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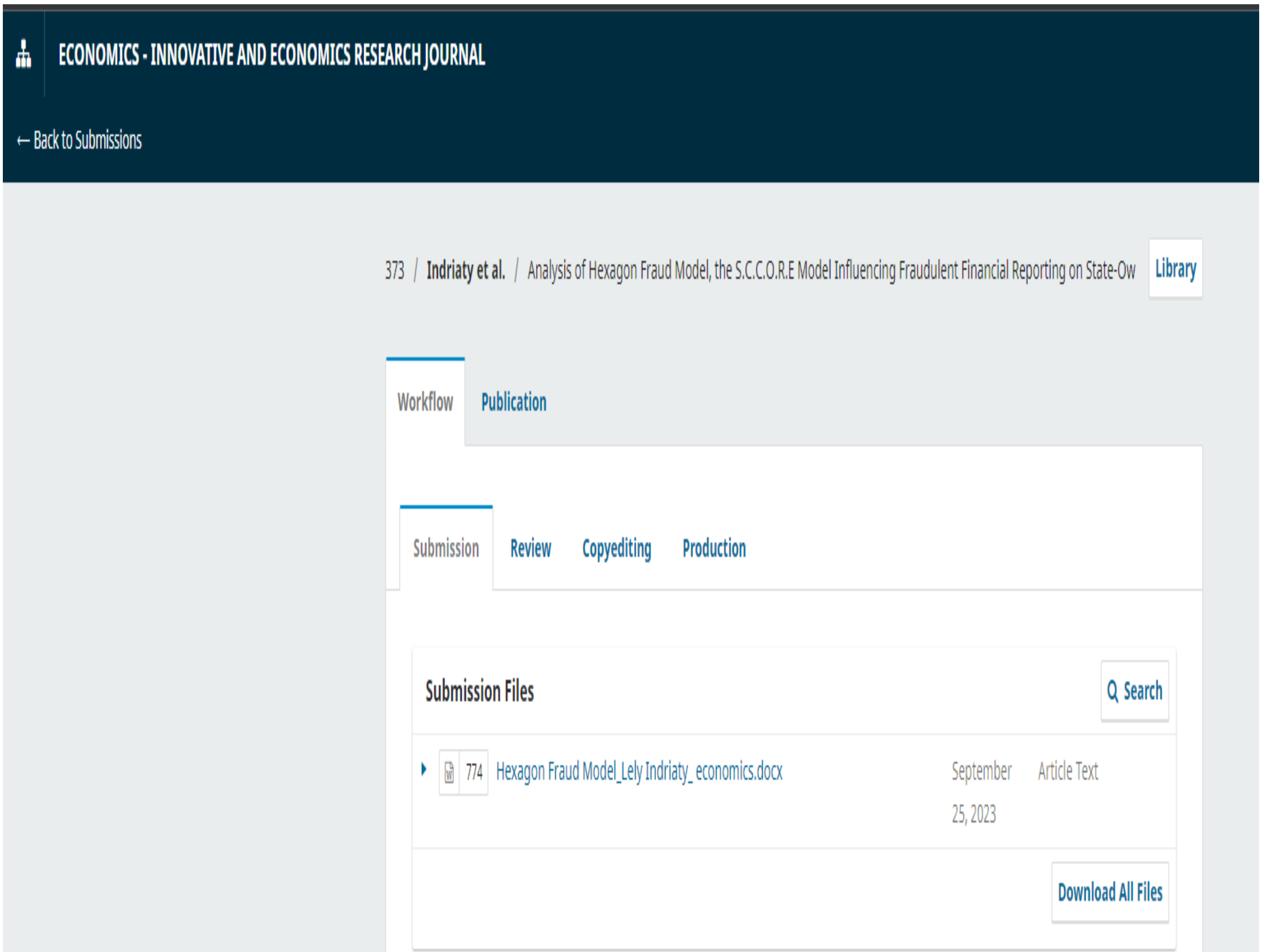

Analysis of Hexagon Fraud Model, the S.C.C.O.R.E Model Influencing Fraudulent Financial Reporting on State-Owned Companies of Indonesia

Lely Indriaty[1], Gen Norman Thomas[2]*

[1]*Accounting Department, Faculty of Economics and Business, Universitas Persada Indonesia YAI, Jakarta, Indonesia*
[2]Accounting Department, School of Accounting, Bina Nusantara University, Indonesia

Correspondence Author:
Lely Indriaty
Email: lelynorman@gmail.com

Abstract: This study aims to analyze influence each factor of Hexagon Fraud that causes fraudulent financial reporting within the framework of the Hexagon Fraud Theory, which includes Pressure, Opportunity, Rationalization, Arrogance, Capability and Collusion. The research methodology used is a quantitative method using primary data to test the research hypothesis based on the answers to the questionnaire submitted to 96 respondents which include officials and employees from 16 BUMN companies as samples. Sampling was determined using purposive sampling based on certain criteria. Data processing uses Smart PLS version 3.00 to test the validity and reliability as well as test the research hypothesis. The results showed that Opportunity, Arrogance and Capability had a positive and significant effect on Fraudulent Financial Reporting, while Pressure, Rationalization and Collusion had no significant effect on Fraudulent Financial Reporting. The research findings reveal the importance of strengthening internal control, taking strict action against violators of internal control policies, and the need for regulations regarding strategic positions in SOEs held by people sent from certain political parties so that opportunity and arrogance decrease and people with capabilities do not dare to commit Fraudulent Financial Reporting.

Keywords: Arrogance, Capability, Collusion, Hexagon, Opportunity, Pressure, Rationalization

1. INTRODUCTION

One of the reasons for the existence of fraud because the lack of harmony in the relationship between the company's management and shareholders and investors. (Wells, D.J.T, 2017). According to agency theory, the company's management as the principal certainly tries to fulfill its professional obligations to shareholders as agents. Management's responsibility to shareholders must be based on mutual trust between them. This mutual trust must always be maintained so that this cooperation will continue so as not to create feelings of mutual suspicion. The harmony of the relationship between company Management and owners is sometimes constrained by problems among themselves. Each party carries its own interests within the framework of the relationship between management and company owners. Based on agency theory, which was revealed by Jensen & Meckling, 1976 that management works under a contract with the owner of the company. With this contract, management gains the authority and authority to carry out their duties in the company (Maryadi, et.al, 2020).

The management of the company has been authorized by the shareholders to manage the company on behalf of the shareholders. Over time, the company's management will have more complete information about the company's management than shareholders. Shareholders' suspicion of company management arises because shareholders do not fully trust management because of the problem of information asymmetry. This information asymmetry can provide opportunities for company management to realize their interests in the company, including committing fraud in financial statements. According to agency theory, company management has more control over the company's operations than shareholders because management has more information. The information gap between the principal and the agent related to the company's performance is certainly more controlled by the company's management. Therefore, this gap can be maximized by the company's management to gain the management's own benefit. Almost all fraud crimes are carried out by internal parties of the company, this is possible because of the effect of asymmetric information. The larger the company, the greater the level of suspicion of the owner of the company towards management-, the smaller the company, the smaller the level of suspicion of the owner of the company towards management. According to ACFE, 2019 that fraud was conducted by management through the form of misstatements in financial reporting can be categorized as planned fraud. Planned fraud can benefit certain parties and harm others. (Kayoi & Fuad, 2019).

With fraud, not only raises investor doubts about management, but also has the potential to criticize the values contained in the accounting applied. The Association of Certified Fraud Examiners (ACFE) states that fraudulent financial reporting practices can threaten the economic activities of a country. ACFE, 2018 also shows that fraudulent practices have caused losses of around 5% of a company's gross income (Indonesia Fraud Survey – ACFE Indonesia, 2021). Conflict of interest occurs because of the personal interests of an employee, management, or executives that are not disclosed so that it has a negative impact on the company (D. J. T. Wells, 2017). From this description, it can be said that conflict of interest can be one of the reasons behind management in committing fraud, where management acting as agency and investor as principal will only benefit one party and lead to fraudulent financial reporting. Fraudulent financial reporting is an act of fraud that is consciously carried out by top management, to display financial statements that look more convincing than the original report (Albrecht et al., 2011). To show the company's performance that has increased, companies can show it with the results of financial statements, but sometimes, the information only aims to impress the readers of financial statements (Kayoi & Fuad, 2019). Fraudulent financial reporting has a high long-term risk for the company's business activities. To prevent fraud in the presence of these risks, companies must be able to develop strategies to prevent fraud (Sihombing & Rahardjo, 2014). However, it is not enough just to develop strategies to prevent fraud, but to detect the occurrence of fraudulent practices within the company early, companies also need to understand the methods used to detect fraud. In carrying out audit planning (Audit Planning) and realizing an audit work plan (Audit Program), auditors and forensic accountants must be more careful in dealing with risk factors and fraud (Devy et al., 2017).

