

The Influence of Fraud Hexagon and Audit Committee Effectiveness on Fraudulent Financial Reporting

Riski Esliani^{1*}, Irwansyah²

¹Department of Accounting, Faculty of Economics & Business, Universitas Bengkulu, Bengkulu, Indonesia

²Department of Accounting, Universitas Bengkulu, Bengkulu, Indonesia

Email: ¹⁾ riskiesliani0011@gmail.com, ²⁾ irwansyah@unib.ac.id

Received : 13 December - 2024

Accepted : 26 January - 2025

Published online : 28 January - 2025

Abstract

This study's primary goal is to present empirical data on the components of the fraud hexagon and the audit committee's efficacy in identifying signs of false financial reporting. The data for this study come from financial statements and annual reports of mining companies listed on the IDX for 2019-2023. The purposive sampling method is used to collect research samples. The analysis was carried out using logistic regression analysis with the help of EvIEWS 12 software. The results of this study indicate that financial targets and state-owned enterprises affect fraudulent financial reporting. At the same time, CEO education, the nature of the industry, auditor change, frequent CEO's picture, and audit committee effectiveness have no effect. The results of this study indicate that financial targets representing stimulus and state-owned enterprises representing collusion affect fraudulent financial reporting while CEO education, nature of the industry, auditor change, frequent CEO's picture, and audit committee effectiveness have no effect. Hence, it can be concluded that the fraud hexagon elements that have an effect are stimulus and collusion while other elements have no effect. Audit committee effectiveness does not affect fraudulent financial reporting. However, this research is limited to the mining sector, so it is recommended to expand the sample coverage in other sectors to get more comprehensive and representative results.

Keywords: Audit Committee Effectiveness, Fraud Hexagon, Fraudulent Financial Reporting.

1. Introduction

Financial reports are reports made by a company for a certain period. The information contained must be able to describe the condition of the company. Financial reports must reflect the actual condition of the company because financial reports will be the basis for various users in making decisions (Agusputri & Sofie, 2019). However, due to the importance of financial reports for the company's good image, it can encourage Management should make every effort to provide financial reports in an attractive manner, one of the wrong ways is to dedicate fraud.

Fraud cases are still a concern because they still occur in many companies in Indonesia from various sectors (Fauziyah & Setyawan, 2022). One of the company sectors that has a high record of fraudulent financial reporting or FFR is the mining sector, so this study takes the mining sector as its object. In 2019, fraud occurred at PT Bumi Resources Tbk where an imbalance between profit and stock price led to the assumption that this company had experienced profit management. PT Bumi Resources Tbk had manipulated taxes worth IDR 376 billion in 2007. Then this company also played with coal prices, causing the price of this coal to be lower than the actual price in PT Bumi Resources Tbk's financial report. Furthermore, in 2022, fraudulent financial reporting was suspected by PT Timah Tbk, which



was suspected of manipulating by recording fictitious sales. Then in 2023, fraudulent actions were also suspected to have occurred at PT Adaro Energy Indonesia Tbk, where the company carried out transfer pricing with the aim of tax avoidance and transferring profits to subsidiaries in countries with low tax rates.

The illegal practice of falsifying and modifying financial reports and presenting them to users is known as fraudulent financial reporting (ACFE Global, 2020). This fraudulent act can cause losses to interested parties. As a result, it's critical to identify and stop corporate fraud. The fraud triangle hypothesis, fraud diamond, fraud pentagon, and fraud hexagon are some of the hypotheses that might serve as a foundation for identifying fraud.

Pressure, opportunity, and rationalization are three causal factors that are explained by the fraud triangle theory. The fraud diamond idea was then created by incorporating one element, namely capability (Wolfe & Hermanson, 2004). Then it was further developed into the fraud pentagon theory which added components of competency and ego by Crowe. The fraud hexagon hypothesis was then refined by Vosinas by adding components of stimulus, capability, opportunity, rationalization, ego, and collusion.

A stimulus is a person's desire while they are under pressure, causing them to commit a crime. Stimulus provides pressure to cheat with financial or other motives. (Rompis & Hapsari, 2022). Capability is a person's ability to infiltrate the internal controls so that they can formulate complex fraud strategies (Alfarago & Maburur, 2022). Opportunity is a potential fraud opportunity, whereas if there is no opportunity, it is difficult for someone to commit fraud even though they're under pressure that drives them to commit fraud. Rationalization is a justification or attitude of rationalizing fraudulent actions. The perpetrator considers the fraudulent actions carried out not a mistake. Furthermore, ego can be interpreted as a trait possessed by the perpetrator. This attitude causes the perpetrator to assume that the regulations in the company do not apply to him so the criminal is brave enough to perpetrate fraud. Lastly, a unique relationship known as collusion is an arrangement between two or more people to achieve a goal (Vosinas, 2019).

Fraudulent financial reporting research has obtained various results. In the research (Febrianto & Suryandari, 2022) found that financial targets, CEO dualism and the industry's characteristics impact false financial reporting, and external pressure, change of directors, collusion, and change in auditors do not have an impact on financial reporting fraud. Different from (Achmad et al., 2023) shows the results of external pressure and ego impacting false financial reporting and (Larum et al., 2021) demonstrates how misleading financial reporting is impacted by changes in directors and auditors.

On the other hand, the audit committee's function is necessary to enhance the caliber of financial reports that are devoid of fraud. The audit committee acts as a controller of management activities so that it will influence the caliber of financial reporting. The audit committee will be able to put pressure on management to act transparently. However, this also depends on how effective the audit committee continues to do its duties. If the audit committee carries out its supervisory function well, the opportunity for management to take actions outside the regulations will be smaller (Etna & Yuyetta, 2021).

