, (2019) in detecting financial statement fraud, Fraud Hexagon Model in this study is proxied by Stimulus (Financial Target and External Pressure), Opportunity (Ineffective Monitoring), Rationalization (Auditor External Quality), Competence (Change in Director), Ego (Frequent Number of Ceo's Picture), and Collusion (Political Connection). On the other hand, research that uses the Fraud Hexagon Model theory and company objects in the financial sector for the 2016-2020 period is still relatively small.

METHODS

The researcher uses explanatory research or explanatory research. Explanatory Research is a research method that aims to explain the position of the variables studied and the effect of one variable on another variable (Sugiyono, 2014). This study aims to test a theory or hypothesis with previous research.

The object of this research is companies in the financial sector listed on the Indonesia Stock Exchange for the period 2016-2020 with a total of 105 companies. The sampling technique in this study used a purposive sampling method, namely sampling with criteria determined by the author. From the total population, 42 (Forty Two) companies were selected that met the criteria.

The data analysis method is part of the process of analyzing primary or secondary data that is collected and then processed to draw conclusions in decision making. Data analysis methods are divided into two main parts, namely quantitative and qualitative. Data analysis in this study is part of the quantitative analysis method using a binary logistic regression model.

1. **Logistics Regression Analysis**

   Logistic regression is a statistical analysis method to describe the relationship between the dependent variable which has two or more categories with one or more independent variables on a *continuous scale* . Logistic regression can be divided into three types, namely binary logistic regression, multinominal logistic regression and ordinal logistic regression. The binary logistic regression model was used to analyze the relationship between the response variable and several predictor variables, with the response variable in the form of dichotomous qualitative data, with a value of 1 to indicate the presence of a characteristic and a value of 0 to indicate the absence of a characteristic. The logistic regression equation can be stated as follows:

$$\boxed{ln\frac{P\ (FSF)}{1\text{-}P(FSF)}=\beta_0+B_1X_{1a}+B_2X_{1b}+B_3X_2+B_4X_3+B_5X_4+B_6X_5+B_7X_6+\beta_p x_{pt}}$$

Information:
P : *Financial Statement Fraud*
0 : Regression coefficient
X_{1a} : *Financial Target*
X_{1b} : *External Pressure*
X_2 : *Ineffective Monitoring*
X_3 : *External Quality Auditor*
X_4 : *Change in Director*
X_5 : *Frequent Number of CEO's Picture*
X_6 : *Political Connection*
$\beta_p X_{pt}$: *Error*

2. Feasibility of the Logistics Regression Model

a. Hosmer and Lemeshow's Goodness of Fit Test
The feasibility of the regression model used in this study is Hosmer and Lemeshow's Goodness of Fit Test. Hosmer and Lemeshow's Goodness of Fit Test tests the null hypothesis, that the empirical data fits or fits the model (there is no difference between the model and the data so that the model can be said to be fit). If the value of Hosmer and Lemeshow's Goodness of Fit Test is equal to or less than 0.05, then the null hypothesis is rejected, which means that there is a significant difference between the model and the observed value. And vice versa if Hosmer and Lemeshow's Goodness of Fit Test is greater than 0.05, then the null hypothesis is accepted (Ghozali, 2016; Paramita et al., 2021).

b. Assessing Model Fit
Stats that used based on function likelihood. Likelihood is the probability that the hypothetical model describes the input data. To test the 0 and alternative hypotheses, L is changed to -2LogL (Ghozali, 2013). And to assess whether the data is fit, you can see the Likelihood value in the Summary Model, if it decreases, it means that the data is good.

