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Financial Statement Fraud: Determinant of Hexagon Fraud Theory with Audit Committee as a Moderating Variable

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ABSTRACT

This study aims to determine the potential for financial statement fraud using fraud hexagon theory analysis. Fraud hexagon is a concept that explains the factors that cause someone to commit fraud, namely pressure, capability, collusion, opportunity, rationalization, and arrogance. In this study, the pressure factor is proxied by financial stability. The capability factor is proxied by a change of director. The collusion factor is proxied by state-owned enterprises. The opportunity factor is proxied by the nature of the industry. The rationalization factor is proxied by a change in auditor. Finally, the arrogance factor is proxied by the frequency of the CEO's pictures. The audit committee is added as a moderating variable. This study uses the F-Score Model to assess the potential for financial statement fraud. This research was conducted using quantitative methods; the analysis techniques applied were logistic regression analysis and hypothesis testing using the T-test, as well as the coefficient of determination test. The results indicate that the rationalization variable, proxied by change in auditor, has a significant positive effect in detecting potential financial statement fraud. Meanwhile, the pressure variable proxied by financial stability; the capability variable proxied by change of director; the collusion variable; the opportunity variable; and the arrogance variable have no effect on detecting potential financial statement fraud. Furthermore, the audit committee is able to moderate the effect of collusion, proxied by state-owned enterprises, on the potential for financial statement fraud.

Keywords: Financial Statement Fraud, Hexagon Fraud, Audit Committee

INTRODUCTION

In this era of advanced technology, the rise of fraud cases in financial reporting in Indonesia remains a pressing issue that must be addressed. This problem significantly affects the level of public confidence and trust in companies. If a company has a poor track record, especially in terms of financial reporting, the public and stakeholders will be hesitant and less inclined to cooperate with the company. Financial reports are often used as a medium to commit fraudulent acts, particularly in the financial sector. Financial data not only consist of numerical representations of a company's financial condition but also reflect the company's performance. According to The Institute of Internal Auditors (IIA), fraud is defined as a series of unauthorized fraudulent actions and legal violations characterized by intentional deception to achieve specific objectives (Nadziliyah & Primasari, 2022). According to the Association of Certified Fraud Examiners (ACFE) Indonesia Chapter (2016) as cited in Nadziliyah & Primasari (2022), fraud can be

classified into three types. First, asset misappropriation, which resulted in an average loss of USD 114,000 in 2018 and USD 100,000 in 2020. Second, corruption, which includes acts such as embezzlement and bribery, causing an average loss of USD 250,000 in 2018 and USD 200,000 in 2020. Third, financial statement fraud, which caused the most significant average loss—USD 800,000 in 2018 and USD 954,000 in 2020. The study conducted by ACFE indicates that the type of fraud causing the highest financial loss is financial statement fraud, which has shown an increasing trend in total losses from 2018 to 2020. Based on the research conducted by Handayani et al. (2021), the immense financial impact highlights that fraud is a serious issue in the field of accounting. Therefore, it is essential to implement proper fraud detection and prevention mechanisms in accordance with appropriate fraud schemes to minimize both the frequency and impact of such activities. The ACFE's Report to the Nations on financial statement fraud schemes revealed that the construction sub-sector companies were the most affected, accounting for 25% of the cases. These construction sub-sector companies are listed on the Indonesia Stock Exchange (IDX).

These companies fall under the infrastructure sector. One notable case of financial statement fraud in Indonesia's infrastructure industry involved PT Waskita Karya (Persero) Tbk. The company was found guilty of manipulating its financial statements in 2009, with a reported overstatement of net income amounting to IDR 500 billion. This manipulation was carried out by projecting future income as income for specific years from 2004 to 2008. The act was facilitated by a change in company management after four years and the approval of public share issuance by the House of Representatives (Hernanda, 2022). The numerous financial statement fraud cases reflect the weakness of auditors' responsibility in detecting fraudulent activities. Management's manipulation of financial statements to benefit the company constitutes fraud and can cause substantial harm to multiple parties, thereby diminishing users' trust in the financial statements when assessing a company's future prospects. The factors influencing fraud have been analyzed using various theoretical models. One of the earliest is the Fraud Triangle Theory by Cressey (1953), which includes three factors. This theory was later expanded into the Fraud Hexagon Theory by Vousinas (2019), which identifies six factors: Stimulus (Pressure), Capability (Competence), Collusion, Opportunity, Rationalization, and Ego (Arrogance) (Hernanda, 2022). To address concerns of financial statement users and restore their confidence, an audit committee is needed to provide effective oversight of financial reporting quality. The audit committee is established to assist in supervising management and directors and to support the board of commissioners in ensuring the implementation of good corporate governance, according to Handayani et al. (2021). Therefore, it is imperative for the audit committee to possess strong analytical skills in financial reporting.

