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The Fraud Hexagon Model and Corporate Governance Moderation in the Investigation of Financial Statement Fraud

Enggar Diah Puspa Arum[1], Ilham Wahyudi[2]
[1] Universitas Jambi, Jambi, Indonesia, enggar_diah@unja.ac.id
[2] Universitas Jambi, Jambi, Indonesia, ilham_wahyudi@unja.ac.id

Corresponding Author: enggar_diah@unja.ac.id

Abstract: Manipulation of financial statements for personal or organizational objectives that could cause harm to others is known as financial statement fraud. After advancing through the triangle, diamond, and pentagon models, the notion of financial statement fraud has expanded in recent years. The stimulus, capability, collusion, opportunity, rationalization, and ego components of the preceding theory are expanded upon in the hexagon theory. This study explores the association between the Hexagon Theory component and financial statement fraud, using corporate governance as a moderating variable. The 235 sets of information derived from the annual reports of publicly traded real estate and property companies on the Indonesia Stock Exchange were observed for this quantitative study, and they were then analyzed using a panel data regression model processed with the EViews program. Result findings demonstrate that financial statement fraud is influenced by external pressure as proxy of stimulus. Additionally, it has been demonstrated that corporate governance moderates the association between financial statement fraud and opportunity, rationalization, ego, and stimulus.

Keyword: Board Effectiveness, Collusion, Fraud, Hexagon Model.

INTRODUCTION

Financial statements contain the data that stakeholders need to make financial choices. When making logical decisions about credit, investments, and other matters, creditors, investors, and other users can all benefit from having access to financial information (Kieso, et al., 2012). When presented with pertinent and representative data that satisfies comparable, verifiable, timely, and understandable standards, financial information can be beneficial. (IAI, 2020). Stakeholders will undoubtedly be misled when making business decisions by inaccurate information. Nonetheless, some business managers prioritize their own interests when presenting financial reports, making the data useless and non-representative. This situation arises when the business is unable to reach specific goals, so different measures are used to preserve a positive company reputation among customers and investors. In this

instance, management frequently engages in fraud to conceal a number of internal shortcomings within the business (Schilit, et al., 2018).

239 fraud instances of IDR 873,430,000,000 were reported in Indonesia, according to survey results from the Association of Certified Fraud Examiners (ACFE) Indonesia Chapter (ACFE, 2020). The survey results indicate that, on average, the manager's job is the one with the highest fraud rates. On a scale from Rp 500 million to Rp 10 billion, the survey results also demonstrate that the company's directors and management engage in large-scale nominal fraud.

The example of PT Hanson International Tbk shows fraudulent acts by management to present financial statements that deviate from actual conditions. The company recognized revenue at the outset using the full accrual method and neglected to present a sale and purchase agreement in the 2016 financial statements. The December 2016 financial report's claimed value of IDR 613 billion was inflated as a result of this revenue recognition. The company's subsidiaries, PT. Envy Technologies Indonesia Tbk and PT. Global Retail Solutions (RGS), were the site of the most recent financial report fraud incident. Trading services are offered online by RGS. The Indonesia Stock Exchange (IDX) claims that there was manipulation of the 2019 RGS financial statements that were incorporated into the financial statement of PT. Envy Technologies Indonesia Tbk. IDX has stopped trading in PT. Envy Technologies Indonesia Tbk as of December 1, 2020, and in a letter, it has requested an explanation (Sandria, 2021).

Beginning with the hypotheses of the triangle (Cressey, 1953), the diamond (Wolfe & Hermanson, 2004), the pentagon (Vousinas, 2018), and most recently, the hexagon (Vousinas, 2019), the theory of fraud has evolved in recent years. The preceding idea was developed into the hexagon theory, which includes the elements of stimulus, capability, collusion, opportunity, rationalization, and ego. Using developed fraud theories, several investigations have been carried out to identify instances of fake financial statements. According to certain research (Dalnial et al., 2014; Larum et al., 2021; Nugroho & Diyanty, 2022; Skousen et al., 2009), there was a financial statement fraud increase with the stimulus. However, some studies (Sabatian & Hutabarat, 2020; Yendrawati, et al., 2019) found no evidence of a stimulant effect on financial statement fraud. Capability has an effect on financial statement fraud, according to the results of earlier studies (Nindito, 2018; Nugroho & Diyanty, 2022). However, other researchers' findings (Anggraini & Suryani, 2021; Rukmana, 2018) indicate that capability has no such effect. Vousinas (2019) introduced the concept of collusion as a new element to the hexagon theory. According to some research, collusion has an impact on financial statement fraud (Budiyanto & Puspawati, 2022), whereas other studies (Achmad et al., 2022; Nugroho & Diyanty, 2022) found no such effect. The research by Nugroho & Diyanty (2022) indicates that opportunity affect financial statement fraud; however, the opposite was also observed (Deliana, et al., 2022). Rationalization has been linked to misleading financial statements, according to some previous research (Sabatian & Hutabarat, 2020); nevertheless, other studies (Yusrianti et al., 2020) showed no such relationship. According to Devi et al. (2021), financial statement fraud may be impacted by the ego of a company's senior management. However, other research indicates that ego has no bearing on financial statement fraud (Achmad et al., 2022). Further investigation is still required because the findings of the prior study show that each variable has an inconsistent influence.