Fraud is an act that is very misleading for users of financial statements because fraud can change poor performance financial statements into good ones. Fraud is carried out to deceive users by improving financial reports so that poor performance is not visible. In general, fraud committed by many companies is very dangerous for the country's economy. Several cases of fraud that have been revealed are quite a lot, starting with the practice of fraud by companies that have IPOs that are more likely to commit fraud than companies that have not go public (Puspitadewi & Sormin, 2018). ACFE, 2019 revealed that state-owned companies in the number 3 position that often commit fraud, these companies are state-owned companies that go public. The occurrence of window dressing cases carried out by PT Asabri and PT Garuda, and window dressing itself was carried out to change the picture of users of financial statements on company profits. (Kayoi&Fuad, 2019). With the increasing courage of SOE management, especially in banking institutions to do window dressing, on October 8, 2021, the Himbara organization or association of state-owned banks was formed, consisting of 1. PT. Bank Negara Indonesia, Tbk (Persero), 2. PT. Bank Rakyat Indonesia, Tbk (Persero). 3. PT. Bank Mandiri, Tbk (Persero), 4. PT. Bank Tabungan Negara, Tbk (Persero) in collaboration with the Attorney General's Office to work together to prevent fraud in state-owned banks (Sidik, S, 2021). Meanwhile, according to (Suhartono et.al 2021) that there have been concurrent positions, namely the president director of PT Garuda Indonesia (Persero) and the president commissioner of PT Sriwijaya Air. This will lead to unfair competition because both parties can set ticket prices together. Then, it was explained that the dual position had no effect on the company's operations because it had received direction from the minister himself, this would set a bad precedent for the problem of fraud in the banking world in Indonesia.

Fraudulent financial reporting is a fraudulent act that is consciously carried out by top management with the aim of presenting financial statements that look more convincing than the original financial statements (Albrecht et al., 2018). Fraudulent financial reporting can pose long-term risks that are harmful to the company's business activities and therefore companies need to develop a fraud prevention strategy by detecting the potential for it to occur early. (Sihombing & Rahardjo, 2014). Not only fraud detection strategies but also since the preparation of audit planning, audit programs and auditors and forensic accountants must be more careful when dealing with risk and fraud (Devy et al., 2017). Meanwhile, Anggraeni, R 2022, stated that the Minister of SOEs, Erick Thohir, highlighted fraud in cashless transactions. The Minister of State-Owned Companies did not explain further how cashless occurs and what the risks are to the company's operational activities. Cashless transactions make fraud more sophisticated and the numbers bigger. Regarding cashless, the Chairman of the Board of Commissioners of the Deposit Insurance Corporation (LPS) stated that Indonesians are still happy to use cash despite the downward trend. Indonesians have 60% cash transactions in 2019, 58% in 2020 and 59% in 2021, while non-cash transactions have increased from 18% to 20%.

By analyzing the discussion of fraud cases above, especially those related to the stages of preparing fraudulent financial reporting, the analysis of fraudulent financial reporting that has been carried out based on past research using the diamond triangle theory is a little less relevant, even out of date. Moreover, in the era of the industrial revolution 4.00, there are many accounting and auditing activities using information technology. This research is one of the studies related to fraudulent financial reporting that uses the hexagon theory of fraud, and moreover, data processing in this study uses smart PLS version 3.00. A very important consideration in choosing the object of research is public companies of state-owned enterprises because fraudulent financial reporting is often carried out by individuals from the company itself, even in public companies. In some cases of fraud that there are several persons who have to do everything possible to achieve a certain amount of income so that problems arise when that person is unable to make it happen. According to (Novitasari & Chariri,

2018) that the financial targets charged to management from shareholders and investors are one of the pressures for management because management is obliged to realize them. This financial target has become a pressure for fraud perpetrators to do so. In the case of ROA which also includes financial targets, management can manipulate financial reports to increase ROA. (Kayoi & Fuad, 2019). After committing fraud by doing something about ROA, the financial pressure is temporarily relieved, if not completely gone. The pressure that occurs is not only pressure in the financial aspect. Opportunities to commit fraud against financial statements that are in front of our eyes should be maximized and it is appropriate that opportunities should be taken and used because I, as part of the management, have worked here for a long time and it is my right to obtain them. replacement of auditors or replacement of Public Accountant Office (PAO) with new auditors/PAOs carried out during the period of preparation of financial statements almost always raises suspicions against management because auditor replacements can cover up fraudulent acts that have been committed (Novitasari & Chariri, 2018: Ulfah, et. al. 2017). Arrogance is also the reason why people commit fraud because arrogance is a manifestation of the attitude of people who pretend because they feel they have rights and superiority over the company. This feeling of superiority makes management feel free to take whatever action is necessary, including fraud in financial reports, for example feeling immune to internal regulations and controls (Sudarmanto, et.al. 2021). Internal control does not dare to report my actions to the owner of the company while I am an official at the company. The number of photos of the main director that is displayed in the company's annual report is also part of an arrogant attitude. The high frequency of the main director's photos can indicate the level of arrogance of a chief director and he feels himself as an arrogant celebrity. A main director needs self-acknowledgment that he is the greatest in the company. He feels confident that he can escape internal control, he tends to intimidate and is afraid that he will lose his position in the company. In research (Devy et al., 2017) it is stated that the frequent number of CEO photos has an effect on fraudulent financial reporting, and based on the number of selfies of the president director in the annual report shows the level of arrogance possessed. by the managing director to other parties. Thus, the more frequent the number of photos of the main director in the annual report, the higher the chances of fraudulent financial reporting. The youngest element of the hexagon theory of fraud is collusion, with this collusion can also affect the level of fraudulent financial fraud. Can collusion contribute to influencing fraudulent financial reporting?

2. THEORICAL FOUNDATION OF RESEARCH

2.1. The Brief Development of Fraud Theory toward to Hexagon Theory of Fraud

The development of fraud theory has developed into 6 theories. The theory of fraud begins with the emergence of white-collar crime, where at that time the victim of the crime did not feel that he was a victim of economic and business crimes because the crime was committed professionally. (Sutherland, 1940) explained that this white-collar crime was different from street crimes that occurred during the second world war in the European region. White-collar crimes are carried out in a structured manner and include criminal acts because they harm the general public without them knowing it, which is then known as fraud. In the following developments, this white-collar crime became the basis for the triangle theory. The triangle theory of fraud by Cressy, 1953, was one of the impacts of the European economic recovery after the second world war. Cressy, 1953 has deepened his understanding of white-collar crime and revealed that there are 3 factors that give rise to fraud in organizations or companies that carry out activities in the economic and business fields where these crimes are detrimental to the general public or citizens, namely pressure, opportunity and rationalization. Pressure to do an act because of compulsion. Financial pressure, for example; fraud due to lifestyle and drug addiction. Opportunities to commit fraud can be reduced by strengthening internal control, for example: the courage to commit fraud is limited for fear of being detected by tight internal controls. abuse of authority and lack of supervision. Rationalization is interpreted as justification for the perpetrator of fraud so that he feels that his actions are legitimate. Of the three factors that trigger fraud, what needs to be highlighted is the opportunity because it starts with an opportunity so that financial pressure can be channeled after obtaining some justification. The next stage of development is marked by the presence of the Scale Theory of Fraud as stated by (Albrecht, et.al. 1984), as a correction to the Triangle Theory of Fraud because the triangle theory of fraud was considered not clear enough. In the Fraud Scale Theory, situational pressure factors as corrections for financial pressures, opportunity factors are corrected to become opportunities for fraud, and personal integrity factors as corrections for rationalization. Situational pressure to assess the condition of each individual when committing fraud, whether they feel guilty or not. The opportunity to commit fraud depends on the risk borne by the perpetrator of the fraud. Personal integrity factor to assess the potential to commit fraud based on past character. These three factors are interdependent on each other, namely the possibility of high fraud occurring under conditions of situational pressure and the opportunity to commit fraud is high but personal integrity is low, or the probability of fraud is low because one has high integrity even though situational pressure and opportunity to commit fraud remains low. Then, on the fraud scale theory, personal integrity is an important factor related to detecting fraud, including fraud financial reporting. In subsequent developments, the pentagon theory of fraud or A-B-C analysis emerged, with additional factors in the fraud triangle theory, namely capability and arrogance. (Wolfe, D. T. & D. Hermanson. 2004). Capability is a very important factor to be able to commit fraud because fraud perpetrators have the capability to minimize the risk of their actions, and according to Dorminey, et.al. 2010 that capability is related to adequate ability to commit fraud so that the higher a person's capability, the higher his ability to commit fraud. Subsequent developments from fraud theory led to the Diamond theory of fraud and M (Money), I (Ideology), C (Coercion) and E (Rights).