3. Hypothesis testing
In research, the hypothesis is tested with the Wald test, to determine whether or not there is an effect of the independent variable on the dependent variable partially. According to (Ghozali, 2013), research often uses a significance level of 1%, 5%, or 10%. In a hypothesis testing, if using = 5%, it means that the researcher believes that from 100% of the sample, the probability of sample members who do not have population characteristics is 5%. Based on this theory, this test is carried out using a significance level of 0.05 (α = 5%). The conditions for the rejection or acceptance of the hypothesis are as follows:
a. If the significance value < 0.05 then the hypothesis is accepted. This means that the independent variable influences the dependent variable
b. If the significant value > 0.05 then the hypothesis is rejected. This means that the independent variable has no effect on the dependent variable.

RESULTS AND DISCUSSION

In this study, logistic regression analysis has been carried out with the following results:

1. Feasibility Test of Logistics Regression Model

a. Hosmer and Lemeshow Test

Hosmer and Lemeshow Test is a Goodness of Fit Test, which is to find out whether the model formed is correct or not. If the significant value of Hosmer and Lemeshow Test is greater than 0.05 then the model can be said to be fit and H_0 cannot be rejected. This means that the model can predict the value of its observations or it can be said that the model is accepted because it is in accordance with the observed data (Ghozali, 2009). The following are the results of data analysis using the Hosmer and Lemeshow Test:

Table 1. Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	12.022	8	.150

Source: Data processed, 2021

Table 1 shows the results of data processing that the results of observations that have been tested can be accepted because it is known that the significance value is 0.15 . This value is greater than the research alpha (0.15 > 0.05), so H0 is clearly acceptable and means the model easily fits the observation data. Therefore, the binary logistic regression model can be used in the next step.

b. Comparing the Value of -2Likelihood with the Summary Model

In this second feasibility test, comparing *-2Likelihood* with *the Summary Model.* SPSS Testing Results are as follows:

Table 2. Iteration History [a,b,c] (Value -2Likelihood)

Iteration		-2 Logs likelihood	Coefficients Constant
Step 0	1	245,788	.914
	2	245.563	.986
	3	245.563	.987
	4	245.563	.987

a. Constant is included in the model.
b. Initial -2 Log Likelihood: 245.563
c. Estimation terminated at iteration number 4 because parameter estimates changed by less than .001.

Source: Data processed, 2021

Table 3. Model Summary

Step	-2 Logs likelihood	Cox & Snell R Square	Nagelkerke R Square
1	196,595 [a]	.208	.302

a. Estimation terminated at iteration number 6 because parameter estimates changed by less than .001.

Source: Data processed, 2021

Tables 2 and 3 explain that in the iteration history step 0 it is known that the value of -2 Likelihood is 245,563 and in the summary step 1 model it is known that the value of -2 Likelihood has decreased by 196,595, so the logistic regression that is formed is better and can be used at a later stage.

2. Wald Test Results

According to (Ghozali, 2018:99) the wald (t) test basically shows that the influence of the independent variable is partially in explaining the dependent variable. To determine the value of the Wald test, the significance level is 0.05. The table below is the result of the Wald test from this study.

Table 4. Variables in the Equation (Wald Test Statistics)

		B	SE	Wald	df	Sig.	Exp(B)
Step 1 [a]	X1a	.001	.002	.161	1	.688	1,001
	X1b	-.002	.001	6.044	1	.014	.998
	X2	.000	.001	.183	1	.669	1,000
	X3	2.455	.561	19,121	1	.000	11,646
	X4	-.377	.415	.825	1	.364	.686
	X5	-.617	.249	6.150	1	.013	.539
	X6	.622	.427	2.118	1	.146	1,862
	Constant	3,754	.966	15.104	1	.000	42,713

a. Variable(s) entered on step 1: H1a, H1b, H2, H3, H4, H5, H6 .
Source: Data processed, 2021

From the results of the analysis carried out to measure the regression coefficient of the Financial Target variable (X1a), External Pressure (X1b), Ineffective Monitoring (X2), External Quality Auditor (X3), Change in Director (X4), Frequent Number of CEO's Picture (X4). X5), Political Connection (X6) to Financial Statement Fraud.
The equations of binary logistic regression analysis are as follows:

$$\boxed{\mathbf{lnln}\,\frac{\mathbf{P\ (FSF)}}{\mathbf{1\text{-}P(FSF)}}=\beta_0+B_1X_{1a}+B_2X_{1b}+\ldots+\beta_p x_{pt}}$$