One of the corporate governance techniques that can prevent financial statement fraud is oversight. Agency theory states that in order to guarantee that management takes owners' interests into account when making decisions, the board of commissioners must exercise sufficient oversight. Infrequently meeting boards of commissioners are less effective in doing their supervision duties (Kyei, et al., 2022). This research compares the Financial Services Authority's regulations with the regularity of board meetings as a means of

measuring board effectiveness in corporate governance (OJK). Regular board meetings result in improved company outcomes through the transfer of board knowledge, skills, and ties (Al-Musali & Ismail, 2015). A number of research investigations (Hsu & Yang, 2022; In'airat, 2015; Md. Nasir & Hashim, 2021) have demonstrated the efficacy of corporate governance in reducing fraud, however other research (Sunaryo et al., 2019) have not supported this claim.

One of the risk factors that can result in misleading financial statements is stimulus, specifically in the form of unrealistic financial ambitions. Return on Assets (ROA) is a metric that may be used to quantify the magnitude of the financial target in terms of profit made by the organization. A common metric for evaluating management performance and setting bonuses, pay raises, and other incentives is return on assets (ROA) (Skousen et al., 2009). The company's prior year's ROA has come to serve as a benchmark for achieving the same or even higher goals the following year. Raising the financial goals that must be met puts management under pressure, which in turn motivates them to falsify financial reports (Agusputri & Sofie, 2019; Faradiza, 2018; Septriyani & Handayani, 2018). Consequently, there is a suspicion that the likelihood of financial statement fraud increases with a company's return on assets. In this investigation, the following is the first hypothesis:

H_1: Financial statement fraud is influenced by financial target.

A company's ability to maintain its financial stability in the face of different economic challenges is referred to as financial stability. One of the ways the corporation is attempting to improve its chances is through distorting asset wealth data pertaining to the increase in assets owned. The ratio of change in total assets (ACHANGE), which is computed by dividing the difference between the total assets owned by the business in the current period and the previous period by the total assets of the previous period, is used to measure financial stability. Financial statement fraud is more likely to occur in a corporation with a higher ratio of changes in total assets (Skousen et al., 2009). Financial statement fraud is significantly impacted by the ratio of change in total assets, according to research by Sihombing & Raharjo (2014), who employed this metric to assess financial stability. On the other hand, Putra & Kusnoegroho (2021) and Ulfah et al. (2017) discovered that there is no correlation between financial statement fraud and the ratio of changes in total assets. In this investigation, the second hypothesis is:

H_2: Financial statement fraud is influenced by financial stability.

In order for a business to be competitive, it may face pressure from outside sources to secure capital. This is known as external pressure. Consequently, investors will only be interested in a company whose financial performance is demonstrated by its profit and financial ratios that perform well. Furthermore, the company's ability to repay the debt it has taken out must be regarded as credible. This incites managers to falsify financial statements. The study conducted by Sihombing & Raharjo (2014), Tiffani & Marfuah (2015), and Tessa & Raharja (2016) revealed that financial statement fraud is significantly positively impacted by external pressure, as indicated by the leverage ratio (LEV). Annisya et al. (2016) and Ulfah et al. (2017), on the other hand, discovered that financial statement fraud is unaffected by the external pressure variable that is determined using the leverage ratio. Consequently, the third hypothesis in this research is:

H_3: Financial statement fraud is impacted by external pressure

According to Siddiq et al. (2017), capability is the capacity of an individual working for an organization to create possibilities for fraud. If someone is skilled at taking advantage of opportunities and is aware of how to carry it out, there may be signs of fraud. The performance of the previous directors is enhanced by a change of directors (CDR) who are thought to be more capable. Also, this move may be meant to replace the outgoing directors with people with particular political agendas (Tessa & Harto, 2016). Therefore, a corporation may try to remove directors who are thought to have knowledge regarding the fraud that the organization has committed by changing its board of directors. Studies by Nindito (2018) and

Nugroho & Diyanty (2022) bolster this claim by demonstrating the impact of capability on financial statement fraud, as measured by changes in directors. Concurrently, a variable change of directors has little bearing on financial statement fraud, according to studies by Tessa & Harto (2016) and Ulfah et al. (2017). Therefore, the following is the fourth hypothesis in this research:

H_4: Financial statement fraud is influenced by capability.

Opportunities arise when the company's internal control system is compromised (Romney & Steinbart, 2018). Businesses with inadequate internal control frameworks give management the chance to falsify financial statements. Financial statement fraud can be predicted by inadequate supervision (Skousen, et al., 2009). It is anticipated that having an independent board of commissioners will improve the efficiency of the business's internal controls. It is believed that the more independent commissioners there are on the board of commissioners, the better the supervision and the lower the likelihood of financial report fraud. According to Herdiana and Sari's (2018) findings, financial statement fraud can be identified through inadequate monitoring. On the other hand, inadequate monitoring has no impact on identifying financial statement fraud, according to research by Sihombing & Raharja (2014) and Tessa & Harto (2016). Thus, the following is the sixth hypothesis in this research:

H_5: Financial statement fraud is impacted by opportunity.

Self-justification for wrongdoing is known as rationalization. This study uses auditor changes as a proxy for reasoning. Fraudulent companies may be exposed by the audit process. Companies typically replace their auditors more frequently in order to minimize the likelihood that their fraud would be discovered and covered up. According to study by Siddiq et al. (2017) and Sabatian & Hutabarat (2020), changes in auditors have an impact on financial statement fraud. In the meanwhile, studies by Yusrianti et al. (2020), Tessa & Harto (2016), and Sihombing & Raharja (2014) demonstrate that changes in auditors have no effect on financial statement fraud. In light of this, the study's hypothesis is:

H_6: Financial Statement Fraud is impacted by rationalization.

An attitude of superiority or avarice that is exhibited by those who feel they are exempt from internal control is known as ego. The degree of conceit or superiority exhibited by a Chief Executive Officer (CEO) can be inferred from the frequency with which the CEO's accomplishments, photos, display picture, or other information about their background is displayed in the company's annual report (Crowe, 2012). According to research by Devi et al. (2021) and Tessa & Harto (2016), the frequency of the CEO's pictures has a significant positive effect on identifying fraudulent financial statements. This means that the likelihood of financial statement fraud in the company increases with the number of CEO pictures included in the annual report. According to studies by Achmad et al. (2022) and Ulfah et al. (2017), there is no correlation between financial statement fraud and the frequency of CEO photos. As a result, the study's seventh hypothesis is:

H_7: Financial Statement Fraud is impacted by ego.

An agreement or collaboration between two or more individuals to carry out acts with multiple negative goals, such as defrauding third parties of their rights, is referred to as collusion (Vousinas, 2019). Studies by Sari & Nugroho (2020) and Budiyanto & Puspawati (2022) discovered that financial statement fraud is impacted by collusion; however, Achmad et al. (2022) and Nugroho & Diyanty (2022) discovered that financial statement fraud is unaffected by collusion. It is believed that cooperative ties lead to collusion in government projects. This is based on the ACFE survey results, which indicate that fraud is primarily done in government organizations. This leads to the eighth study hypothesis, which is:

H_8: Financial Statement Fraud is impacted by collusion.

Financial statement fraud can be avoided by the use of corporate governance. While some studies (Hsu & Yang, 2022; In'airat, 2015; Md. Nasir & Hashim, 2021) demonstrate the

importance of corporate governance in reducing fraud, other research (Sunaryo et al., 2019) does not support this claim. This study compares the number of meetings to the Financial Services Authority's (OJK) required number of board meetings every quarter in order to assess corporate governance through board effectiveness. Thus, the next hypotheses in this study are:

H_9: Corporate governance moderates the effect of financial target on FSF.
H_{10}: Corporate governance moderates the effect of financial stability on FSF.
H_{11}: Corporate governance moderates the effect of external pressure on FSF.
H_{12}: Corporate governance moderates the effect of capability on FSF.
H_{13}: Corporate governance moderates the effect of opportunity on FSF.
H_{14}: Corporate governance moderates the effect of rationalization on FSF.
H_{15}: Corporate governance moderates the effect of ego on FSF.
H_{16}: Corporate governance moderates the effect of collusion on FSF.