This Diamond Fraud Theory wants to clarify that the main factor that must be considered is the behavior of the perpetrators of fraud. (Dorminey, J., A. S. Fleming, M. J. Kranacher & R. A. Riley. 2012). The Hexagon Theory of Fraud still uses the factors of Pressure [Stimulus], Capability, Collusion, Opportunity, Rationalization and Ego [Arrogance] which influence the occurrence of Fraud, and what is meant by fraud in this study is Fraud Financial Reporting. Fraud theory has reached a new phase marked by the release of the Hexagon theory of Fraud known as the S.C.C.O.R.E Model by (Georgios L. Vousinas, 2019) as shown in figure 1 below.

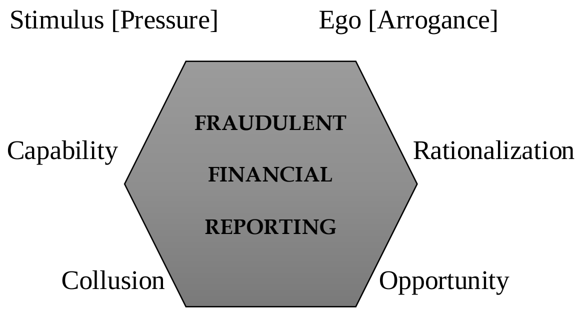

Figure 1: Fraud Hexagon Model
Source: Vousinas, 2019

The explanation of the five factors referred to above is the same as in the previous fraud theory, it's just that there is an additional collusion factor. According to Vousinas, 2019, Collusion is an agreement between a first party and a second party with the aim of deceiving a third party.

2.2. Fraudulent Financial Reporting

According to The Association of Certified Fraud Examiners (ACFE, 2018), fraud in financial reporting can be interpreted as fraud committed by management through exercising control in the form of artificial or deliberately engineered misstatements in financial reports. Fraudulent Financial Reporting can be interpreted as planned fraud, actions that violate the law, and intend to benefit certain parties (Kayoi & Fuad, 2019). This action not only deceives users of financial statements, especially it can mislead investors in reading a financial report

According to the Statement on Auditing Standards (SAS) No.99 (Association of International CPA, 2002), fraudulent financial reporting can be done: a. Deliberately manipulating, falsifying, or changing accounting records or supporting documents when preparing financial reports. b. Intentional errors or omissions in information that are significant to the financial statements. c. Committing a misuse of principles relating to amount, classification, method of presentation, or disclosure.

3. METHODOLOGY

3.1. DATA SOURCES

This research is categorized as quantitative research because this research aims to obtain data, and process it with Smart PLS to test hypotheses, then analyze the results of this research to answer research phenomena. According to (Sugiyono, 2018), primary data is a data source that directly provides data to data collectors so that the data obtained is data that comes from first hand, and has not been further processed for any purpose. The Smart PLS is a data processing application that is more widely used for primary data where questionnaires are filled out based on a Likert scale. Moreover, Smart PLS is a powerful application that can be used without many assumptions, such as normality test and multicollinearity test between these variables (Ramzan and Khan, 2010). It can even be used in all data scale categories, from nominal, ordinal, interval to ratio data scales. (Wold, 1985). Another advantage of Smart PLS is that the data used can be under 100 respondents (Ghozali, 2006), like this research. The research objects are 16 state-owned companies go public on the Indonesian Stock Exchange (IDX). The specificity of state-owned companies because companies whose share ownership by the Government of Republic of Indonesia is above 51%, and is certainly suitable for fraudulent financial reporting. Based on these 16 companies, research questionnaires were then distributed with taking respondents 3 leaders and 3 employees for each company.

Table 1: State-Owned Enterprises of Indonesia as Samples

	CODE	Name of Enterprises
1	INAF	PT Indofarma (Persero) Tbk
2	KAEF	PT Kimia Farma (Persero) Tbk
3	PGAS	PT Perusahaan Gas Negara (Persero) Tbk
4	KRAS	PT Krakatau Steel (Persero) Tbk
5	ADHI	PT Adhi Karya (Persero) Tbk
6	PTPP	PT Pembangunan Perumahan (Persero) Tbk
7	WIKA	PT Wijaya Karya (Persero) Tbk
8	WSKT	PT Waskita Karya (Persero) Tbk
9	ANTM	PT Aneka Tambang (Persero) Tbk
10	PTBA	PT Bukit Asam (Persero) Tbk
11	TINS	PT Timah (Persero) Tbk
12	SMBR	PT Semen Baturaja (Persero) Tbk
13	SMGR	PT Semen Indonesia (Persero) Tbk
14	JSMR	PT Jasa Marga (Persero) Tbk
15	GIAA	PT Garuda Indonesia (Persero) Tbk
16	TLKM	PT Telekomunikasi Indonesia (Persero) Tbk

Source: Data collected by Author, 2023

Table 2 shows the indicators that are translated into research questions using a Likert scale. The sequence of research variables is based on the sequence of fraud theory journeys starting from diamond fraud theory to hexagon fraud theory.

Table 2: **Operationalization of Variable**

Source: Data processed by Author, 2023

3.2. RESEARCH HYPOTHESIS

<table>
<tr><th>Variables</th><th>Indicators</th><th>Question</th><th>Sources</th></tr>
<tr><td>Fraudulent Financial Reporting (FFR)</td><td>1. Accounting Records
2. Disclosure
3. Inappropriate Budget Allocation
4. Cost Standards
5. Fraud
6. Manipulation
7. Gratification</td><td>12</td><td rowspan="7">ACFE, 2019
Vousinas, 2019
Desviana et.al, 2020</td></tr>
<tr><td>Pressure (PRE)</td><td>1. Pressure from superiors
2. Accounting Standards</td><td>5</td></tr>
<tr><td>Opportunity (OPP)</td><td>1.Organizational Structure
2. Internal Control
3. Policy
4. Facility</td><td>4</td></tr>
<tr><td>Rationalization (RAT)</td><td>1. Follow up
2. Review</td><td>2</td></tr>
<tr><td>Arrogance (ARR)</td><td>1. Directing of Work
2. Work of Guidelines
3. Discussion about Work
4. Decision making
5. Career</td><td>6</td></tr>
<tr><td>Capability (CAP)</td><td>1. Initiative
2. Knowledge
3. Awake of Failure
4. Communication
5. Help to Friend</td><td>7</td></tr>
<tr><td>Collusion (COL)</td><td>1.Self-aware
2. Reprimand
3. Burden of work
4. Integrity</td><td>4</td></tr>
</table>

1. Pressure on Fraudulent Financial Reporting

Shareholders or investors as principals in a cooperation contract hand over responsibility to management who acts as an agent to get good company performance. Along with high expectations from shareholders, there is pressure felt by management in formulating strategies so that these expectations are met. Pressure can give rise to the idea of committing fraud in the company's financial reports carried out by management in meeting the interests of shareholders. Financial Target is a condition where the pressure felt by the manager in achieving the economic goals obtained by the manager and the company's president director.