P = 1.001 X1a+0.998 X1b+1,000 X2+11.646 X3+0.686 X4+0.539 X5+1.862 X6+β_p X_{pt}

3. Analysis Results

This research hypothesis will be tested by logistic regression analysis. It aims to answer the formulation of the research problem, namely the influence of the independent variable on the dependent variable. So, the table below is the results of the binary logistic regression test.

Table 5. Analysis Results

Hypothesis	Description	Sig.	Prob.	Conclusion	Note.
H1a	*Financial Target* Affects *Financial Statement Fraud*	0.688	0.05	No effect	Rejected
H1b	*External Pressure* Affects *Fraud Financial Statements*	0.014	0.05	Take effect	Received
H2	*Ineffective Monitoring Affects* Financial *Statement Fraud*	0.666	0.05	No effect	Rejected
H3	*External Quality Auditors* Influence *on Fraud Financial Statements*	0.000	0.05	Take effect	Received
H4	*Change in Director* Has Effect on *Financial Statement Fraud*	0.364	0.05	No effect	Rejected
H5	*Frequent Number Of CEO's Picture* Is Influential Against	0.013	0.05	Take effect	Received

Hypothesis	Description	Sig.	Prob.	Conclusion	Note.
	Financial Statement Fraud				
H6	*Political Connection* Affects *Financial Statement Fraud*	0.146	0.05	No effect	Rejected

Source: Data processed, 2021

4. Interpretation

a. The Effect of Financial Targets on Fraud Financial Statements

Table 5 shows the results that the significance value of ROA is 0.688 > 0.05. These results indicate that the Financial Target or ROA has no effect on the Financial Statement Fraud. Thus, hypothesis 1a which states that the Financial Target has an effect on the Fraud Financial Statement cannot be accepted, and this result does not support the Hexagon Fraud theory for the Stimulus dimension.

The results of logistic regression analysis show that the Financial Target as proxied by Return on Assets (ROA) has no effect on Financial Statement Fraud. This is because management considers that the Financial Target value set by the company is in a reasonable stage and can be achieved, so that it does not cause Financial Statement Fraud. The results of this study are in line with research conducted by Ulfah et al., (2017); Bawekes, et al., (2018) which states that Financial Target has no effect on Financial Statement Fraud. However, the results of this study are different from those of Jaya & Poerwono, (2019); Setiawati & Baningrum, (2018) which states that Financial Target has an effect on Financial Statement Fraud.

b. Effect of External Pressure on Financial Statement Fraud

Table 5 shows the results that the significance value of Leverage is 0.014 < 0.05. These results indicate that External Pressure or Leverage has an effect on Financial Statement Fraud. Thus, hypothesis 1b which states that External Pressure has an effect on Financial Statement Fraud can be accepted, and this result supports the Hexagon Fraud theory for the Stimulus dimension.

The results of logistic regression analysis show that External Pressure as proxied by Leverage has an effect on Financial Statement Fraud. The results of the analysis indicate that pressure from external parties will cause management to seek loans from other parties, so that the company can compete. In addition, management will try to show good performance to interested parties in the company, so that the management performs Financial Statement Fraud. This explanation is supported by the results of research conducted by Oktafiana, et al., (2019) which shows that External Pressure has an effect on Financial Statement Fraud. However, the results of this study are different from the research conducted by Bawekes, et al., (2018); Sari & Nugroho, (2020) which states that external pressure has no effect on the Financial Statement Fraud.

c. Ineffective Monitoring of Fraud Financial Statements

Table 5 shows that the significance value of BDOUT is 0.666 > 0.05. The results of this analysis indicate that Ineffective Monitoring or BDOUT has no effect on Financial Statement Fraud. Thus, hypothesis 2 which states that Ineffective Monitoring affects Financial Statement Fraud cannot be accepted, and this result does not support the Hexagon Fraud theory for the Opportunity dimension.