This study aims to examine the interrelated factors that may strengthen previous theories by investigating the relationship between the six elements of the fraud hexagon—pressure, capability, collusion, opportunity, rationalization, and ego—and financial statement fraud. Moreover, this research focuses on companies in the infrastructure sector

due to the prevalence of fraud cases reported in this industry, as highlighted by Hernanda (2022). Given the vulnerability of this sector to fraud and its large-scale and diverse operations, it is expected that this study will yield more accurate and meaningful results. Differences in the findings of previous studies have prompted the researcher to further explore the relationship between the six fraud hexagon factors and financial statement fraud. This research extends prior studies by introducing the audit committee as a moderating variable, specifically within the infrastructure sector.

In this study, based on the formulation of the problem and the theoretical foundation which indicate the influence on the variables discussed, the following is the conceptual framework that has been developed:

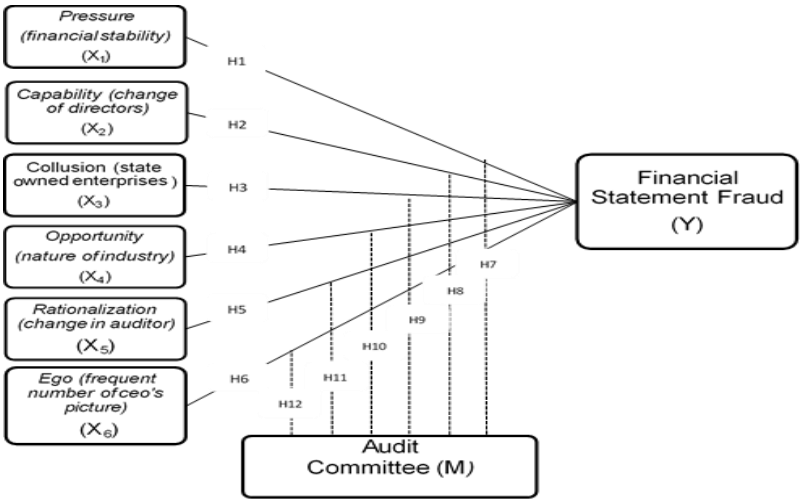

Figure 1. Research Framework

Hyphotesis Development

The Relationship between Pressure and Financial Statement Fraud

Financial stability is a description or degree of economic stability within a company. With stable financial statements, users of financial reports will have greater confidence in the company. This is based on research conducted by Kamila & Parinduri (2023), which found that financial statement fraud in companies is influenced by financial stability. However, research by Purnaningsih (2022) states that financial stability does not have a significant or negative impact on financial statement fraud

H1: Pressure has an effect on financial statement fraud.

The Relationship between Capability and Financial Statement Fraud

According to Kamila & Parinduri (2023), fraudulent acts are likely to occur due to a position within the company. This statement is supported by research conducted by Sasongko & Wijayantika (2019), which shows that financial statement fraud is likely to occur due to a change in directors. This is because it can give rise to political interests that replace the previous board of directors. However, a change in the board of directors can also be an effort by the company to improve the performance of the previous board

of directors by changing the composition of the board or recruiting new directors who are considered competent. The results of this analysis are in line with research conducted by Wolfe & Hermanson (2004), which shows that a change in directors has an impact on financial statement fraud.

H2: Capability has an effect on financial statement fraud.

The Relationship between Collusion and Financial Statement Fraud

Collusion is used in financial statement fraud by using the hexagon fraud model to develop the Vousinas (2019) pentagon fraud model. This study, supported by the research of Fouziah & Djaddang (2019), shows that collusion has a positive effect on the likelihood of fraud occurring. The parties involved in collusion are employees and external parties such as the government. However, this research is contradicted by the research by Meidijati & Amin (2022), which states that collusion with political connections does not affect fraudulent financial statements.