METHOD

This study's population consists of publicly traded real estate and property-related enterprises on the Indonesia Stock Exchange, with a five-year observation period. The following criteria will be used for sample determination when employing total sampling: contains comprehensive research-related data, is listed on the Indonesia Stock Exchange from 2016 to 2020, and provides yearly reports from 2016 to 2020. 235 sample data were collected as a result, and this study will analyze them.

Panel data moderation regression, a combination of time series data and cross-sectional data processed using the EViews software, is the data analysis technique utilized in this study. Using the Chow, Hausman, and Lagrange multiplier tests, panel data model testing is used to identify the best model among the common effect, fixed effect, and random effect models. The process of hypothesis testing involves a partial analysis of the influences on financial statement fraud caused by financial targets, financial stability, external pressure, capability, opportunity, rationalization, ego, and collusion. Additionally, using moderated regression analysis, investigate how CG modifies the relationships between financial aims, financial stability, external pressure, capability, opportunity, rationalization, ego, and collusion with financial statement fraud.

Two research models were created for this study in order to investigate the concept. The first model examines the relationship between financial statement fraud and external pressure, financial targets, financial stability, capability, opportunity, rationalization, ego, and collusion. Moreover, financial targets, financial stability, external pressure, capability, opportunity, rationalization, ego, and collusion with financial statement fraud are all tested for CG moderation in the second model. In this study, the regression equation model is:

$$FSF_{it} = \propto_{it} + \beta_1 ROA_{it} + \beta_2 ACHANGE_{it} + \beta_3 LEV_{it} + \beta_4 CDR_{it} + \beta_5 BDOUT_{it} + \beta_6 CAD_{it} + \beta_7 CEOPICT_{it} + \beta_8 GOVREL_{it} + \varepsilon \cdots\cdots\cdots\cdots\cdots (1)$$

$$FSF_{it} = \propto_{it} + \beta_1 ROA_{it} + \beta_2 ACHANGE_{it} + \beta_3 LEV_{it} + \beta_4 CDR_{it} + \beta_5 BDOUT_{it} + \beta_6 CAD_{it} + \beta_7 CEOPICT_{it} + \beta_8 GOVREL_{it} + \beta_9 CG_{it} + \beta_{10} ROA_{it} CG_{it} + \beta_{11} ACHANGE_{it} CG_{it} + \beta_{12} LEV_{it} CG_{it} + \beta_{13} CDR_{it} CG_{it} + \beta_{14} BDOUT_{it} CG_{it} + \beta_{15} CAD_{it} CG_{it} + \beta_{16} CEOPICT_{it} CG_{it} + \beta_{17} GOVREL_{it} CG_{it} + \varepsilon \cdots\cdots\cdots\cdots\cdots (2)$$

Where:
FSF is financial statement fraud, which measured by discretionary accruals.
ROA is return on assets
ACHANGE is the ratio of change in total assets
LEV is leverage
CDR is a change of directors
BDOUT is the ratio of independent board to total board of commissioners
CAD is the change of auditor
CEOPICT is the number of CEO photos in the annual report
GOVREL is a collaboration with government projects
CG is corporate governance, which measured by board effectiveness

To evaluate H_1, H_2, H_3, H_4, H_5, H_6, H7, and H_8, utilize model 1. In the meantime, H_9, H_{10}, H_{11}, H_{12}, H_{13}, H_{14}, H_{15}, and H_{16} are tested using model 2. The measurement of the variables is explained in Table 1.

RESULTS AND DISCUSSION

The research data totaled 235 (47 firms multiplied by 5 years) since comprehensive and analyzable data was acquired from 47 companies based on the established criteria. In this study, financial statement fraud (FSF) as determined by discretionary accruals serves as the dependent variable. The financial target as determined by ROA, financial stability as determined by the ratio of changes in total assets (ACHANGE), opportunity as determined by the ratio of an independent board of commissioners to the number of commissioners (BDOUT), rationalization as determined by auditor turnover (CAD), ego as determined by the number of CEO photos (CEOPICT), and collusion as determined by collaboration with government projects (GOVREL) are the independent variables.