By paying attention to the phenomenon of FFR which continues to take place in companies and thus requires attention from various parties, this study attempts to examine and add a new perspective on fraudulent financial reporting. The main novelty in this study is using the latest fraud theory, namely the fraud hexagon, and adding audit committee effectiveness as a variable.

This study aims to provide empirical evidence regarding the components of the fraud hexagon, namely stimulus represented by financial targets, capability represented by CEO education, opportunity represented by the nature of the industry, rationalization represented by auditor change, ego represented by the frequent number of CEOs pictures, collusion represented by state-owned enterprise and the effectiveness of the audit committee measured by the audit committee (size), audit committee (meet) and audit committee (expertise) against indications of fraudulent financial reporting.

2. Literature Review

2.1. Agency Theory

The working relationship between the primary or shareholder and the agent or management is explained by agency theory. The agent is hired by the principal to act in the interests of the agent. Management has the responsibility to ensure that profits are optimal and will receive compensation as agreed in the contract. Shareholders and management often encounter conflicts resulting from differences in interests (Bawekes et al., 2018). This conflict is related to whether the agent's behavior is appropriate and appropriate in the principal's assessment, and is related to the different goals between the agent and the principal, which means the principal's interests are not always served by the agent. Agents will try to seek their own profit without thinking about the impact on others, for example by manipulating the figures in financial reports (Suhartono, 2020).

2.2. Fraud

Actions that do not comply with applicable norms and regulations and are detrimental to certain parties by manipulating information to gain benefits for oneself or a group can be defined as fraud. This is a method by which an individual or organization profits at the expense of another. Fraud is divided into three forms: (1) Misappropriation of assets or actions that misuse or steal assets; (2) One type of fraud that is perpetrated is the creation of false financial statements. by manipulating information contained in financial reports with the aim of deceiving users; and (3) Corruption or fraudulent acts which include abuse of power, bribery, gratuities, extortion, and illegal receipts.

2.3. Fraudulent Financial Reporting (FFR)

Fraudulent financial reporting is an error that is intentionally made or an act of omitting information in the form of a value or amount in the financial report and is done so that the users of the financial report are deceived. Intentional or negligent acts that can influence decisions taken by interested parties due to their material nature can be classified as fraudulent financial reporting. Section 316 of Auditing Standards explains three aspects of false financial reporting: 1) Changing, fabricating, or manipulating accounting records and supporting documentation that provide information for financial statement presentation 2) Financial statement misrepresentation or omission of events, transactions, or important information 3) Willful disregard for accounting rules concerning numbers, classifications, presentation techniques, and disclosures.

2.4. Hexagon Theory

Fraudulent practices are carried out with several motives including stimulus (pressure), opportunity, rationalization, capability, arrogance and collusion. These motives are contained in a theory known as the fraud hexagon theory (Vousinas, 2019). The hexagon theory was

developed based on the combination and refinement of previously existing fraud theories, namely the fraud triangle theory, fraud diamond and fraud pentagon.

2.4.1. Stimulus and FFR

The pressure caused by financial targets can cause someone to commit fraud. Financial targets must be met by the company and this causes management to do anything to meet financial targets, among them is by falsifying financial statements to correspond with the business's financial targets. One thing that can lead to financial reporting deception by management is a low ROA value (Verolika et al., 2024). The research from Prastika & Sasongko (2023) and Jannah & Suwarno (2023) demonstrates the impact of financial targets as a proxy for stimulus factors on fraudulent financial reporting.

H₁: Stimulus elements Influence Fraudulent Financial Reporting

2.4.2. Capability and FFR

Capability indicates an individual's capacity to penetrate a company's internal controls so that they can formulate complex fraud strategies (Alfarago & Maburur, 2022). An act of fraud cannot possibly occur without someone who has the capability within the company. A person who commits an act of fraud must have the expertise to formulate a strategy and execute the plan. Educational background can be used to see a person's capabilities. Research results (Octaviana, 2022) shows results that educational background affects deception in financial reporting.

H₂: The capability element influences fraudulent financial reporting.

2.4.3. Opportunity and FFR

Opportunity is an element that explains that fraudulent actions can occur as a result of the potential for the offender to execute the action. The nature of the industry, which is the optimal state of the business in the industry, serves as a stand-in for opportunity in this study. The health of the company's receivables is one indicator of the industry's nature; a successful business will decrease receivables while increasing cash flow. Previous study (Nurhidayah & Kusumawati, 2023) (Misbah et al., 2023) (Zahara & Ratnawati, 2024) demonstrates that the characteristics of the sector influence false financial reporting, the following hypotheses can be drawn:

H₃: Opportunity elements influence fraudulent financial reporting

2.4.4. Rationalization and FFR

The act of rationalization is a justification from the perpetrator who commits fraud and does not feel guilty. The criminal who justifies the fraud will believe that the action of fraud is not something that deviates from company regulations. The potential for fraud in financial reports, particularly in the rationalization indicator, must be highly recognized by auditors. Changes in auditors may be linked to fraudulent financial reporting because auditors are important controllers of financial reports (Pramono Sari et al., 2020). Changing auditors from time to time is an effort by the company to control manipulative actions because new auditors will tend to ignore fraudulent activities that occurred previously. (Koharudin & Januarti, 2021) claimed that fraudulent financial reporting is impacted by auditor changes.