H3: Collusion has an effect on financial statement fraud.

The Relationship between Opportunity and Financial Statement Fraud

One of the variables of opportunity is the nature of the industry. This results in several accounts in a company's financial statements having large balances that are presented based on management estimates or subjective considerations. This can be indicated as an opportunity for management to commit financial statement fraud. According to Angelina (2023), the variable nature of the industry is the receivables change ratio (REC). This research is supported by Nugroho & Diyanty (2022), who found that the higher the receivables turnover ratio, the higher the likelihood of management manipulating financial statements. According to Mukaromah and Budiwitjaksono (2021), opportunities through measuring ineffective monitoring have an influence on financial statement fraud. However, this study is not in line with Fouziah et al. (2019), who state that ineffective monitoring and the nature of the industry do not affect financial statement fraud. Meanwhile, according to Hadi et al. (2021), the nature of the industry has a negative influence on fraudulent financial reporting.

H4: Opportunity has an effect on financial statement fraud.

The Relationship between Razionalization and Financial Statement Fraud

Rationalization is an attitude of justifying unethical behavior in the form of financial statement fraud. Novarina & Triyanto (2022) state that rationalization with the auditor's opinion calculation influences financial statement fraud. Auditor replacement is one of the advantages of rationality. Corporations make changes to auditors so that they remain a company secret to eliminate signs of fraudulent practices that have been discovered by previous auditors. Meidijati & Amin's (2022) research states that rationalization calculations with TATA have a positive and significant effect on financial statement fraud, but this research is refuted by Hadi et al. (2021), who state that TATA (total accruals) has no effect on financial statement fraud

H5: Rationalization has an effect on financial statement fraud.

The Relationship between Arrogance and Financial Statement Fraud

Ego or arrogance is a sense of superiority that can be measured by the number of CEO photos in annual reports. Research conducted by Novarina & Triyanto (2022) states that ego, calculated by the frequency of CEO photos, influences financial statement fraud. CEOs use the tactic of the number of photos visible in financial reports to maintain their position, as noted by Evana et al. (2019). Such behavior occurs because a CEO wants to demonstrate their status to make the company renowned. Ramantha (2020) shows that the frequency of CEO photos contributes to reducing the level of fraud. In line with the research by Oktavia et al. (2024), the number of CEO photos in a company's annual report influences financial statement fraud

H6: Arrogance has an effect on financial statement fraud.

The role of Audit Committee on Relationship between hexagon fraud and Financial Statement Fraud

Performance monitoring by management will be carried out by both parties, namely the audit committee and the board of commissioners. A company with an effective audit committee will ensure that the company's leadership is able to make decisions in accordance with applicable governance norms despite pressure from Pamungkas et al. (2018). Financial stability is a condition that describes the company's financial condition as stable. Managers may face pressure to manipulate financial statements when the company's financial stability is threatened. The audit committee plays a role in overseeing management to prevent actions that may benefit themselves, thereby reducing fraud in the preparation of financial reports (Sihombing & Rahardjo, 2014).

Wolfe & Hermanson (2004) explain that CEOs, boards of directors, and division heads are vulnerable to fraudulent practices because their privileged positions give them the ability to direct or influence others and take advantage of circumstances to commit fraud. The capabilities possessed by agents will influence agents in committing fraud against financial statements. Fraud will not occur without the presence of the right people. The higher the management's ability to manage financial statements, the greater the likelihood of management committing fraud. The quality of reports is influenced by the quality and characteristics of the audit committee. Bapepam (2004) requires that one of the members of the audit committee has an educational background in accounting or finance because the main function of the audit committee is to oversee the financial reporting process of a company so that the audit committee can supervise and evaluate management in preparing financial reports so that the financial reports published by management are free from accounting irregularities. According to Handoko and Ramadhani (2017), the financial expertise of the audit committee influences the likelihood of financial statement fraud.