Financial targets are measured by the Return on Assets (ROA) indicator which presents a profitability ratio calculated by dividing profits with assets utilized. The manager's idea to commit fraud on financial statements by manipulating the ROA ratio is by increasing this ratio from the company's profits to the assets used. (Skousen & Twedt, 2009). Therefore, it can be concluded that the higher the financial target proxied by ROA profitability, the greater the opportunity for companies to practice fraud in the company's financial reports. This is supported by the results of research from (Novitasari and Chariri, 2018, Kayoi and Fuad, 2019), (Maryadi et al., 2020, and Santoso, 2019) which stated that financial targets had a significant positive influence on fraud in financial reporting. Financial targets from anywhere, especially from the shareholders or investors to the company's management, will certainly affect the way of management makes it happen. Based on agency theory that the management as an agent works in accordance with the authority and responsibility it receives from shareholders or investors as principals. In the real world, shareholders or investors always demand management to always obtain satisfactory performance regardless of the condition of the company. This demand puts pressure on management to be able to display performance that satisfies the shareholders or investors even though it does not always succeed in realizing it. Management that is less successful in meeting financial targets from shareholders or investors tends to commit fraud on financial statements so that financial statements look better. For the purposes of financial ratio analysis, the company can commit fraud against the number of records in the desired posts. A pressure can be in the form of pressure to increase financial ratios, such as ROA, ROE, ROI, Net Profit, EPS by comparing the results of the ratios of the last year with the results of the ratios of the previous year. According to (Subramanyam & Wild, 2010) state that Return on Assets (ROA) can be used to detect fraud, especially for fraudulent financial reporting.

H1: Pressure has a positive effect on Fraudulent Financial Reporting

2. Opportunity on Fraudulent Financial Reporting

Crime is not only the intention of the perpetrator but also the opportunity, so be aware, be aware. Another jargon that golden opportunity will not come twice in a lifetime. Any crime, including fraud, can occur because of the opportunity and the perpetrator of the crime will dare to carry out his actions when he is sure that his actions will not be detected by other parties. According to (Mulya et al. 2019) that the reason people commit fraud is because the internal control conditions are not so good that people who don't think about committing fraud think about doing it. Internal control and opportunity are inversely proportional, the tighter the internal control, the lower the opportunity, so it should be. Related to the ineffectiveness of internal control explained by (Siddiq, 2017) that the tightness of internal supervision depends on the ratio of the board of commissioners serving in the company with the record that the board of commissioners is able to detect fraud earlier and provide security for company assets. This discussion is in line with what was stated by (Putriasih et.al ,2016) that ineffective internal control has an effect on fraudulent financial reporting. However, in other studies the opportunities that arise due to the lack of effective internal control have no effect on fraudulent financial reporting. (Damayanti et.al 2017 and Bawekes et.al 2018)

H2: Opportunity has a positive effect on Fraudulent Financial Reporting

3. Rationalization on Fraudulent Financial Reporting

According to SAS No. 99 (2002) that an auditor must have awareness of the occurrence of fraud in financial statements, especially related to the rationalization indicator. Rationalization is a behavior that considers that the fraudulent act that has been carried out does not deviate from the existing regulations so that it is appropriate to do so and the perpetrators of fraud always look for justifications for their wrong actions.

Factors that can indicate risk include ineffective value communication, management that participates excessively but does not participate in financial aspects, and management's excessive interest in increasing or maintaining the entity's profit trend. Other factors that indicate the risk of fraud can be seen from management activities in minimizing profits to be reported to taxation, as well as the attitude of management trying to justify an accounting treatment that is trivial or not supported for material reasons. The relationship between the company's internal and auditors that is not always in line or looks tense, both the previous auditor and the successor auditor can be a factor causing the rationalization risk in financial statement fraud. Because of this explanation, it can be concluded that the poor relationship between auditors and management is due to the failure of management to operate the company's finances, and the behavior of earnings management in the company is related to the factors causing financial statement fraud from rationalization.

Auditors are parties who provide services in supervising the occurrence of fraudulent practices in companies. Public accountant service turnover was chosen in this study as a proxy to carve out rationalization indicators. In the calculation, AUDCHANGE itself uses a calculation method by looking at every change in the name of the Public Accounting Office (PAO) according to SAS No. 99 and changes in the auditor. Thus, the more often companies switch to the services of different Public Accounting Firms over a certain period of time, the greater the opportunity to practice fraud in financial reports that occur within the company. So, companies that change PAOs or auditors during the research period will be marked 1 and 0 if they do not make changes to PAOs or auditors in the company. This rationalization attitude is a dangerous attitude for the survival of the company so it needs to be stopped immediately. Factors that cause fraud risk include ineffective communication and excessive management interest in maintaining the company's profit trend. One of the responsibilities of the auditor is to provide services to monitor fraud practices in the company's financial statements. A public accountant works to serve the audit interest of the company's financial statements based on an agreed audit service contract. All efforts to replace the services of a public accountant can be categorized as rationalization because the company can provide an alibi that the accountant does not work professionally. Companies that often replace public accountants give a signal that the company has indications of committing fraud. Every time management replaces the services of a public accountant, it always raises a question mark because public accountants are professional auditors who are trained in their fields and have high integration. The question will arise why or for what reasons a public accountant to be dismissed?

Findings of fraud in financial reporting or fraud trails detected by the old auditor can be avoided by replacing auditors within the company. This motivates companies to replace external auditors to avoid detecting fraudulent financial reporting (Skousen & Twedt, 2009). In the two-year period there was a change in the services of a public accountant which could indicate the occurrence of fraud. Previous findings from research (Novitasari & Chariri, 2018), (Ulfah et al., 2017), (Koharudin & Januarti, 2021), and (Maryadi et al., 2020), show a positive influence between change in auditor and fraudulent financial reporting. The higher rationalization can be seen from the change in the services of public accounting firms. Based on this, it can indicate that fraudulent financial reporting is getting higher.

H3: Rationalization has a positive effect on Fraudulent Financial Reporting

4. Arrogance on Fraudulent Financial Reporting

According to (Koharudin & Januarti, 2021) that arrogance is shown in a person's lack of conscience to empathize with others and feel he has superiority and the right to be greedy which makes him confident that he is immune to control. Meanwhile, in the KBBI, arrogance includes an attitude that is arrogant, haughty, and arrogant towards someone who feels superiority in himself which is manifested in an attitude that likes to be pushy or arrogant. Usually occurs in people who are in the highest position, their careers are on the rise or are experiencing rapid development in their business (Sarwono, 2009). In large companies, the arrogant attitude of a leader is very common.

Arrogance can have a negative impact, both on individual companies and corporate companies because it can damage company operations (Horwath, 2011). Then continued by Horwath, 2011 that there are 5 elements of arrogance from the perspective of the CEO, namely:

a. Arrogant actors tend to look like celebrities rather than the authority of a CEO.

b. Perpetrators feel immune to internal controls and are less likely to be detected.

c. Perpetrators have characteristics as people who like to disturb

d. The perpetrator has a habit of leading his subordinates in an authoritarian way
e. Arrogant perpetrators tend to acutely lose their position or status.

The number of photos of the president director appearing narcissistically in the company's annual report can show the level of arrogance or superiority concerned. Because of the fear of losing the position they already have or not wanting to feel belittled, a CEO prefers to show his success to be shown to the public related to the elements previously stated by (Crowe , 2011). Fraud can arise because of the excessive level of arrogance of a CEO, because a CEO feels that he will be invincible and will not be touched by internal control.