H₄: Rationalization elements influence fraudulent financial reporting

2.4.5. Ego and FFR

An arrogant attitude can lead to fraudulent financial reporting. A person with this mindset will believe that he is exempt from the organization's rules. A CEO's level of arrogance

can be gauged by looking at a large number of their photos. The more photos that appear, the higher the level of arrogance and narcissism (Alfarago et al., 2023). A research by Verolika et al. (2024) demonstrates that the impact on fraudulent financial reporting is positively correlated with the amount of CEO photos.

H₅: Ego elements influence fraudulent financial reporting

2.4.6. Collusion and FFR

A relationship that takes the shape of a special or cooperative relationship between two or more parties is called collusion. The purpose of this relationship is to gain benefits by any means such as committing fraudulent financial reporting. To measure the collusion element, state-owned enterprises can be used because government-owned companies are considered less efficient because these companies receive special privileges that can cover up poor corporate governance through special relationships with the government. With these advantages, it can cause government-owned companies to be negligent and not pay attention to company performance due to low supervision of the company (Kusumosari & Solikhah, 2021). Directors in state-owned enterprises can be appointed and dismissed at any time by a ministerial decree or GMS. So this condition allows for collusion where the appointment is based on a special relationship (Lionardi & Suhartono, 2022). This is in line with research Daresta & Suryani (2022) and Aprilia et al. (2022) which found that state-owned enterprises impact the issue of fraudulent financial reporting.

H₆: Collusion elements influence fraudulent financial reporting

2.5. Audit Committee Effectiveness

The Board of Commissioners established the audit committee to support the board's responsibilities and operations. The audit committee is a key player in maintaining the integrity of financial reports, making the monitoring system effective, and implementing good corporate governance. Considering the audit committee's roles in the company's financial statements as well as its obligations and responsibilities, the audit committee has the potential to be a party that can find fraudulent financial reports or as an informant (whistleblower) if fraudulent financial reporting occurs in order for the audit committee to decrease false financial reporting by appropriately performing its obligations.

2.5.1 Audit Committee (Size) and FFR

The number of audit committee members in a corporation is referred to as the audit committee's size. The more audit committees that are on duty, the better the monitoring system can run. Good monitoring will also have a good impact on the reliability of financial reports. When there are many members of the audit committee will enable the business to oversee its activities more effectively (Khamainy et al., 2022).

H₇: Audit Committee (Size) influences fraudulent financial reporting

2.5.2 Audit Committee (Meeting) and FFR

The audit committee's meeting frequency can be used to gauge how involved it is in addressing duties and issues inside the business. Meetings of the audit committee may offer the chance to discover and resolve irregularities found in the company. With the committee meeting, it can minimize the occurrence of misinformation among the audit committee. So that with the meeting, the audit committee can carry out its duties to maintain the reliability of financial reports (Kusumawardani et al., 2024).

H₈: Audit Committee (Meet) influences Fraudulent Financial Reporting

2.5.3 Audit Committee (Expertise) and FFR

Fraudulent financial reporting can be avoided with effective audit committee monitoring. One of the things that affects the quality of the audit committee's supervision of the company is the expertise of the audit committee itself. Fraudulent financial reporting might be identified if the audit committee is proficient in financial reporting (Prasetyo & Harto, 2023).

H₉: Audit Committee (Expertise) influences fraudulent financial reporting

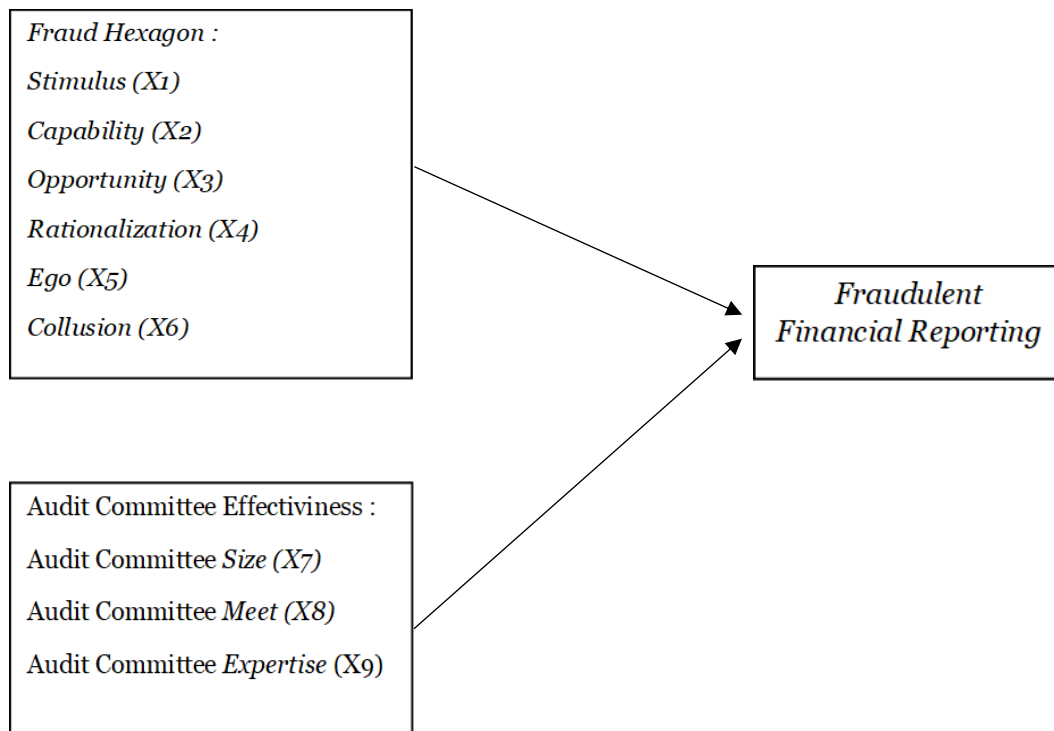


Figure 1. Research Framework

3. Methods

This research is a type of quantitative research and uses secondary data obtained from financial reports and annual reports of Mining companies listed on the Indonesia Stock Exchange during the period 2019-2023. The data in this study comes from financial reports and annual reports of companies listed on the Indonesia Stock Exchange and on the company's official website.