The role of the audit committee will influence everyone in the company to commit crimes such as fraud committed by two or more people. The existence of the audit

committee will discourage individuals from engaging in collusion (Kamila & Parinduri, 2023). According to Nugroho & Diyanty (2022), the audit committee cannot minimize collusion in financial statement fraud. To reduce the impact of illegal financial activities, the audit committee must contribute. The supervisory committee can prevent collusion by monitoring any irregularities found within an institution.

H7: The audit committee as moderates the effect of hexagon fraud theory on financial statement fraud.

RESEARCH METHOD

This study uses a quantitative research method based on secondary data obtained from the official website of the Indonesia Stock Exchange (IDX) at www.idx.co.id. The data includes financial statements and annual reports of companies. The population of this study consists of all companies in the infrastructure sector listed on the IDX during the period 2021–2023.

In this study, financial statement fraud is the dependent variable, measured using the F-Score model. According to Dechow et al. (2011), the formula is:

$$F - Score = Accrual\ Quality + Financial\ Performances$$

Description:

- **Accrual Quality = RSST** = ***(ΔWC + ΔNCO + ΔFIN) / Average Total Assets***

  WC = [Current Assets – Cash and Short-term Investments] – [Current Liabilities – Debt in Current Liabilities];

  NCO = [Total Assets – Current Assets – Investments and Advances – [Total Liabilities – Current Liabilities – Long-term Debt];

  Fin = [Short-term Investments +Long-term Investments] – [Long-term Debt + Debt in Current Liabilities + Preferred Stock]

- **Financial Performance :**

  Financial Performance = ***Change in Receivable (REC) + Changes in Inventories (INV) + Change in Cash Sales (CASHSALES) + Changes in Earnings (ROA)***

  ΔREC = *Δ Accounts Receivables / Average Total Assets*

  ΔINV = *Δ Inventory / Average Total Assets*

  ΔCASHSALES = *Percentage change in cash sales [Sales – Δ Accounts Receivables]*

$$\Delta ROA = [Earnings_t / Average\ total\ assets_t] - [Earnings_{t-1} / Average\ total\ assets_{t-1}]$$

Independent Variables (X) in this study, derived from the fraud hexagon theory, the following are the elements and their measurement methods:

a. Pressure (X1): Financial Stability

Financial stability can be measured by calculating the total assets of a company from period to period. According to the study by Kamila & Parinduri (2023), the asset change ratio over the past two years (ACHANGE) is calculated using the following formula:

$$ACHANGE = \left(\frac{Total\ aset_t - Total\ aset_{t-1}}{Total\ aset_{t-1}} \right)$$

b. Capability (X2): Change of Directors

Changes in directors may cause a stress period, which can increase the likelihood of committing fraud. According to Angelina (2023), change of directors can be measured using a dummy variable (DCHANGE), with a value of 1 if the company made a change in directors during the study year, and a value of 0 if no change occurred.

c. Collusion (X3): State-Owned Enterprises

State-Owned Enterprises (SOE) are companies that have close ties with the government, specifically those in the form of government-owned enterprises (BUMN). In this study, the state-owned enterprises variable is measured using a dummy variable, with a value of 1 assigned to companies that are government-owned (BUMN), and a value of 0 for those that are not.

d. Opportunity (X4): Nature of Industry

Nature of industry refers to the condition of a company in an ideal state. According to Nugroho & Diyanty (2022), the nature of industry can be measured using the ratio of total accounts receivable (RECEIVABLE), calculated using the following formula:

$$RECEIVABLE = \left(\frac{receivable_t}{sales_t} - \frac{receivable_{t-1}}{sales_{t-1}} \right)$$

e. Rationalization (X5): Change in Auditor

This refers to a condition in which a company changes its external audit firm (Public Accounting Firm). The change of external auditors may indicate the presence of fraud, as the previous auditor might have uncovered fraudulent activities within the company, prompting the company to replace the auditor in an attempt to conceal the fraud. According to Angelina (2023), this variable is

measured using a dummy variable for auditor change (AUDCHANGE), where a value of 1 is assigned if there was a change in the audit firm during the study period, and a value of 0 if there wasno change.

f. Arrogance (X6): Frequent Number of CEO's Pictures

The number of CEO photographs included in the annual report may indicate the level of arrogance exhibited by the CEO. The measurement of the frequent number of CEO's pictures, as used in the prior study by Nugroho & Diyanty (2022), is conducted by counting the number of CEO photos presented in the company's annual report.