H4: Arrogance has a positive effect on Fraudulent Financial Reporting

5. Capability on Fraudulent Financial Reporting

Not everyone has the ability to be able to commit fraud without being detected by the company, and successful acts of fraud are always due to knowledge and experience so that the perpetrators of crimes are said to have the ability or competence.(Wolfe & Hermanson, 2004) revealed that it is impossible for individuals who do not have individual abilities or capabilities to be able to commit fraud, especially fraudulent financial reporting, without cooperating with insiders, namely those who have the capability to work with the system. In the case of changing directors, the company's performance is not always getting better because the new director is not necessarily as good as the previous one. Moreover, the longer the transition period when a vacuum occurs, the greater the potential for fraud that can be exploited. During periods of stress will increase the possibility of fraud. (Wolfe & Hermanson, 2004). It could be that the reason for changing the director is one of the efforts to eliminate traces made by perpetrators of fraud so that fraud cannot be detected and conditions remain safe for him. In line with the research results of (Siddiq, 2017 and Faradiza 20190, it is revealed that capability, in this case the ability of fraud perpetrators to change the situation of changing directors, affects fraudulent financial reporting. With this discussion, the hypotheses that can be raised are:

H5: Capability has a positive effect on Fraudulent Financial Reporting

6. Collusion on Fraudulent Financial Reporting

Collusion can be classified as a moral crime because with collusion people are willing to make payments for trade to benefit themselves or their group. Collusion comes from the Latin collusion which means a secret conspiracy to carry out unethical work (Sihombing and Rahardjo, 2014). The unethical act could be in the form of an act that is punishable by a criminal act, such as taking advantage of manipulating financial reports or fraudulent financial reporting. Based on this, collusion can be projected as an act that is not good and is detrimental to the company. (Wilopo, 2006) stated that several cases of collusion such as the cases at WorldCom, Enron, Xerox were also caused by unethical acts. Likewise, the collusion case that occurred four years before at CIMA (2002) also occurred because companies had low ethics, which led to high fraudulent financial reporting. Moreover, another case of collusion is the protection of authority and position to commit fraudulent financial reporting (Beaulieu & Reinstein, 2010). Including other unethical acts such as political connections are also detrimental to the company. The company has political connections with the government, privileged to get help from the government in dealing with difficult economic conditions. When loans are made continuously and are not restrained, there will be certain parties who take advantage of engineering accounting records so that fraudulent financial reporting occurs. (Butje & Tjondro, 2014). Another opinion originating from (Vousinas, 2019) states that collusion includes white collar crimes which occurred a lot in the early days after the end of the second world war. Companies that get many buyers for working on government projects, have the potential to commit collusion because fraud perpetrators have a great opportunity to manipulate accounting records and financial reports. (Sari & Nugroho (2020). With this discussion, the hypotheses that can be raised are:

H6: Collusion has a positive effect on Fraudulent Financial Reporting

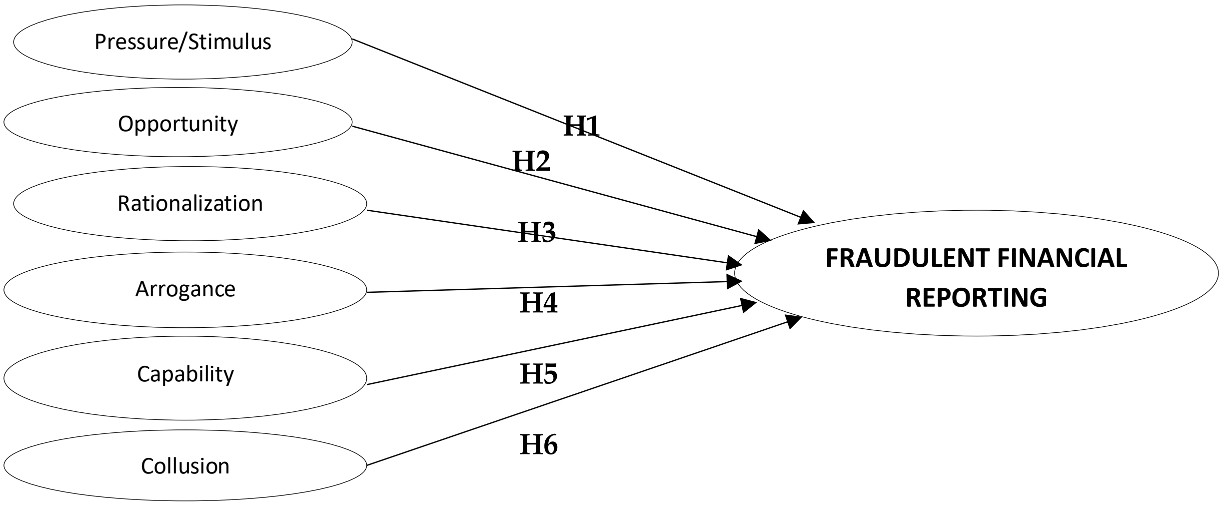

Figure 2: Research Model

Sources: Data Processed by Author, 2023

3.3. STATISTICAL ANALYSIS

This study uses a quantitative method to test the hypothesis of the independent variable against the dependent variable based on empirical data. Quantitative analysis is used to measure research data so as to produce information that can be interpreted in analysis and discussed to determine conclusions, suggestions and implementation. Operationalization of independent variables, are elements of the Hexagon Theory of Fraud including, Pressure (PRE), Opportunity (OPP), Rationalization (RAT), Arrogance (ARR), Capability (CAP) and Collusion (COL), with one dependent variable, namely Fraudulent Financial Reporting (FFR). The author chooses to use empirical data on state-owned companies that go public on the Indonesian stock exchange in 2022 with the consideration that all fraud detection elements, namely S.C.C.O.R.E affect fraudulent financial reporting in the Hexagon Theory of Fraud scheme. The selection of the sample was determined by purposive sampling based on certain criteria so that the population of 20 companies became 16 sample companies. Questionnaires were distributed to the 16 companies with 6 officials per company each, so there were 96 respondents.

To determine the quality of the data, validity and reliability tests are carried out on the outer model so that it is suitable for further processing in smart PLS 3.00 on the next stage. This validity and reliability test includes 3 criteria, namely convergent validity, discriminant validity and composite reliability. The next stage is to carry out hypothesis testing on the inner model to determine the influence of each element of hexagon fraud on fraudulent financial reporting. Then a discussion of the results of hypothesis tests on 6 research hypotheses is carried out.

4. RESEARCH RESULTS

Outer Model

Before testing the hypothesis, validity and reliability tests were first carried out to determine the feasibility and reliability of the data. Smart PLS version 3.00 processes the outer model based on 3 criteria, namely Convergent Validity, Discriminant Validity and Composite Reliability.

Convergent Validity, reflective measurement model based on the correlation between item scores estimated using Smart PLS version 3.00. Individual reflective measure is said to be high if it correlates > 0.700 with the construct being measured. The research model that has been made in the framework of thought is continued and the same model is made again in the Smart PLS version 3.00 application accompanied by all the indicators used in the operationalization of variables. The following presents the initial model of this research as shown in Figure 1 below.