3.1. Operational Definition and Measurement

This study's dependent variable is false financial reporting, which is represented by the Benish M-Score using eight financial ratios. To obtain the Benish M-Score value, the following model is used:

$$\text{M-Score} = -4,84 + 0,920 \cdot \text{DSRI} + 0,528 \cdot \text{GMI} + 0,404 \cdot \text{AQI} + 0,892 \cdot \text{SGI} + 0,115 \cdot \text{DEPI} - 0,172 \cdot \text{SGAI} - 0,327 \cdot \text{LVGI} + 4,697 \cdot \text{TATA}$$

If the M-Score calculation result is greater than -2.22, the company is classified as engaging in fake financial reporting and is assigned code 1. Meanwhile, companies with

calculation results <-2.22 are categorized as businesses that receive the code 0 for not engaging in misleading financial reporting.

The study's dependent variable, false financial reporting, is influenced by the independent variable. The study's independent variables are the audit committee's efficacy and the fraud hexagon parts.

Table 1. Operational definition and measurement

Variables	Proxy	Measurement
Stimulus	Financial Target	$ROA = \frac{Net\ Profit}{Total\ Assets}$
Capability	CEO Education	Coded 1 if the CEO has a master's degree or more, and 0 if below a master's degree.
Opportunity	Nature Of Industry	$RECEIVABLE = \frac{Receivable(t)}{Sales(t)} - \frac{Receivable(t-1)}{Sales(t-1)}$
Rationalization	Auditor Change	Coded 1 if the company changes KAP, and 0 if not.
Ego	Frequent Number of CEO's picture	How often CEO pictures are included in annual reports
Collusion	State Owned Enterprise	Coded 1 if the company is government-owned, either BUMN or BUMD, and 0 if not.
Audit Committee (Size)	Audit Committee Size	Number of audit committees in the company
Audit Committee (Meet)	Audit Committee Meeting	Frequency of audit committee meetings in one period
Audit Committee (Expertise)	Audit Committee Expertise	The number of company audit committees that have accounting and finance backgrounds

3.2. Population and Sample

A mining business that is listed on the Indonesia Stock Exchange makes up the study's population. The sample is being collected via purposive sampling, which is a technique that employs criteria that align with the study's goals. The study's sample criteria are as follows:

1. Mining companies that are listed for the 2019–2023 period on the Indonesia Stock Exchange
2. Publishing audited financial reports and annual reports on the company's website or on the Indonesia Stock Exchange for the 2019-2023 period
3. Mining Companies that use the Rupiah currency in their financial reports
4. Mining Companies that do not experience consecutive losses during the research period
5. Mining Companies that have complete data as required during the 2019-2023 period.

3.3. Data Analysis Techniques

This study uses logistic regression analysis with the help of Eviews 12. This study makes use of the following tests: Expectation-Prediction Evaluation Test, Descriptive Statistical Analysis Test, Overall Model Fit Test, Model Feasibility Test (Hosmer and Lemeshow's Goodness of Fit Test), Determination Coefficient Test (McFadden R-Squared), and Statistical Test (Partial).

4. Results and Discussion

4.1. Research Results

4.2.1. Descriptive Statistics

Table 2. Descriptive Statistics

Statistic	X1	X3	X5	X7	X8	X9
Mean	0.031911	0.001523	2.569.231	3.184.615	12.569.231	1.184.615
Median	0.028900	-0.000200	3.000.000	3.000.000	4.000.000	1.000.000
Maximum	0.281700	1.761.100	5.000.000	4.000.000	77.000.000	3.000.000
Minimum	-0.259900	-1.761.900	1.000.000	0.000000	0.000000	0.000000
Std. Dev.	0.080214	0.316747	1.131.498	0.391005	1.619.603	0.634732
Skewness	-0.341855	-0.011596	0.120498	1.625.756	2.116.204	1.312.216
Kurtosis	6.100.555	3.036.748	2.048.920	3.643.082	7.214.911	5.368.850
Jarque-Bera	2.730.245	2.028.485	2.607.129	2.975.343	9.662.995	3.385.170
Probability	0.000001	0.000000	0.271562	0.000000	0.000000	0.000000
Sum	2.074.200	0.099000	16.700.000	2.070.000	8.170.000	7.700.000
Sum Sq. Dev.	0.411789	6.421.028	8.193.846	9.784.615	16787.94	2.578.462
Observations	65	65	65	65	65	65

The findings of descriptive statistical testing revealed that the financial target has a minimum value of -0.259900 and a maximum value of 0.281700, a mean value of 0.031911, and a standard deviation of 0.080214. Nature of Industry obtains a mean value of 0.001523 with a standard deviation of 0.316747, a minimum value of -1.761900, and a maximum value of 1.761100. Additionally, the descriptive statistical analysis yielded a mean value of 2.56923, a standard deviation of 1.131498, and a minimum value of 1 for the frequency of the CEO's picture and a maximum value of 5.

Descriptive statistical analysis findings for the audit committee (size) obtained the results that the minimum value is 3, the maximum value is 4, the mean is 3.184615, the standard deviation is 0.391005. Then the audit committee (meet) has a mean of 12.56923, a max of 77, a minimum of 0, and a standard deviation of 16.19603, whereas the audit committee (expertise) has a mean of 1.184615, a standard deviation of 0.634732, a minimum of 0, and a maximum of 3.