The moderating variable used in this study is the independent audit committee. The audit committee serves to monitor and ensure that internal control and internal audit mechanisms operate effectively, thus preventing and reducing the potential for financial statement fraud.

Measured as: $Audit\ Committe = Total\ audit\ Committe$

This study uses a population of infrastructure sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period, totaling 69 companies. Based on this population, the study applies the purposive sampling method, which is a sampling technique based on specific criteria, ensuring that the selected samples are representative of the research population. After applying the selection criteria, the final research sample consists of 171 observations (57 companies over 3 years). The analytical techniques used in this study include descriptive statistics, logistic regression, moderated regression analysis (MRA), and hypothesis testing, with the assistance of SPSS version 26.

RESULT AND DISCUSSION

This study involved 57 companies as the research sample, selected using the purposive sampling technique. As a result, a total of 171 observational data points were used (57 companies over 3 years). The following table presents the sample selection process:

Descriptive Statistical Test

The results of the descriptive statistical analysis are presented below:

Table 1. Descriptive Statistics Results

	N	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*
FS	171	-1.000	5.360	.11202	.632878
NOI	171	-6.600	6.780	.03948	.882039
CEOPIC	171	1	6	2.59	.733
AC	171	3	6	3.12	.463
Valid N (listwise)	171				

Based on the table above and using 171 observations, the results show that the variables Financial Stability (FS) and Nature of Industry (NOI) have standard deviations higher than their means, indicating a high degree of variability in the data. On the other hand, CEO Picture (CEOPIC) and Audit Committee (AC) have standard deviations lower than the mean, suggesting lower variability and more homogeneous data.

Frequency Statistics Test

The frequency statistical test was applied to dummy-coded variables. The results are summarized in the following table:

Table 2. Frequency Statistics Results

Variable	Variable *Dummy*					
	Frequency		Total	Percentage		Total
	1	0		1	0	
Financial Statement Fraud	27	144	171	15.8%	84.2%	100%
Change of Director	66	105	171	38.6%	61.4%	100%
State Owned Eneterprises	21	150	171	12.3%	87.7%	100%
Change in Auditor	19	152	171	11.1%	88.9%	100%

Note: Code 0 indicates that the company did not engage in the activity, and code 1 indicates that it did.

From the 171 observations, the frequencies of companies committing financial statement fraud, changing directors, being state-owned enterprises, and changing auditors were 27, 66, 21, and 19 respectively, with corresponding percentages of 15.8%, 38.6%, 12.3%, and 11.1%. These values indicate relatively high occurrences among the sample.

Logistic Regression Analysis

Hosmer and Lemeshow Test

The Hosmer and Lemeshow test is used to determine whether the regression model fits the research data. The results are presented below:

Table 3. Hosmer and Lemeshow Test Result

Step	Chi-square	df	Sig.
1	25.909	8	.001

Based on the table, the significance value is less than 0.05 ($0.001 \leq 0.05$), which indicates a significant difference between variables. Therefore, H_0 is accepted and H_a is rejected, meaning the model does not fit the data well.

Nagelkerke R Square

The Nagelkerke R Square coefficient of determination is used to evaluate the extent to which the independent variables collectively explain the dependent variable. The results are as follows:

Table 4. Coefficient of Determination Test Result

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	131.698[a]	.097	.167

From the table, the Nagelkerke R Square value is 0.167, meaning that the independent variables jointly explain 16.7% of the variation in the dependent variable.

Omnibus Test

The Omnibus Test is used to assess whether the independent variables simultaneously affect the dependent variable. The results are presented below:

Table 5. Omnibus Test Results

		Chi-square	df	Sig.
Step 1	Step	17.470	6	.008
	Block	17.470	6	.008
	Model	17.470	6	.008

Since the significance value is less than 0.05 (0.008 ≤ 0.05), this indicates that all five independent variables jointly have a significant effect on the dependent variable.