The FSF in this study ranges from a minimum of -0.70 to a maximum of 1.50, with an average value of 0.235. ROA ranges from a low of -0.27 to a maximum of 0.26, with an average value of 0.025. ACHANGE's score ranges from a minimum of 1.08 to a maximum of 0.052, with an average of -0.99. LEV has a minimum value of 0 and a maximum value of 0.89, with an average value of 0.376. CDR has a minimum value of 0 and a maximum value of 1, with an average value of 0.41. The values of BDOUT range from a minimum of 0.17 to a high of 1, with an average of 0.3987.

A negative FSF score suggests that management of the company is trying to cut earnings, whilst a high FSF value suggests that management is trying to raise profits. Two companies appear to have exceptionally high FSF values based on the research findings. This suggests that these two businesses are using a scheme to falsify their financial statements' earnings.

Table 1. Measurement of Variables

No.	Variable	Indicator
1.	Financial Statement Fraud (FSF)	$DAit = \frac{TAit}{Ait-1} - NDAit$
2.	Financial Target	$ROA = \frac{Net\ Profit}{Total\ Assets}$
3.	Financial Stability	$ACHANGE = \frac{Total\ Assets\ t - Total\ Assets\ t-1}{Total\ Assets\ t-1}$
4.	External Pressure	$LEV = \frac{Total\ Liabilities}{Total\ Assets}$
5.	Capability	1 = if there is a change of directors during the observation period 0 = if there is no change of directors during the observation period
6.	Opportunity	$BDOUT = \frac{number\ of\ independent\ commissioners}{number\ of\ commissioners}$
7.	Rationalization	1 = if there is a change of auditor during the observation period 0 = if there is no change of auditor during the observation period
8.	Ego	Number of CEO photos in the annual report during the year of observation
9.	Collusion	1 = if there is any collaboration with government projects during the observation period 0 = if there is no collaboration with government projects during the observation period
10	Corporate Governance	$CG = \frac{Number\ of\ board\ meetings}{OJK\ provisions\ regarding\ minimum\ board\ meetings}$

Source: Designed for this research

Hypothesis Test

Selecting the optimal panel data regression model comes before testing the hypothesis. The fixed effect model is superior to the common effect model and the random effect model, according to panel data model testing, which revealed that the Chow test and Hausman test = fixed effect. Additionally, table 2 displays the results of the hypothesis testing for H_1, H_2, H_3, H_4, H_5, H_6, H_7, and H_8.

Table 2. The outcomes of evaluating the impact of BDOUT, CAD, CEOPICT, LEV, ROA, ACHANGE, and GOVREL on FSF

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	,402	,081	4,934	,000
ROA	1,167	,303	3,857	,000
ACHANGE	0.011	,131	,082	,935
LEV	-,922	,302	-3,057	,003
CDR	0.029	,117	,252	,801
BDOUT	-,169	,421	-,402	,688
CAD	,251	,163	1,538	,126
CEOPICT	0.037	0.046	,797	,427
GOVREL	.041	.042	,986	,325

Dependent Variable: FSF

The financial target, as evaluated by ROA, has a positive and significant effect on financial statement fraud, according to statistical testing utilizing multiple regression analysis using the EViews program. Table 2 illustrates this with a P value of 0.000, which is less than 0.05 and indicates that H_1 is accepted. Financial statement fraud is unaffected by financial stability as determined by the ratio of changes in total assets (ACHANGE). The P value of 0.935 in Table 2, which is higher than 0.05 and indicates that H_2 is rejected, illustrates this. Financial statement fraud is positively and significantly impacted by external pressure, as determined by ROA. This is demonstrated by Table 2's P value of 0.003, which is less than 0.05 (H_3 is accepted). The change in directors has no impact on financial statement fraud when it comes to capability. This is demonstrated by table 2's P value of 0.801, which is higher than 0.05 and indicates that H_4 is rejected. Financial statement fraud is unaffected by opportunity, which is calculated as the percentage of independent boards of commissioners divided by the total number of commissioners. This is demonstrated by table 2's P value of 0.688, which is higher than 0.05 and indicates that H_5 is rejected. The impact of rationalization on financial statement fraud is negligible as evaluated by auditor turnover. Table 2's P value of 0.126, which is higher than 0.05 and indicates that H_6 is rejected, demonstrates this. Financial statement fraud is unaffected by CEO ego, as indicated by the quantity of photos of the CEO in the annual report. Table 2's P value of 0.427, which is higher than 0.05 and rejects H_7, illustrates this. Based on the number of government projects where financial statement fraud has been carried out, collusion has no effect on the crime. This is demonstrated by table 2's P value of 0.325, which is higher than 0.05 and indicates that H_8 is rejected.