Table 3. Descriptive Statistics Dummy

Dummy Variables	Information	Observation	Percentage
Fraudulent Financial Reporting	Company suspected of fraud	21	32.31
	The company is suspected of not cheating	44	67.69
Capability	Have a master's degree or above	40	61.54
	Education below Masters	25	38.46
Rationalization	Change of KAP	30	46.15
	There is no change of KAP	35	53.84
Collusion	State Owned Enterprise	20	30.77
	Not a state owned enterprise	45	69.23

Considering the findings of descriptive statistical analysis for dummy variables the fraudulent financial reporting variable where 32.31% are companies shown to have engaged

in false financial reporting while 67.69% are included in companies that do not commit fraud. Then the capability variable, 61.54% of CEOs have a master's degree or above while 38.46% have degrees below a master's. In the rationalization element, companies that change auditors are 46.15% and those that do not change auditors are 53.84%. Furthermore, in the collusion element, companies that are state-owned enterprises are 30.77% while 69.23 are not state-owned enterprises.

4.2.2. Overall Model Fit Test

The test results show that the probability value (LR statistic) is 0.035828, which is less than 0.05, which means that the dependent variable and independent variable in this study influence each other.

Table 4. Overall Model Fit Test Results

McFadden R-squared	0.244791	Mean dependent var	0.300000
S.D. dependent var	0.462125	S.E. of regression	0.430810
Akaike info criterion	1.255.994	Sum squared resid	9.279.858
Schwarz criterion	1.605.051	Log likelihood	-27.679.810
Hannan-Quinn criter.	1.392.529	Deviance	55.359.630
Restr. deviance	73.303.720	Restr. log likelihood	-36.651.860
LR statistic	17.944.090	Avg. log likelihood	-0.461330
Prob (LR statistic)	0.035828		

4.2.3. Hosmer and Lemeshow's Test

The Hosmer and Lemeshow's test value is 7.3660 with a probability value of 0.4977, which is >0.05. This result indicates that the model used is the right model and is acceptable. Thus, the data used is worthy to be continued hypothesis testing.

Table 5. Hosmer and Lemeshow's Test Result

H-L Statistic	7.3660	Prob. Chi-Sq(8)	0.4977
Andrews Statistic	23.7706	Prob. Chi-Sq(10)	0.0082

4.2.4. McFadden R-Squared Determination Coefficient Test

The McFadden R-squared value, derived from the test results above, was 0.244791, This implies that the dependent variable may be described by the independent factors in this study by 24.47%, with the remaining portion being explained by variables not included in this research model.

Table 6. McFadden R-Squared Test Results

McFadden R-squared	0.244791	Mean dependent var	0.300000
S.D. dependent var	0.462125	S.E. of regression	0.430810
Akaike info criterion	1.255.994	Sum squared resid	9.279.858
Schwarz criterion	1.605.051	Log likelihood	-27.679.810
Hannan-Quinn criter.	1.392.529	Deviance	55.359.630
Restr. deviance	73.303.720	Restr. log likelihood	-36.651.860
LR statistic	17.944.090	Avg. log likelihood	-0.461330
Prob (LR statistic)	0.035828		

4.2.5. Expectation-Prediction Evaluation Test

Based on the expectation-prediction evaluation test in the estimated equation column, the correct percentage was 78.18% and incorrect was 21.82%. This means that the model

accuracy prediction is 78.18%.ar 21.82%. This means that the predicted accuracy of the model is 78.18%.

Table 7. Expectation-Prediction Test Results

E(# of Dep=0)	32.83	9.17	42.00	29.40	12.60	42.00
E(# of Dep=1)	9.17	8.83	18.00	12.60	5.40	18.00
Total	42.00	18.00	60.00	42.00	18.00	60.00
Correct	32.83	8.83	41.67	29.40	5.40	34.80
% Correct	78.18	49.08	69.45	70.00	30.00	58.00
% Incorrect	21.82	50.92	30.55	30.00	70.00	42.00
Total Gain*	8.18	19.08	11.45	-	-	-
Percent Gain**	27.26	27.26	27.26	-	-	-

4.2.6. Hypothesis Test

The results of hypothesis testing (Table 8) show that several variables have a significant influence on fraudulent financial reporting. Stimulus (X1) has a significant positive effect ($p = 0.0108$), indicating that this factor significantly contributes to the chance of fraud. Capability (X2) is close to significant ($p = 0.0538$), while Rationalization (X4) is also close to significant ($p = 0.0571$), indicating the importance of these factors in supporting fraud.

Table 8. Hypothesis Test Results

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	6.740.562	4.078.696	1.652.627	0.0984
Stimulus (X1),	2.066.717	8.111.514	2.547.880	0.0108
Capability (X2)	1.219.894	0.632708	1.928.050	0.0538
Opportunity (X3)	3.244.499	5.663.659	0.572863	0.5667
Rationalization (X4)	1.971.022	1.036.179	1.902.201	0.0571
Ego (X5)	-0.683534	0.394787	-1.731.402	0.0834
Collusion (X6)	2.371.354	1.190.805	1.991.388	0.0464
Audit Committee Size (X7)	-2.669.495	1.376.573	-1.939.233	0.0525
Audit Committee Meet (X8)	-0.003454	0.028353	-0.121809	0.9031
Audit Committee Expertise (X9)	-0.922456	1.524.585	-0.605054	0.5451

In contrast, Opportunity (X3) ($p = 0.5667$), Audit Committee Meet (X8) ($p = 0.9031$), and Audit Committee Expertise (X9) ($p = 0.5451$) do not show a significant relationship with fraud. The variable Ego (X5) is almost significant with a negative effect ($p = 0.0834$), and Audit Committee Size (X7) is also almost significant ($p = 0.0525$). Collusion (X6) is another important variable with a significant positive effect ($p = 0.0464$).