Wald Test

The Wald Test is used to determine the individual (partial) effect of each independent variable on the dependent variable. The results are shown in the table below:

Table 6. Wald Test Results

		B	S.E.	Wald	Sig.	Kesimpulan
Step 1[a]	FS	.418	.292	2.053	.152	H1 Rejected
	COD	.046	.473	.010	.922	H2 Rejected
	SOE	-20.078	8465.814	.000	.998	H3 Rejected
	NOI	-.270	.276	.960	.327	H4 Rejected
	CIA	1.471	.656	5.019	.025	H5 Accepted
	CEOPIC	-.008	.294	.001	.979	H6 Rejected
	Constant	-1.758	.821	4.588	.032	

Based on the table, the results of the hypothesis testing are as follows:

a. H1: Pressure affects financial statement fraud

The FS (financial stability) variable has a significance value of 0.152 (≥ 0.05), indicating that financial stability does not partially affect financial statement fraud. Therefore, H1 is rejected because the pressure variable, proxied by financial stability, does not influence financial statement fraud. This is due to the fact that the increase in total assets, used to measure pressure, was minimal or insignificant for most companies, and thus did not impact the potential for financial statement fraud. These findings are consistent with the study by Purnaningsih (2022), which showed that financial stability had no significant

negative effect on financial statement fraud. However, they contradict the results of Mukaromah & Budiwitjaksono (2021), who found a significant positive effect.

b. H2: Capability affects financial statement fraud

The COD (Change of Director) variable has a significance value of 0.922 (≥ 0.05), indicating that the change of director has no partial effect on financial statement fraud. Therefore, H2 is rejected, as the capability variable, proxied by change of director, does not influence financial statement fraud. This may be because director changes are often aimed at recruiting more competent leadership to improve company performance. In some cases, changes may also occur due to retirement or death of previous directors. These findings align with Hadi et al. (2021) and Sasongko & Wijayantika (2019), who also found no significant effect.

c. H3: Collusion affects financial statement fraud

The SOE (State-Owned Enterprises) variable shows a significance value of 0.998 (≥ 0.05), meaning it has no partial effect on financial statement fraud. Thus, H3 is rejected, as the collusion variable, proxied by state-owned enterprises, does not influence fraud. This is likely because SOEs receive greater public attention and are more tightly regulated, which limits the possibility of fraud. SOEs are also expected to maintain a good public image. These results are consistent with Lionardi & Suhartono (2022), who found no significant effect of SOE status on fraud.

d. H4: Opportunity affects financial statement fraud

The NOI (Nature of Industry) variable has a significance value of 0.327 (≥ 0.05), showing no partial effect on financial statement fraud. Therefore, H4 is rejected, as opportunity (proxied by NOI) does not influence financial statement fraud. When a company is not in ideal condition, management may manipulate financial reporting to present a better financial image—often through estimates in receivables and inventory accounts. These results align with Agusputri & Sofie (2019), who found that management is more likely to commit fraud when the company is facing unfavorable conditions.

e. H5: Rationalization affects financial statement fraud

The CIA (Change in Auditor) variable has a significance value of 0.025 (≤ 0.05) and a beta coefficient of 1.471, indicating a positive and significant partial effect on financial statement fraud. Thus, H5 is accepted. Frequent auditor changes reduce the chance of detecting fraud, as new auditors need more time to understand the company's financials, unlike long-term auditors who are familiar with the company's reporting patterns and can detect anomalies more easily. These findings are in line with Agusputri & Sofie (2019), who also found a positive relationship between auditor change and financial statement fraud.

f. H6: Arrogance affects financial statement fraud

The CEOPIC (Frequent Number of CEO's Picture) variable has a significance value of 0.979 (≥ 0.05), indicating no partial effect on financial statement fraud. Therefore, H6 is rejected, as arrogance (proxied by CEO pictures)

does not influence fraud. Including CEO pictures in annual reports is a common practice aimed at introducing the CEO to investors and readers, rather than indicating egotism. This is supported by Hadi et al. (2021) and Octaviana (2022), who also found no significant effect of CEO photo frequency on fraudulent reporting.