The result of logistic regression analysis shows that Ineffective Monitoring as proxied by BDOUT has no effect on Financial Statement Fraud. This result is because fraud can still be minimized through good supervision by independent commissioners, so that monitoring of company activities can be carried out objectively, independently, and avoid interference from other parties. In a company, an independent board of commissioners is needed to monitor the company properly to avoid fraudulent practices. The results of this study are in line with research conducted by Setiawati & Baningrum, (2018); Bawekes, et al., (2018); Damayanti et al., (2017), but not in line with research conducted by Septriyani & Handayani, (2018).

d. External Quality Auditor on Fraud Financial Statement

Table 5 shows that the significance value of the Dummy Variable is 0.000 < 0.05. The results of this analysis indicate that Auditor External Quality or Variable Dummy has an effect on Financial Statement Fraud. Thus, hypothesis 3 which states that Auditor External Quality has an effect on Financial Statement Fraud can be accepted, and this result supports the Fraud Hexagon theory for the Rationalization dimension.

The results of the logistic regression analysis show that the External Quality Auditor proxied by the Variable Dummy has an effect on the Financial Statement Fraud. The results of the analysis show that audit services that are affiliated or not affiliated with BIG4 can still be said to have good quality, because currently the regulations for Public Accounting Firms (KAP) are increasingly being tightened, as stated in the Regulation of the Minister of Finance Number 186/PMK.01/ 2021 concerning the Guidance and Supervision of the Public Accountant Profession, this is done to increase public trust and can reduce the existence of Fraud Financial Statements. The results of this study are supported by research by Legowo, (2019); Rini & Achmad, (2012) which proves that the quality of external auditors affects the Financial Statement Fraud. However, this research is not in line with the research of Setiawati & Baningrum, (2018) which states that audit quality has no effect on Fraud Financial Statements.

e. Change in Director Against Financial Statement Fraud

Table 5 shows that the significance value of the Dummy Variable is 0.364 > 0.05. This result proves that Change in Director or Variable Dummy has no effect on Financial Statement Fraud. Thus, hypothesis 4 which states that Change in Director has an effect on Financial Statement Fraud cannot be accepted, and this result does not support Hexagon Fraud theory for the Capability dimension.

The results of logistic regression analysis show that Change in Director as proxied by Variable Dummy has no effect on Financial Statement Fraud. These results indicate that the replacement of more competent directors by the sample companies aims to improve the performance and efficiency of the company's activities in carrying out their duties and can prevent and detect fraudulent actions. The results of this study are in line with research conducted by Setiawati & Baningrum, (2018); Bawekes, et al., (2018); Sari & Nugroho, (2020). However, this study is not in line with research by Melati, et al., (2020); Widyatama & Setiawati, (2020) which stated that the change of directors would affect the creation of a Fraud Financial Statement.

f. Frequent Number of CEO's Picture Against Financial Statement Fraud

Table 5 shows that the significance value of the number of CEO photos is 0.013 < 0.05. This proves that the Frequent Number of CEO's Picture or the number of photos or pictures of the CEO displayed in the Annual Report has an effect on the occurrence of Financial Statement Fraud. Thus, hypothesis 5 which states that Frequent Number of CEO's Picture has an effect on Financial Statement Fraud can be accepted, and this result supports the Hexagon Fraud theory for the Ego dimension.