4.2. Discussion

The data that has been collected and has passed the previous tests, then a partial statistical test to assess the independent variables' significance including stimulus, capability, opportunity, rationalization, ego, collusion, audit committee effectiveness on the dependent variable. The test's findings indicate whether or not the independent factors have an impact on the dependent variable.

Considering the outcomes of the hypothesis test, financial targets get findings indicating that financial targets positively impact fraudulent financial reporting. The probability value is $0.0108 > 0.05$ so that **H1 is accepted**. It has been demonstrated that the pressure to meet financial targets contributes to the desire to engage in false financial reporting. These results support Aji & Sari (2024) research also discovered that financial targets influence financial

reporting dishonesty. With the existence of financial targets, it may exert pressure on management to meet goals. So, this can provide encouragement to carry out fraudulent financial reporting.

Furthermore, the capability element obtains a probability value of $0.0538 > 0.05$, indicating the **rejection of H2**. This means that CEO Education is not demonstrated to cause dependent variables. This is because someone who has a high education is certainly also given a lot of moral education. Therefore, a CEO who has a high educational background will be able to make better decisions. This study supports the findings of Octaviana (2022) found that a CEO's education had no effect on FFR.

The Nature of Industry for the opportunity element, the Nature of Industry has a probability value of 0.5667, indicating a significance level greater than 0.05. This proves that the Nature of Industry has no effect on FFR, so it can be concluded that **H3 is rejected**. This occurs as a result of the average change in receivables not being big enough to prompt management to commit FFR. This study's findings are consistent with the research Rahmawati & Utami (2023) and research Jihan Octani et al. (2022) which obtained research results that the opportunity element proxied by the NOI has no effect on FFR.

The results of the rationalization hypothesis test proxied by auditor change obtained a 0.0571, a probability value greater than 0.05. This indicates that the incidence of fraudulent financial reporting is not significantly impacted by auditor changes, so **H4 is rejected**. This is related to the reasons why companies change auditors are not always related to fraud. Companies can change auditors because they are dissatisfied with the work of the old auditor. This study's findings are consistent with the research Octaviana (2022) and Rahmawati & Utami (2023) which found that auditor change had no significant effect on FFR.

A probability value of 0.0834 was determined based on the testing of ego factors proxied by the Frequent number of CEO photos. This indicates that the value is larger than 0.05, **H5 is rejected**. This is because the number of CEO photos will not affect the CEO's performance. The sole purpose of the CEO photos in the annual report is to inform users and the general public about the makeup of the organization. Hence, the likelihood of FFR is unaffected by how frequently CEO images appear in the company's annual report. This study's findings are consistent with the research Nadziliyah & Primasari (2022) which proves that the frequency of CEO photos has no effect on FFR.

The collusion element represented by state-owned enterprises is $0.0464 < 0.05$. This indicates that state-owned businesses significantly impact FFR, or **H6 is accepted**. These results support the research Purnama et al. (2022) which found that state-owned enterprises have an effect on FFR.

Based on the audit committee (size) test, the probability value is $0.0525 > 0.05$, so the audit committee size does not affect FFR, or **H7 is rejected**. This means that the size of the audit committee cannot affect reducing FFR. Many members do not always have an impact on more effective work. However, a large number can also make work ineffective. This can happen because a large number of audit committees can cause differences of opinion and have an impact on ineffectiveness in work. This is consistent with earlier studies carried out by Kusumawardani et al. (2024).

There is no impact of the audit committee (meet) on FFR because its probability value is $0.9031 > 0.05$, or **H8 is rejected**. This indicates that FFR is not significantly impacted by the audit committee's increased meeting frequency. This occurs as a result of the audit committee's sessions covering more than just financial report oversight. And financial Services Authority Regulation Number 55/POJK.04/201 supports this. In addition, the results of the

audit committee meeting will not have an effect if there is no realization of the results of the meeting discussion. So, it is very possible for the audit committee (meet) to get results that do not have a significant effect on FFR. These findings validate the study by Ruchiatna et al. (2020)

The audit committee (expertise) obtained a result of $0.5451 > 0.05$ so that **H₉ is rejected**, or the audit committee (expertise) did not significantly impact on FFR. The results of this study indicate that the existence of an independent audit committee with an accounting or financial background does not have an effect on the occurrence of FFR. The results of this study support the research by Dzaki & Suryani (2020) which found that the accounting or financial capabilities possessed by Members of the audit committee have no discernible impact on FFR.

5. Conclusion

According to the studies done to ascertain how the audit committee's efficacy and the fraud hexagon affect financial statement fraud in mining businesses from 2019 to 2023, it can be concluded that the 2 elements of the fraud hexagon, namely stimulus proxied by financial targets and collusion proxied by state-owned enterprises, have a significant positive effect on financial statement fraud. Other elements including capability, opportunity, rationalization, and ego do not affect financial reporting fraud. Financial reporting fraud is not affected by the effectiveness of the audit committee, which is reflected by the audit committee's number, meetings, and expertise. Instead, it has a negative coefficient or a negative direction. This research has a limited sample because it only takes one sector, namely mining, so the researcher suggests expanding the research sample to obtain a wider distribution of data.