Table 3 displays the results of the CG moderation test on the interaction of ROA with FSF using EViews. The test results indicate that CG moderates the association between ROA and FSF (H_9 is accepted), with the prob value for moderating CG on the interaction of ROA with FSF being 0.0014, which is less than 0.05.

Table 3. Results of the CG Moderation Test on the Relationship between ROA and FSF

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.60403	0.204380	2.937678	0.0038
ROA	-10.40569	3.757407	-2.769381	0.0063
CG	-0.316133	0.182744	-1.729921	0.0855
ROA_CG	11.64329	3.589890	3.243356	0.0014

Source: Output EViews program based on research data

Table 4 displays the results of the CG moderation test on the ACHANGE interaction with FSF utilizing EViews. Given the test results, it can be concluded that CG moderates the ACHANGE association with FSF (H_{10} is accepted) since the prob value for CG moderating of the ACHANGE interaction with FSF is 0.0118, which is less than 0.05.

Table 4. Results of the CG Moderation Test on the Relationship between ACHANGE and FSF

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.182632	0.180323	1.012807	0.3126
ACHANGE	0.896042	0.415519	2.156443	0.0325
CG	0.1138	0.151023	1.331840	0.1847
ACHANGE_CG	-1.442069	0.566080	-2.547463	0.0118

Source: Output EViews program based on research data

Table 5 displays the results of the CG moderation test using EViews to examine the relationship between LEV and FSF. The test results indicate that CG moderates the interaction between LEV and FSF. Since the prob value for CG moderating the interaction is less than 0.05, it may be concluded that CG moderates the interaction between LEV and FSF (H_{11} is accepted).

Table 5. Results of the CG Moderation Test on the Relationship between LEV and FSF

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.756458	0.674096	-1.122180	0.2634
LEV	3.397987	1.851292	1.835467	0.0682
CG	2.232700	0.596057	3.745784	0.0002
LEV_CG	-5.906323	1.579841	-3.738556	0.0003

Source: Output EViews program based on research data

Table 6 displays the results of the CG moderation test on the CDR and FSF interaction when utilizing EViews. It can be concluded from the test findings that CG does not moderate the association between CDR and FSF (H_{12} is rejected) because the prob value for moderating CG on the interaction between CDR and FSF is 0.9920, which is more than 0.05.

Table 6. Results of the CG Moderation Test on the Relationship between CDR and FSF

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.268585	0.217511	1.234815	0.2186
CDR	0.004599	0.286969	0.016027	0.9872
CG	0.074628	0.181703	0.410713	0.6818
CDR_CG	-0.002033	0.1940	-0.010066	0.9920

Source: Output EViews program based on research data

Table 7 displays the results of the CG moderation test on the interaction of BDOUT with FSF using EViews. Based on the test results, it can be concluded that CG moderates the association between BDOUT and FSF (H_{13} is accepted) because the prob value for CG on the interaction between BDOUT and FSF is 0.0004, which is less than 0.05.

Table 7. Results of the CG Moderation Test on the Relationship between BDOUT and FSF

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.066586	0.698309	2.959415	0.0035
BDOUT	-5.568343	1.895621	-2.937477	0.0038
CG	-2.280312	0.661322	-3.448113	0.0007
BDOUT_CG	6.863360	1.880799	3.649171	0.0004

Source: Output EViews program based on research data

Table 8 displays the results of the CG moderation test on the communication between CAD and FSF when utilizing EViews. Based on the test results, it can be concluded that CG moderates the association between CAD and FSF (H_{14} is accepted) because the prob value of CG on the interaction between CAD and FSF is 0.0000, which is less than 0.05.

Table 8. Results of the CG Moderation Test on the Relationship between CAD and FSF

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.327265	0.165335	1.979405	0.0494
CAD	3.301507	0.711369	4.641059	0.0000
CG	0.062653	0.132313	0.473519	0.6365
CAD_CG	-3.548713	0.638522	-5.557696	0.0000

Source: Output EViews program based on research data

Table 9 displays the results of the CG moderation test on the CEOPICT and FSF interaction when utilizing EViews. It may be concluded that CG moderates the interaction between CEOPICT and FSF (H_{15} is accepted) based on the test findings, where the prob value for CG moderation of the CEOPICT and FSF interaction is 0.0124, which is less than 0.05.