Moderated Regression Analysis

Moderated regression analysis is used to determine whether a moderating variable strengthens or weakens the relationship between independent variables and the dependent variable. The results of the analysis are presented as follows:

Table 7. Moderated Regression Test Results

		B	S.E.	Wald	Sig. (2-tailed)
Step 1[a]	FS	1.752	221341.167	.000	.393[b]
	COD	-.054	44117.663	.000	.948[b]
	SOE	-79.326	72757.693	.000	.002[b]
	NOI	-1.652	560098.432	.000	.627[b]
	CIA	5.262	108243.166	.000	.141[b]
	CEOPIC	-.655	62642.950	.000	.518[b]
	AC	-20.032	56572.525	.000	.005[b]
	FS*AC	-.446	73780.389	.000	.423[b]
	COD*AC	.019	14705.888	.000	.902[b]
	SOE*AC	19.780	23031.073	.000	.002[b]
	NOI*AC	.461	186699.477	.000	.657[b]
	CIA*AC	-1.285	36081.055	.000	.150[b]
	CEOPIC*AC	.213	20880.983	.000	.455[b]
	Constant	58.427	169717.575	.000	.005[b]

Based on the table, the following is the analysis of each variable with the audit committee as the moderating variable:

H7: The audit committee moderates the effect of Hexagon Fraud (pressure, capability, collusion, opportunity, razionalization and arrogance) on financial statement fraud.

The interaction term between financial stability and audit committee has a significance value of 0.423 (≥ 0.05), indicating that the audit committee does not moderate the relationship between pressure (proxied by financial stability) and financial statement fraud. This may suggest that audit committees may lack the authority or effectiveness to counter management pressure related to financial misreporting, particularly in situations of financial stress. These findings are supported by Fouziah et al. (2019). The interaction between change of director and audit committee yields a significance value of 0.902 (≥ 0.05), indicating that the audit committee does not moderate the effect of capability (proxied by change of director) on financial statement fraud. This may be due to the fact that director changes are often administrative or political, and audit committees have limited authority over such changes. Supported by Oktaviany & Reskino (2023) and Thamlim & Reskino (2023). The interaction term

between state-owned enterprises and audit committee has a significance value of 0.002 (≤ 0.05), indicating that the audit committee does moderate the effect of collusion (proxied by SOEs) on financial statement fraud. Audit committees may effectively prevent fraud by improving oversight, ensuring transparency, and reviewing the use of public funds in government partnerships. Supported by Putra (2023) and Hasna & Novianti (2024). The interaction between nature of industry and audit committee shows a significance value of 0.657 (≥ 0.05), indicating that the audit committee does not moderate this relationship. Weak internal controls may allow fraud to occur regardless of audit committee presence, especially in industries with complex operations. Supported by Fouziah et al. (2019). The interaction between change in auditor and audit committee has a significance value of 0.150 (≥ 0.05), suggesting that the audit committee does not moderate the relationship between rationalization (proxied by auditor change) and financial statement fraud. Auditor rotation is required by law and may not be influenced by audit committee oversight. Supported by Sari & Nugroho (2020). The interaction between frequency of CEO's picture and audit committee has a significance value of 0.455 (≥ 0.05), indicating that the audit committee does not moderate the effect of arrogance (proxied by CEO image frequency) on financial statement fraud. Audit committees generally focus on financial reporting, not image-related disclosures. Supported by Nugroho & Diyanty (2022) and Putra (2023).

CONCLUSION

This study aims to examine and analyze the influence of elements from the Hexagon Fraud Theory, consisting of pressure, capability, collusion, opportunity, rationalization, and arrogance, on financial statement fraud, with the audit committee as a moderating variable. The results show that pressure, capability, collusion, opportunity, and arrogance do not significantly affect financial statement fraud. However, rationalization has a significant influence on financial statement fraud. The audit committee, as a moderating variable, is able to moderate the relationship between collusion and financial statement fraud, but is not able to moderate the effects of the other variables on financial statement fraud. Based on the results of this study, several recommendations can be made for future researchers. It is recommended that future studies use additional or alternative indicators to measure independent and moderating variables that may influence financial statement fraud, such as personal financial needs, financial targets, CEO education, audit opinions, audit quality, and others. Future studies are also encouraged to explore more deeply the factors that affect financial statement fraud and to develop other measurement tools or proxies for variables such as capability and arrogance—potentially using interviews or questionnaires to obtain more diverse and accurate results. Moreover, future research is encouraged to apply qualitative methods or a mixed-method approach (combining quantitative and qualitative methods) to produce more comprehensive and accurate findings.

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