6. References

- ACFE Global. (2020). Report to the Nations on Occupational Fraud and Abuse: 2020 Global Fraud Study. *Association of Certified Fraud Examiners, Inc.*, 1–88.
- Achmad, T., Ghozali, I., Helmina, M. R. A., Hapsari, D. I., & Pamungkas, I. D. (2023). Detecting Fraudulent Financial Reporting Using the Fraud Hexagon Model: Evidence from the Banking Sector in Indonesia. *Economies*, 11(1). <https://doi.org/10.3390/economies11010005>
- 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.
- Aji, B. P., & Sari, S. P. (2024). Analisis Fraudulent Financial Reporting dengan Fraud Hexagon Theory: Tinjauan pada Perusahaan Financial Non-Perbankan. *Proceeding of National Conference on Accounting & Finance*, 6, 62–76.
- Alfargo, D., & Mabrur, A. (2022). Do Fraud Hexagon Components Promote Fraud in Indonesia? *Etikonomi*, 21(2), 399–410. <https://doi.org/10.15408/etk.v21i2.24653>
- Alfargo, D., Syukur, M., & Mabrur, A. (2023). The Likelihood of Fraud from The Fraud Hexagon Perspective: Evidence from Indonesia. *ABAC Journal*, 43(1), 34–51. <https://doi.org/10.14456/abacj.2023.3>
- Aprilia, R., Syarifuddin, S., & Haerial, H. (2022). Analisis Kecurangan Laporan Keuangan melalui Fraud Hexagon. *Akrual: Jurnal Bisnis Dan Akuntansi Kontemporer*, 15(2), 143–151.
- Bawekes, H. F., Simanjuntak, A. M., & Christina Daat, S. (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.
- Daresta, T., & Suryani, E. (2022). SEIKO : Journal of Management & Business Pengaruh Faktor-Faktor Kolusi Terhadap Kecurangan Laporan Keuangan. *SEIKO: Journal of Management & Business*, 5(2), 342–351. <https://doi.org/10.37531/sejaman.v5i2.2893>
- Dzaki, M., & Suryani, E. (2020). Pengaruh Tata Kelola Perusahaan, Ukuran Perusahaan, Dan Kinerja Keuangan Terhadap Fraudulent Financial Statement (Studi pada Perusahaan Badan Usaha Milik Negara Non-Keuangan yang terdaftar di Bursa Efek Indonesia pada Tahun 2014-2018). *E-Proceeding of Management*, 7(1), 990–999.
- Etna, T., & Yuyetta, N. A. (2021). Analisis Independensi Dewan Komisaris, Efektivitas Komite Audit, Dan Kualitas Audit Terhadap Praktik Manajemen Laba Perusahaan (Studi Empiris pada Perusahaan Non-Finansial yang Terdaftar di Bursa Efek Indonesia Tahun 2016-2019). *Diponegoro Journal of Accounting*, 10(2), 1–14.
- Fauziyah, A., & Setyawan, S. (2022). Pengaruh Penerapan Model Akuntansi Sektor Publik dan Sistem Pengendalian Internal terhadap Upaya Pencegahan Fraud. *TRANSEKONOMIKA: AKUNTANSI, BISNIS DAN KEUANGAN*, 3(1). <https://doi.org/10.55047/transekonomika.v3i1.335>
- Febrianto, K., & Suryandari, D. (2022). Analisis Faktor-Faktor Kecurangan Laporan Keuangan melalui Fraud Hexagon Theory pada Perusahaan Pertambangan yang Terdaftar di Bursa Efek Indonesia (BEI) Tahun 2016-2019. *Permana : Jurnal Perpajakan, Manajemen, Dan Akuntansi*, 14(1), 140–153. <https://doi.org/10.24905/permana.v14i1.206>
- Jannah, N. N. M., & Suwarno, A. E. (2023). Analysis of the Effect of Hexagon Fraud on Financial Statements Fraud in Manufacturing Companies Listed on the IDX in 2018-2020. *The International Journal of Business Management and Technology*, 7(1), 825–836.
- Jihan Octani, Anda Dwiharyadi, & Dedy Djefris. (2022). Analisis Pengaruh Fraud Hexagon Terhadap Fraudulent Financial Reporting Pada Perusahaan Sektor Keuangan yang Terdaftar di Bursa Efek Indonesia Selama Tahun 2017-2020. *Jurnal Akuntansi, Bisnis Dan Ekonomi Indonesia (JABEI)*, 1(1), 36–49. <https://doi.org/10.30630/jabei.v1i1.9>
- Khamainy, A. H., Ali, M., & Setiawan, M. A. (2022). Detecting financial statement fraud through new fraud diamond model: the case of Indonesia. *Journal of Financial Crime*, 29(3), 925–941. <https://doi.org/10.1108/JFC-06-2021-0118>
- Koharudin, A., & Januarti, I. (2021). Lack of Financial Reporting Using Crowe's Fraud Pentagon Theory. *Jurnal Dinamika Akuntansi*, 13(2), 148–157. <https://doi.org/10.15294/jda.v13i2.28602>
- Kusumawardani, M., Soediro, A., & Adhitama, F. (2024). Peran Komite Audit terhadap Fraudulent Financial Reporting. *Reviu Akuntansi Dan Bisnis Indonesia*, 8(2), 156–170. <https://doi.org/10.18196/rabin.v8i2.20367>
- Kusumosari, L., & Solikhah, B. (2021). Analisis kecurangan laporan keuangan melalui fraud hexagon theory. *Fair Value: Jurnal Ilmiah Akuntansi Dan Keuangan*, 4(3), 753–767. <https://doi.org/10.32670/fairvalue.v4i3.735>
- Larum, K., Zuhroh, D., & Subiyantoro, E. (2021). Fraudlent Financial Reporting: Menguji Potensi Kecurangan Pelaporan Keuangan dengan Menggunakan Teori Fraud Hexagon. *AFRE (Accounting and Financial Review)*, 4(1), 82–94. <https://doi.org/10.26905/afr.v4i1.5818>
- Lionardi, M., & Suhartono, S. (2022). Pendeteksian Kemungkinan Terjadinya Fraudulent Financial Statement menggunakan Fraud Hexagon. *Moneter - Jurnal Akuntansi Dan Keuangan*, 9(1), 29–38. <https://doi.org/10.31294/moneter.v9i1.12496>
- Misbah, S., Putro, S., & Puspawati, D. (2023). Analysis of Fraud Financial Statement with Fraud Hexagon and Financial Distress. *International Journal of Multidisciplinary*