The results of logistic regression analysis show that the Frequent Number of CEO's Picture proxied by the number of photos or pictures of the CEO displayed in the annual report has an effect on Financial Statement Fraud. Fraud can occur if the CEO has an attitude of arrogance and superiority, because the CEO feels with his current status and position, he can not be disturbed by any regulations and policies. The results of this analysis are in line with the research of Tessa & Harto, (2016); Bawekes, et al., (2018); Sari & Nugroho, (2020) who stated that Frequent Number of CEO's Picture affect the Financial Statement Fraud. However, this study is not in line with the research conducted by Bawekes et al., (108); Sari & Nugroho, (2020) who stated that Frequent Number of CEO's Picture has an effect on Fraudulent Financial Reporting.

g. Political Connection to Fraud Financial Statements

Table 5 shows that the significance value of the Dummy Variable is 0.146 > 0.05. These results prove that Political Connection has no effect on Financial Statement Fraud. Thus, hypothesis 6 which states that Political Connection has an effect on Financial Statement Fraud cannot be accepted, and this result does not support the Hexagon Fraud theory for the Collusion dimension.

The results of logistic regression analysis show that Political Connection has no effect on Financial Statement Fraud. This is because the presence or absence of political connections within the company will not create motivation to commit fraudulent financial statements. Because companies that do not have political connections can still maintain and improve their company's performance. Because good company performance will make it easier for companies to collaborate, one of which is getting loans for company operational activities. The results of this study are supported by Haqq & Budiwitjaksono, (2020) which state that the company's Political Connection is not needed to maintain the company's reputation by fraudulent financial statements. However, this research is not in line with the research conducted by Chaney et al., (2011) which states that Political Connection has an effect on Financial Statement Fraud.

CONCLUSION

This study examines the effect of Financial Target, External Pressure, Ineffective Monitoring, External Quality Auditor, Change in Director, Frequent Number of CEO's Picture, and Political Connection on Financial Statement Fraud using binary logistic regression analysis, conclusions can be drawn from this study as follows:

1. Financial Target has no effect on Financial Statement Fraud. The financial target set by the company is still in a reasonable stage and can still be achieved, so that it does not cause Financial Statement Fraud.
2. External Pressure affects the Financial Statement Fraud. External pressure causes management to seek loans from other parties and management is required to show good performance to interested parties, so this encourages management to conduct Fraud Financial Statements.
3. Ineffective Monitoring does not affect the Financial Statement Fraud. Fraud can be minimized through good supervision by independent commissioners, so that company monitoring can be carried out objectively, independently, and avoid interference from other parties. an independent board of commissioners can also monitor the company properly to avoid fraudulent practices.
4. External Quality Auditors have an effect on Fraud Financial Statements. Public Accounting Firms (KAP) that are affiliated or not affiliated with BIG, can still be said to have good quality, because currently the regulations regarding KAP are increasingly being tightened and have

been regulated by the Minister of Finance, so this can reduce the existence of Financial Statement Fraud.

5. Change in Director does not affect the Financial Statement Fraud. The change of directors carried out by the sample companies was because they wanted to increase the efficiency of the company's activities by replacing new directors who were considered more competent and maximal in carrying out their duties. In addition, the change of more qualified directors is considered more effective in improving performance compared to the previous one and this action can reduce Financial Statement Fraud.
6. Frequent Number of CEO's Picture has an effect on Financial Statement Fraud. Fraud can occur if the CEO has an arrogant attitude by relying on his position and status to not enforce the rules and policies that have been set on him.
7. Political Connection does not affect the Financial Statement Fraud. Companies with president commissioners or independent commissioners who have political connections or not, will not cause Financial Statement Fraud, because management can maintain and improve the company's performance and this will make it easier, such as making loans to other parties.

REFERENCES

Agusputri, H., & Sofie, S. (2019). Faktor-faktor yang berpengaruh terhadap fraudulent financial reporting dengan menggunakan analisis fraud pentagon. *Jurnal Informasi, Perpajakan, Akuntansi, Dan Keuangan Publik*, *14*(2), 105-124.

Aprilia, A. (2017). Analisis pengaruh fraud pentagon terhadap kecurangan laporan keuangan menggunakan beneish model pada perusahaan yang menerapkan asean corporate governance scorecard. *Jurnal ASET (Akuntansi Riset)*, *9*(1), 101-132.