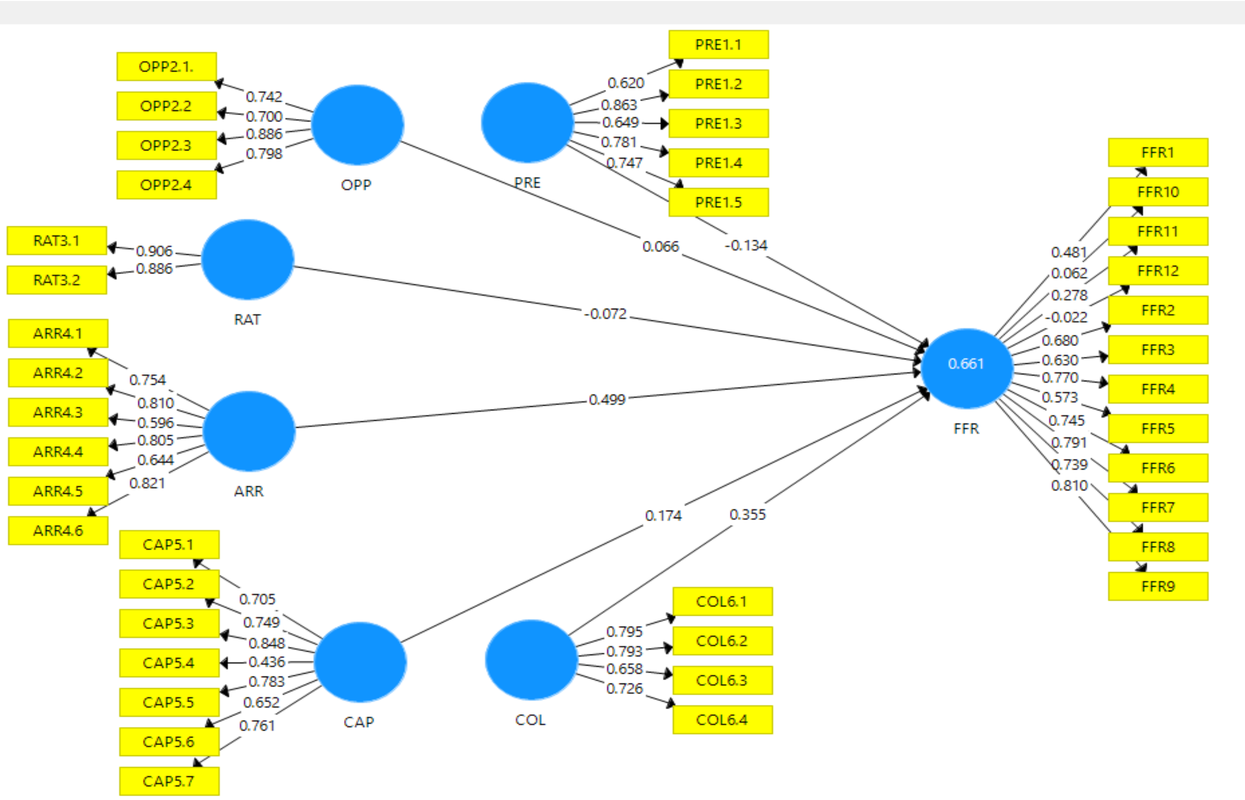

Figure 3: PLS Algorithm, First Run
Source: Data processed by Smart PLS 3.00

To obtain a final result that meets the criteria > 0.700 and up to the last run, the indicators that eliminate successively are PRE1.1, PRE1.3, ARR4.3, ARR4.5, CAP5.4, CAP5.6, COL6.3, FFR1, FFR2, FFR3, FFR5, FFR10, FFR11 and FFR12. on first run, then OPP2.2 dan COL6.4 on second run. Then the removed third run is the FF4 indicator. Finally, on the fourth run, the FFR6 indicator was removed. The following is presented last run outer loading in Figure 3 below:

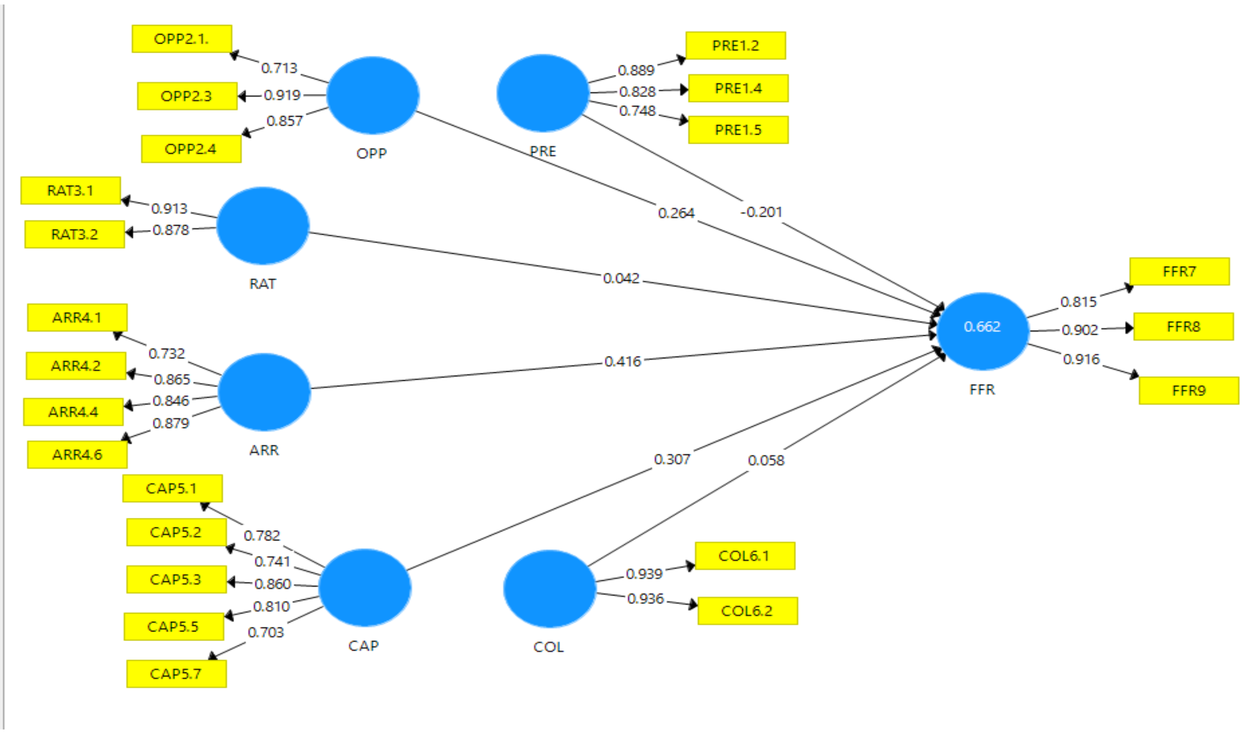

Figure 4: PLS Algorithm, Last Run
Source: Data processed by Smart PLS 3.00

Based on figure 4 it is known that all the loading values of each construct have shown a value of 0.700 so that the data using convergent validity is said to be good.

Discriminant Validity, for ensuring that all concepts of each latent variable are different from other variables. Good discriminant validity if each loading value of each indicator of a latent variable has the greatest value over other loading values as shown in table 3 below.

Table 3: Discriminant Validity

	ARR	CAP	COL	FFR	OPP	PRE	RAT
ARR	1.833						
CAP	0.758	0.781					
COL	0.457	0717	0.937				
FFR	0.751	0.739	0.493	0.879			
OPP	0.764	0.738	0.468	0.715	0.834		
PRE	0.781	0.728	0.575	0.606	0.752	0.823	
RAT	0.738	0.647	0.384	0.637	0.740	0.689	0.896

Source: Data processed by Smart PLS, 2023

Composite Reliability, the reliability value of each construct can be seen in the Average Variance Extracted (AVE) results, and a construct is said to have a high reliability value if the value is > 0.700 and the AVE is above 0.500.

Table 4: Composite Reliability and Average Variance Extracted [AVE]

	Composite Reliability	AVE

Pressure [PRE]	0.863	0.678
Opportunity [OPP]	0.872	0.696
Rationalization [RAT]	0.890	0.803
Arrogance [ARR]	0.900	0.693
Capability [CAP]	0.886	0.610
Collusion [COL]	0.935	0.879
Fraud Financial Reporting [FFR]	0.910	0.772

Source: Data processed by Smart PLS, 2023

Based on Table 4 that composite reliability is above > 0.700 and AVE > 0.500, it can be said that the construct presented can be recommended as a reliable construct.

Inner Model, in testing the inner model or structural model, it is carried out to determine the effect between constructs, significance value and R-square. The following is presented in Figure 4 as a structural model that has been tested.