- Research and Publications Syaiful Misbah Srihatno Putro and Dewita Puspawati*, 5(12), 236–243.
- Nadziliyah, H., & Primasari, N. S. (2022). Analisis Fraud Hexagon Terhadap Financial Statement Fraud Pada Perusahaan Sektor Infrastruktur, Utilitas Dan Transportasi. *Accounting and Finance Studies*, 2(1), 21–39. <https://doi.org/10.47153/afs21.2702022>
- Nurhidayah, W., & Kusumawati, E. (2023). Analisis Kecurangan Laporan Keuangan Dengan Pendekatan Vousinas Fraud Hexagon Model. *INNOVATIVE: Journal Of Social Science Research* 2023, 3, 8789–8804.
- Octaviana, N. (2022). Analisis Elemen-Elemen Fraud Hexagon Theory Sebagai Determinan Fraudulent Financial Reporting. *Jurnal Akuntansi*, 11(2), 106–121. <https://doi.org/10.46806/ja.v11i2.895>
- Pramono Sari, M., Kiswanto, Rahmadani, L. V., Khairunnisa, H., & Pamungkas, I. D. (2020). Detection Fraudulent Financial Reporting and Corporate Governance Mechanisms Using Fraud Diamond Theory of the Property and Construction Sectors in Indonesia. *Humanities & Social Sciences Reviews*, 8(3), 1065–1072. <https://doi.org/10.18510/hssr.2020.83109>
- Prasetyo, J., & Harto, P. (2023). Gender Diversity dan Keahlian Keuangan Komite Audit dalam Memprediksi Financial Statement Fraud. *Owner*, 7(3), 2150–2159. <https://doi.org/10.33395/owner.v7i3.1560>
- Prastika, N. A., & Sasongko, N. (2023). Analysis of Fraudulent Financial Reporting With Fraud Hexagon Theory in Financial Sector Companies Listed on the Indonesia Stock Exchange (IDX) In 2017-2021. *The International Journal of Business Management and Technology*, 7(1), 239–249.
- Purnama, D., Mutiarani, G., Mahasti, Y., & Jurica, L. (2022). Pengujian Kecurangan Laporan Keuangan Menggunakan Fraud Hexagon Model. *Media Riset Akuntansi*, 12, 2088–2106.
- Rahmawati, A. T., & Utami, E. S. (2023). Analisis Pengaruh Fraud Hexagon dalam Mendeteksi Potensi Kecurangan Laporan Keuangan. *Jurnal Riset Akuntansi Dan Bisnis*, 23(2), 73–81.
- Rompis, A. I., & Hapsari, A. N. S. (2022). Aksi dan Motif Seseorang Melakukan Kecurangan dalam Pengelolaan Dana Kemahasiswaan. *AFRE (Accounting and Financial Review)*, 5(1), 83–96. <https://doi.org/10.26905/afr.v5i1.7468>
- Ruchiatna, G., Puspa Midiastuty, P., & Suranta, E. (2020). Pengaruh karakteristik komite audit terhadap fraudulent financial reporting. *Jurnal Akuntansi, Keuangan, Dan Manajemen*, 1(4), 255–264. <https://doi.org/10.35912/jakman.v1i4.52>
- Suhartono, S. (2020). Analisis Pengaruh Fraud Diamond Dan Good Corporate Governance Dalam Mendeteksi Kemungkinan Terjadinya Fraudulent Financial Statement. *Jurnal Bina Akuntansi*, 7(2), 175–207. <https://doi.org/10.52859/jba.v7i2.93>
- Verolika, N., Puspa Midiastuty, P., Suranta, E., & Rulita Sari, A. (2024). An analysis of fraud hexagon in detecting fraudulent financial reporting. *Proceeding of International Conference on Accounting & Finance*, 2, 594–605.
- Vousinas, G. L. (2019). Advancing theory of fraud: the S.C.O.R.E. model. *Journal of Financial Crime*, 26(1), 372–381. <https://doi.org/10.1108/JFC-12-2017-0128>
- Wolfe, D. T., & Hermanson, D. R. (2004). The Fraud Diamond : Considering the Four Elements of Fraud. *CPA Journal*, 74(12), 38–42. [https://doi.org/10.1016/S1361-3723\(04\)00065-X](https://doi.org/10.1016/S1361-3723(04)00065-X)
- Zahara, A. L., & Ratnawati, D. (2024). Analisis Fraud Hexagon Terhadap Kecurangan Laporan Keuangan Pada Perusahaan Pertambangan Yang Terdaftar Di Bursa Efek Indonesia Periode 2019-2022. *Journal of Economic, Bussines and Accounting (COSTING)*, 7(4), 8478–8489. <https://doi.org/10.31539/costing.v7i4.10458>