Association of Certified Fraud Examiners, (2020). Survei Fraud Indonesia. ACFE Indonesia Chapter. https://acfe-indonesia.or.id/wp-content/uploads/2021/02/SURVEI-FRAUD-INDONESIA-2019.pdf

Bawekes, H. F., Simanjuntak, A. M., & Daat, S. C. (2018). Pengujian teori fraud pentagon terhadap fraudulent financial reporting (Studi empiris pada perusahaan yang terdaftar di Bursa Efek Indonesia Tahun 2011-2015). *Jurnal Akuntansi & Keuangan Daerah*, *13*(1), 114-134.

Butje, S., & Tjondro, E. (2014). Pengaruh Karakter Eksekutif dan Koneksi Politik Terhadap Tax Avoidance. *Tax & Accounting Review*, *4*(2), 1-9.

Tessa, C., & Harto, P. (2016). Fraudulent Financial Reporting: Pengujian Teori Fraud Pentagon Pada Sektor Keuangan dan Perbankan Di Indonesia. *Lampung: Simposium Nasional XIX*, 1-21.

Crowe, H., (2012). *The Mind Behind The Fraudsters Crime: Key Behavioral and Environmental Elements*. United States of America: Crowe Horwath LLP.

Damayani, F., Wahyudi, T., & Yuniartie, E. (2017). Pengaruh Fraud Pentagon Terhadap Kecurangan Laporan Keuangan Pada Perusahaan Infrastruktur Yangterdaftar Di Bursa Efek Indonesia tahun 2014–2016. *Akuntabilitas*, *11*(2), 151-170.

Ghozali, I. (2016). *Aplikasi Analisis multivariete dengan program IBM SPSS 23* (Edisi 8). Cetakan ke VIII. Semarang: Badan Penerbit Universitas Diponegoro.

Haqq, A. P. N. A., & Budiwitjaksono, G. S. (2019). Fraud Pentagon for Detecting Financial Statement Fraud. *Journal of Economics, Business, and Accountancy Ventura*, *22*(3), 319-332.

IAI, (2017). SAK Efektif Per 1 Januari, (2017). Di akses pada 15 Maret 2022, dari http://iaiglobal.or.id/v03/standar-akuntansi-keuangan/sak-efektif-3-sak-efektif-per-1-januari-2017

IDX, (2022). Aktivitas Pencatatan. Di akses pada 2 Februari 2022, dari https://www.idx.co.id/perusahaan-tercatat/aktivitas-pencatatan/

Jaya, I. M. L. M., & Poerwono, A. A. A. (2019). Pengujian Teori Fraud Pentagon Terhadap Kecurangan Laporan Keuangan Pada Perusahaan Pertambangan di Indonesia. *Jurnal Ilmu Akuntansi*, *12*(2), 157-168.

Lailatuddzikriyyah, M. (2021). *Mendeteksi Potensi Kecurangan Laporan Keuangan Dengan Analisis Fraud Hexagon (Studi Empiris Pada Perusahaan Kontruksi Bangunan Yang Terdaftar Di Bei Tahun 2017-2019)*. Skripsi Universitas Islam Indonesia.

Lennox, C., Lisowsky, P., & Pittman, J. (2012). Tax Aggressiveness and Accounting Fraud. *Journal of Accounting Research*, *51*(4), 739-778. https://doi.org/10.1111/joar.12002

Lestari, M. I., & Henny, D. (2019). Pengaruh Fraud Pentagon Terhadap Fraudulent Financial Statements Pada Perusahaan Perbankan Yang Terdaftar Di Bursa Efek Indonesia Tahun 2015-2017. *Jurnal Akuntansi Trisakti*, *6*(1), 141-156.