Table 9. Results of the CG Moderation Test on the Relationship between CEOPICT and FSF

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.605268	0.452420	1.337846	0.1828
CEOPICT	-0.063414	0.159657	-0.397188	0.6917
CG	-0.673121	0.317568	-2.119610	0.0355
CEOPICT_CG	0.237234	0.093841	2.528024	0.0124

Source: Output EViews program based on research data

Table 10 displays the results of the CG moderation test on the interaction between GOVREL and FSF using EViews. It can be concluded from the test findings that CG does not moderate the interaction between GOVREL and FSF (H_{16} is rejected) because the prob value for CG moderating of GOVREL and FSF interactions is 0.9769, which is more than 0.05.

Table 10. Results of the CG Moderation Test on the Relationship between GOVREL and FSF

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.291631	0.221956	1.313915	0.1907
GOVREL	-0.052632	0.817300	-0.064398	0.9487
CG	0.075736	0.148036	0.511603	0.6096
GOVREL_CG	-0.018419	0.634415	-0.029033	0.9769

Source: Output EViews program based on research data

As demonstrated by the test findings, CG has a moderating effect on the relationship between financial statement fraud and financial targets, financial stability, opportunity, rationalization, and ego. The findings of Hsu & Yang (2022), In'airat (2015), and Md. Nasir & Hashim (2021), which demonstrate that corporate governance assists in minimizing fraud, are supported by the results of this study.

Financial Targets' Impact on Financial Statement Fraud

One metric used to assess financial goals is return on assets (ROA), which represents the company's earnings. In order to evaluate managers' performance and decide on incentives, pay raises, etc., ROA is frequently utilized (Skousen, et al., 2009). The corporation uses its previous year's ROA as a benchmark to aim for the same or even higher ROA the following year. The pressure to meet ever-higher financial targets pushes managers to engage in

financial statement fraud. Thus, a company's likelihood of committing financial statement fraud increases with its ROA value. The study's findings suggest that ROA positively and significantly affects financial statement fraud. The results of Agusputri & Sofie (2019), Faradiza (2018), and Septriyani & Handayani (2018) are corroborated by these findings.

Financial Stability's Impact on Financial Statement Fraud

The company's high financial stability is indicated by the generally constant change in total assets. According to Skousen et al. (2011), a company's likelihood of financial statement fraud increases with the ratio of changes in its total assets. The study's findings show that financial statement fraud, as determined by discretionary accrual, is unaffected by changes in the ratio of total assets, no matter how big or small. The results of Tiffani & Marfuah (2015), Siddiq et al. (2017), and Sihombing & Raharjo (2014) do not support this result. Still, these outcomes support the conclusions of Ulfah et al. (2017).

External Pressure's Impact on Financial Statement Fraud

The leverage ratio evaluates how well a corporation can use its resources to pay back loans. The amount of the loan that needs to be repaid with owned capital increases with the leverage ratio. Financial statement fraud may be encouraged by management when the company's financial ratios need to seem excellent. The study's findings suggest that there is a positive correlation between the likelihood of financial statement fraud and the leverage ratio. The results demonstrate that a corporation with significant leverage—which is typified by a high debt load—will require more stringent oversight. This may lessen the company's ability to manipulate earnings in order to perpetrate fraud on its financial statements. In other words, the likelihood of fraud in the form of earnings management decreases with increasing leverage and vice versa. These results support the conclusions of Agusputri & Sofie (2019), but they contradict those of Annisya et al. (2016) and Ulfah et al. (2017), who found no connection between financial statement fraud and external pressure determined by the leverage ratio.

Capability's Impact on Financial Statement Fraud

A corporation may strive to enhance the performance of its prior directors through a change in the composition of the board of directors or by hiring new, more qualified directors. The occurrence of a director turnover may also suggest a political motivation to replace the outgoing board. According to Tessa and Harto (2016), there is a perception that a change in directors can result in a decrease in performance effectiveness since it takes longer for the new directors to adjust to their culture.