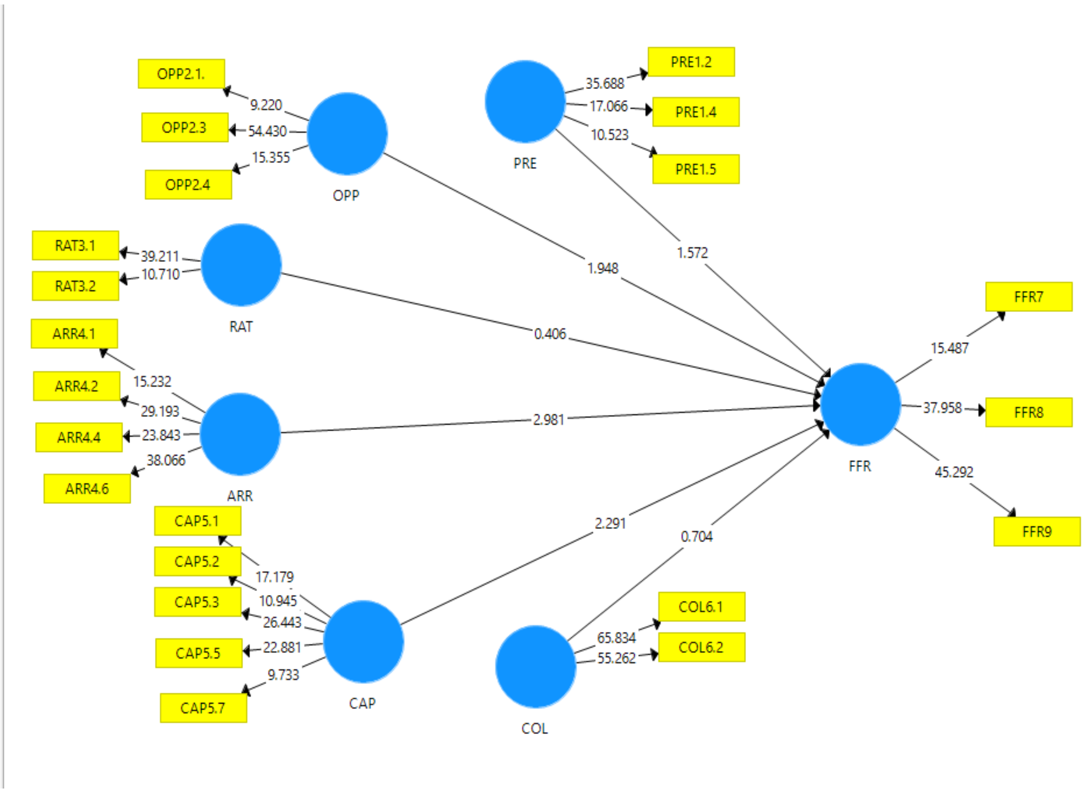

Figure 5: Tested Structural Model
Source: Data processed by Smart PLS, 2023

To test a model, Smart PLS version 3.00 starts by looking at the R-square for each dependent variable. In this research, the variable is Fraud Financial Reporting, as shown in table 5 below;

Table 5: R-Square

Variable	R-square
Fraudulent Financial Reporting [FFR]	0.662

Source: Data processed by Smart PLS, 2023

Based on the R-square results of 0.662, it means that Fraudulent Financial Reporting is influenced by the combined contribution of pressure, opportunity, rationalization, arrogance, capability and collusion of 66.2%.

Hypothesis Test

Hypothesis testing was carried out to determine the effect of one variable on another variable, and in this study the data needed for the need for hypothesis testing has been processed by Smart PLS can be presented in table 6 in the form of results for inner weights below.

Table 6: The Result for Inner Weights

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
Pressure ➔ Fraudulent Financial Reporting	-0.20	-0.18	0.13	1.57	0.12
Opportunity ➔ Fraudulent Financial Reporting	0.26	0.24	0.14	1.95	0.05
Rationalization ➔ Fraudulent Financial Reporting	0.04	0.05	0.10	0.41	0.68
Arrogance ➔ Fraudulent Financial Reporting	0.42	0.41	0.14	2.98	0.00
Capability ➔ Fraudulent Financial Reporting	0.31	0.32	0.13	2.29	0.02
Collusion ➔ Fraudulent Financial Reporting	0.06	0.06	0.08	0.70	0.48

Source: Data processed by Smart PLS, 2023

Technically, hypothesis testing is done by bootstrapping the sample to minimize data abnormalities. (Aisyah et.al, 2019). The results of testing the hypothesis by bootstrapping based on smart PLS version 3.00 are as follows:

Hypothesis Test 1: Pressure has a positive effect on Fraudulent Financial Reporting

The first hypothesis test shows the effect of Pressure on Fraudulent Financial Reporting with a path coefficient of -0.20 with a t-value of 1.57. This calculated t value is smaller than t table (1,661), then on other criteria it is known that P value (0.12) ≥ alpha (0.05), so based on these two criteria it is stated that the first hypothesis is rejected, meaning that Pressure has no effect on Fraudulent Financial reporting

Hypothesis 2 test: Opportunity has a positive effect on Fraudulent Financial Reporting

The second hypothesis test shows the effect of Opportunity on Fraudulent Financial Reporting with a path coefficient of 0.26 with a t-value of 1.95. This calculated t value is greater than t table (1,661), then on other criteria it is known that P value (0.05) ≥ alpha (0.05), so based on these two criteria it is stated that the second hypothesis is accepted, meaning that Opportunity has a positive and significant influence on Fraudulent Financial Reporting

Hypothesis 3 test: Rationalization has a positive effect on Fraudulent Financial Reporting

The third hypothesis test shows the effect of Rationalization on Fraudulent Financial Reporting with a path coefficient of 0.04 with a t-value of 0.41. This calculated t value is smaller than t table (1.661), then on other criteria it is known that P value (0.68) ≥ alpha (0.05), so based on these two criteria it is stated that the third hypothesis is rejected, meaning Rationalization has no effect on Fraudulent Financial reporting

Hypothesis 4 test: Arrogance has a positive effect on Fraudulent Financial Reporting

The fourth hypothesis test shows the effect of Arrogance on Fraudulent Financial Reporting with a path coefficient of 0.42 with a t value of 2.98. This calculated t value is greater than t table (1,661), then on other criteria it is known that P value (0.00) ≤ alpha (0.05), so based on these two criteria it is stated that the fourth hypothesis is accepted, meaning Arrogance has a positive and significant influence on Fraudulent Financial Reporting

Hypothesis 5 test: Capability has a positive effect on Fraudulent Financial Reporting

The fifth hypothesis test shows the effect of Capability on Fraudulent Financial Reporting with a path coefficient of 0.31 with a t value of 2.29. This calculated t value is greater than t table (1,661), then on other criteria it is known that P value (0.02) ≤ alpha (0.05), so based on these two criteria it is stated that the fifth hypothesis is accepted, meaning Capability has a positive and significant influence on Fraudulent Financial Reporting

Hypothesis 6 test: Collusion has a positive effect on Fraudulent Financial Reporting

The sixth hypothesis test shows the effect of Collusion on Fraudulent Financial Reporting with a path coefficient of 0.06 with a t value of 0.07. This calculated t value is smaller than t table (1.661), then on other criteria it is known that P value (0.48) ≥ alpha (0.05), so based on these two criteria it is stated that the sixth hypothesis is rejected, meaning Collusion has no influence on Fraudulent Financial reporting

5. DISCUSSION

The results of this research show that of the six factors that trigger people to commit fraudulent financial reporting, there are three factors, namely opportunity, arrogance and capability. Meanwhile, other factors that do not influence fraudulent financial reporting are pressure, rationalization and collusion. According to (Rahma, A, 2021) there are eight special functions that a state-owned company must have and one of the most important is that the state-owned company provides goods and services that the community needs. This function of a state-owned company was chosen because of its relevance to the preparation of financial reports. Another special function of state-owned companies is as a means for the government in making economic policies, and a source of development for small businesses such as SMEs, providing employment opportunities, encouraging the creation of new business opportunities, managing state-owned natural resources and pioneering the development of the business world. sectors that have not been developed by the private sector (Rahma, A, 2021). (Rahma, A, 2021) continued that there are five characteristics of state-owned companies, namely as a source of state revenue, full government control, risks borne by the government, serving the public interest and shares owned by the public. Opinion that is in line with (Chantia et.al, 2021: Alyani et.al, 2023)

The problem of financial reporting fraud that we examine by applying the Hexagon fraud theory to state-owned companies such as public companies, then presents a different explanation when this fraud theory is applied to private commercial companies. Not everyone in a state-owned company can commit fraudulent acts, let alone financial reporting fraud. Everyone understands that any act of fraud in any company will definitely cause disruption in financial reporting, it's just that the conditions are very different in state companies and even private companies. Returning to the results of this research, financial reporting fraud occurs because of opportunities, and according to (Mulya et.al, 2019) it is revealed that opportunities to commit fraud exist because of weak internal controls, in other words if fraud does not occur within the company. Owning a state does not mean that all employees of a company owned by that state are all good people, but because they are trustworthy but because there is no opportunity. This opinion is in line with (Chantia et.al, 2021: Alyani et.al, 2023) that weak internal supervision creates opportunities to commit fraud on financial reports. Another opinion is from (Akbar, et.al, 2021: Sudrajat et.al. 2023) that whether internal supervision is effective or not has no impact whatsoever on fraudulent financial reporting, there is even another opinion from (Dewi, C.K, and Yuliaty A, 2021) that the effectiveness of internal supervision has a negative effect on fraudulent financial reporting.