Melati, D. P. A., Kirana, D. J., & Lastiningsih, N. (2020). Determinasi Pendeteksian Kecurangan Laporan Keuangan Dengan Fraud Diamond Dan Family Ownership Sebagai Variabel Moderasi. *Jurnal Ilmiah Manajemen Ubhara*, *2*(2), 15-28. http://dx.doi.org/10.31599/jmu.v2i2.762

Nilzam, S. P. (2020, April). Analisis Pendeteksian Kecurangan Laporan Keuangan Menggunakan Teori Fraud Pentagon Dengan Ukuran Perusahaan Sebagai Variabel Moderasi. *Prosiding Seminar Nasional Pakar ke 3 Tahun 2020*.

Oktafiana, N. F., & Sari, S. P. (2019). Analisis Fraud Laporan Keuangan dengan Wolfe & Hermanson's Fraud Diamond Model pada Perusahaan LQ45 di Bursa Efek Indonesia. *In Prosiding Seminar Nasional & Call For Paper*, 246-258.

Priantara, D. (2013). *Fraud Auditing & Investigation*. Jakarta: Mitra Wacana.

Putri, T. V. Y., & Saphira, J. (2019). Fraud Pentagon Dalam Manajemen Laba Di Perusahaan Manufaktur Logam dan Kimia. *Jurnal Ilmiah Wahana Akuntansi*, *14*(2), 143-155.

Rini, V. Y., & Achmad, T. (2012). *Analisis Prediksi Potensi Risiko Fraudulent Financial Statement Melalui Fraud Score Model (Studi Empiris pada Perusahaan Manufaktur y ang Terdaftar di Bursa Efek Indonesia Tahun 2008-2010)*. (Doctoral dissertation, Fakultas Ekonomika dan Bisnis).

Romney, M. B., Steinbart, P. J., & Cushing, B. E. (2015). *Accounting information syst*ems. Boston: Pearson.

Sari, S. P., & Nugroho, N. K. (2021). Financial Statements Fraud dengan Pendekatan Vousinas Fraud Hexagon Model: Tinjauan pada Perusahaan Terbuka di Indonesia. *In Annual Conference of Ihtifaz: Islamic Economics, Finance, and Banking*, 409-430.

Setiawati, E., & Baningrum, R. M. (2018). Deteksi fraudulent financial reporting menggunakan analisis Fraud Pentagon: Studi kasus pada perusahaan manufaktur yang listed di BEI Tahun 2014-2016. *Riset Akuntansi Dan Keuangan Indonesia*, *3*(2), 91-106.

Skousen, C. J., & Twedt, B. J. (2009). Fraud in emerging markets: A cross country analysis. *Cross Cultural Management: An International Journal*, *16*, 301-316.

Sugiyono, (2014). *Metode Penelitian Bisnis*. Bandung: Alfabeta.

Tarjo, T., Anggono, A., Sanusi, Z. M., & Said, J. (2021). The Effect Of Fraud Risk Management Implementation On Fraud Prevention. *International Journal of Social Science Research*, *3*(4), 397-404.

Ulfah, M., Nuraina, E., & Wijaya, A. L. (2017). Pengaruh Fraud Pentagon dalam Mendeteksi Fraudulent Financial Reporting (Studi Empiris pada Perbankan di Indonesia Yang Terdaftar di BEI. *Forum Ilmiah Pendidikan Akuntansi*, *5*(1), 399-418.

Vousinas, G. L. (2019). Advancing theory of fraud: the SCORE model. *Journal of Financial Crime*, *26*(1), 372-381. https://doi.org/10.1108/JFC-12-2017-0128

Widyatama, W., & Setiawati, L. W. (2020). Analisis Pengaruh Fraud Pentagon Theory Terhadap Fraudulent Financial Reporting Pada Perusahaan Perbankan Yang Terdaftar Di Bursa Efek Indonesia Periode 2014-2019. *BALANCE: Jurnal Akuntansi, Auditing dan Keuangan*, *17*(1), 22-47.

Wolfe, D. T., & Hermanson, D. R. (2004). The fraud diamond: Considering the four elements of fraud. *CPA Journal*, *74*(12), 38-42.