Opportunity's Impact on Financial Statement Fraud

The presence of an independent board of commissioners is anticipated to enhance the efficiency of the organization's internal control oversight. There is a negative correlation between the number of independent commissioners on the board of commissioners and the likelihood of financial statement fraud. The study's findings show that there is no association between financial statement fraud and supervisory effectiveness. These findings concur with those of studies conducted in 2014 by Sihombing & Raharja and in 2016 by Tessa & Harto, which discovered that inadequate monitoring has no bearing on the identification of financial statement fraud.

Rationalization's Impact on Financial Statement Fraud

Examining and overseeing the financial statements that the company's management has compiled is the auditor's responsibility. Information regarding businesses that have been found to be fraudulent is typically known to auditors. Because management strives to lessen

the likelihood that the previous auditor would catch fraud in financial reporting, companies that commit fraud typically switch auditors more frequently (Septriyani & Handayani, 2018). Sihombing & Raharja (2014) and Tessa & Harto (2016), who discovered that auditor turnover had no influence on financial statement fraud, are supported by the findings of this study. But it contradicts the research conclusions of Siddiq et al. (2017).

Ego's Impact on Financial Statement Fraud

An indicator of the CEO's conceit and sense of superiority may be the number of photos of the CEO in the company's annual report. Because he does not want to lose his standing or position within the company, a CEO typically wants to display it to the public (Septriyani & Handayani, 2018). Financial statement fraud can be encouraged by ego by abusing the CEO's power. The study's findings do not demonstrate a relationship between the number of CEO photos in a company's annual report and the degree of financial statement fraud. These outcomes are consistent with those of Ulfah et al. (2017), who discovered no relationship between financial statement fraud and the number of CEO photos.

Collusion's Impact on Financial Statement Fraud

Cooperation between two or more individuals for a negative goal, such as misleading others or benefiting themselves, is referred to as collusion (Vousinas, 2019). Cooperating ties in government projects are thought to have been the source of collusion. Financial statement fraud is more likely to happen when there is more collaboration. This study's findings did not establish an association between collusion and financial statement falsification. This result runs counter to Sari and Nugroho's (2020) research findings, which indicate that financial statement fraud is impacted by collaboration.

Corporate Governance's Moderation of the Relationship Between Financial Targets, Financial Stability, External Pressure, Opportunity, Capability, Rationalization, Ego, And Collusion with Financial Statement Fraud

As demonstrated by the test findings, CG has a moderating effect on the relationship between financial statement fraud and financial targets, financial stability, opportunity, defense, and ego. The present investigation's outcomes corroborate those of Hsu & Yang (2022), In'airat (2015), and Md. Nasir & Hashim (2021), demonstrating the protective effect of corporate governance against fraudulent activities.

CONCLUSION

There's evidence that financial targets have an impact on financial statement fraud, according to study findings. Fraud in the financial statements of the companies under study is more likely to occur when the ROA value is higher. There is no connection between financial statement fraud and financial stability. Within the examined companies, discretionary accruals are unaffected by the high and low ratios of increases in total assets. Fraud in financial statements is impacted by outside influences. The likelihood that financial statements of the companies under study would contain fraud increases with a lower leverage ratio. Regarding financial statement fraud, capability has no bearing. Discretionary accruals in the examined companies remain unaffected by a change in the board of directors' composition. Financial statement fraud remains unaffected by opportunity. Discretionary accruals in the companies under investigation are unaffected by the size of the independent commissioners' proportion. Financial statement fraud remains unaffected by rationalization. Discretionary accruals in the companies under investigation are unaffected by the existence or lack of auditor turnover. Financial statement fraud is not impacted by ego. Discretionary accruals in the companies under study are unaffected by the quantity of CEO photos in the annual report. Financial statement fraud is unaffected by collusion. Discretionary accruals in

the enterprises under study are not impacted by participation in government initiatives. The results of this study demonstrate that corporate governance may control the stimulus, opportunity, rationalization, and ego interaction with financial statement fraud. The effectiveness of corporate governance is measured by the efficacy of the board through the frequency of board meetings.

This study only examines fraud involving discretionary accruals on financial statements, or fraud involving earnings. It is expected that future researchers may investigate additional indications that were not included in this study, such as the F-Score or M-Score ratio, or perhaps a combination of various indicators to measure financial statement fraud. Furthermore, this study was limited to companies in the property and real estate sectors that were listed on the Indonesian Stock Exchange. It is expected that in the future, researchers would examine more companies. Further analysis is required in light of the study's findings in order to avoid and identify potential fraud, particularly in financial reports.

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