Arrogance is not only in the form of the number of selfies displayed in annual reports, but arrogance can also be seen by political parties who occupy strategic positions. Financial Reporting fraud like this can happen and the perpetrators are almost certainly committed by public officials. The arrogance carried out by political party officials who are placed in state-owned companies could have the potential to commit fraud in financial reports. However, there is an opinion that is not in line with arrogance influencing fraudulent financial reporting from (Chantia,, et.al, 2021 and Akbar et.al, 2021) that stylish CEOs in annual reporting have no effect on fraudulent financial reporting. Another opinion that is in line with these results is from (Dewi C.K and Yuliati A, 2021) that CEO arrogance has an impact on fraudulent financial reporting.

The research results show that opportunities obtained due to a weak internal control system can influence fraudulent financial reporting. An opinion that is in line with these results is from (Alyani, et.al 2023) as expressed that the availability of opportunities influences fraudulent financial reporting. Negative results from (Dewi C.K and Yuliati A, 2021) reveal that even though there is no chance at all, fraudulent financial reporting is still affected. There were even findings of an insignificant influence on fraudulent financial reporting (Akbar, al.al. 2021; Chantia, et.al, 2021; Sudrajat, et.al, 2023).

6. CONCLUSION

In general, fraud is more common in companies of any kind and in any type of business because fraud includes acts of fraud that are detrimental to the company and profitable for the perpetrators of fraud. Actions in the form of fraudulent financial reporting that occurred in SOEs were due to factors of opportunity, arrogance and capability, not due to factors of pressure, rationalization and collusion. By understanding the characteristics of SOEs by carrying out the hexagon fraud theory, it turns out that collusion, which is the final factor of the hexagon theory, is still questionable about its significance when applied to SOEs because the characteristics of SOEs are different from government institutions. The Government of the Republic of Indonesia as the largest controlling holder in SOEs can appoint and dismiss the Board of Commissioners and Board of Directors based on political interests, because political officials work for political interests while public officials work for the public interest.

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2. Bukti Konfirmasi review dan hasil review pertama, tanggal 27 September 2023

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Article Title: **Analysis of Hexagon Fraud Model, the S.C.C.O.R.E Model Influencing Fraudulent Financial Reporting on State-Owned Companies of Indonesia**
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4. Appropriate formatting and structure	3
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❖ **Summary**

The research paper has not used the correct format. Researchers try to identify gaps in the hexagon fraud model, but still lack the latest references from trusted journals. The method is given clearly and has followed the correct steps. However, this research needs to provide justification for the sample choice, namely officials only or with employees. Researchers also need to rephrase some statements. The researcher must also link the discussion to the results.

❖ **Strengths**

Data collection, research process is followed properly

❖ **Weaknesses**

Some of the statements could be justified by relevance reference.
Some of the statements could be rephrased to improve readability.
The discussion needs to align itself with the results.
The article does not use manager references

❖ **Suggestions to Author/s**

It suggested that the research provide suitable justification to his choices. For example, the research has used purposive sampling. Why? The research has used SmartPLS for SEM. Why SmartPLS and why not AMOS?. In a similar manner, the research should justify his choices (please refer to the comments provided in the actual paper).

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Appendix

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Analysis of Hexagon Fraud Model, the S.C.C.O.R.E Model Influencing Fraudulent Financial Reporting on State-Owned Companies of Indonesia

Lely Indriaty[1]*, Gen Norman Thomas[2]

[1]Accounting Department, Faculty of Economics and Business, Universitas Persada Indonesia YAI, Jakarta, Indonesia
[2]Accounting Department, School of Accounting, Bina Nusantara University, Indonesia

Correspondence Author:
Lely Indriaty
Email: lelynorman@gmail.com

Abstract: This research aims to analyze the influence of each Hexagon Fraud factor that causes fraudulent financial reporting, namely Pressure, Opportunity, Rationalization, Arrogance, Capability and Collusion based on respondents' perceptions of the content. The research methodology used is a quantitative method, sample determination was carried out using a purposive sampling method with certain criteria. The questionnaire was distributed to 3 leaders and 3 officials based on the selected sample. Primary data was obtained to test 6 research hypotheses based on the answers of 96 respondents from 16 State-Owned Enterprises (SOEs) from the selected sample. Data processing uses Smart PLS version 3.00 to test validity and reliability and test research hypotheses. The results of research on hexagon fraud theory show that Opportunity, Arrogance and Capability have a positive and significant effect on Fraudulent Financial Reporting, while Pressure, Rationalization and Collusion do not have a significant effect on Fraudulent Financial Reporting. Research findings reveal that fraud perpetrators are parties who have a deep understanding of the company's internal control policies, especially knowledge about the effectiveness or ineffectiveness of internal controls, both from within and from outside SOEs. Fraud perpetrators may come from leaders or officials who are knowledgeable about the organizational structure and governance of officials in strategic positions.

Keywords: Arrogance, Capability, Collusion, Hexagon, Opportunity, Pressure, Rationalization

7. INTRODUCTION

Fraudulent financial reporting can raise doubts among investors about management, and also has the potential to criticize the accounting profession. The Association of Certified Fraud Examiners (ACFE) states that fraudulent financial reporting practices can threaten a country's economic activities.
(ACFE, 2018) also shows that fraudulent practices have caused a loss of around 5% of a company's gross income (Association of Certified Fraud Examiners Indonesia, 2019). Many conflicts of interest are caused by personal interests of employees, management or executives cannot be disclosed so that they have a negative impact on the company(Wells, 2017). Conflicts of interest between several officials and employees in management can be one of the causes for management to commit fraud. Based on agency theory, where management acts as an agent, meanwhile and investors or the government as principals, in accordance with this agency theory, principals and agents act as long as they provide benefits and convenience and have the potential for fraudulent financial reporting. Moreover, fraudulent financial reporting is an act of fraud that is consciously carried out by top management to present a convincing financial statement rather than real financial statement.(Albrecht, W.S, Albrecht, C.O, Albrecht, 2018). The company management can present improvements in its performance in a financial statement, but in some cases this information only aims to give an impression to readers of the financial statement (Kayoi & Fuad, 2019). Fraudulent financial reporting has a high long-term risk to the company's business activities. To prevent greater fraud, companies must be able to develop strategies to prevent fraud (Sihombing & Rahardjo, 2014). However, it is not only necessary to develop a fraud prevention strategy, but also to detect fraudulent practices early on in the company, and to understand the methods used to detect fraud. In carrying out audit planning and realizing the audit program, auditors and forensic accountants must be more careful in dealing with risk factors and fraud. (Devy, et.al, 2017). Fraud is an act of a person within a company who misleads users of financial reports because fraudulent acts can change the financial reports. Fraud is carried out to deceive users of financial reports by correcting them so that the company's poor performance does not appear. In general, fraud by companies is very dangerous for the country's economy. In several cases of fraud that have been revealed, starting with ordinary fraudulent practices to fraud carried out by companies that will go public through IPO activities to deceive their investors (Puspita, E., Sormin, 2018).

ACFE, 2019 revealed that state-owned companies in position number 3 often commit fraud, and these companies are the go public state-owned companies. There are several cases of window dressing carried out by PT Asabri and PT Garuda, and window dressing itself can change the picture of company profits to deceive users of financial reports (Kayoi & Fuad, 2019). Meanwhile (Suhartono et al., 2021) revealed a dual position, namely the main director of PT Garuda Indonesia (Persero) and the main commissioner of PT Sriwijaya Air. This condition creates unhealthy competition because both of them work together to determine ticket prices. Financial reporting that contains fraud can create long-term risks that damage the company's business. Therefore, companies need to develop fraud prevention strategies to detect potential fraud early. (Sihombing & Rahardjo, 2014). Not only in preparing strategies to detect fraud, but also starting from the preparation of audit planning and audit programs, auditors or forensic accountants must be more careful in anticipating the risk of fraud (Devy et al., 2017). Many cases of fraud as described are still ongoing today, even the theory of fraud has developed in 6 phases of development to reach the hexagon theory of fraud (Vousinas, 2019).

The choice of State-Owned Enterprises as research objects is because in a SOE there are many interests, including the interests of the government as the majority shareholder, the interests of management, and the interests of individuals, both the interests of party officials and career officials. Meanwhile, SOEs is also a company that has a very large market capitalization so it is not surprising that there is a lot of fraud, especially financial statement fraud. The difference between this research and previous research is that this research raises the psychological aspect of perceptions of fraud in fraudulent financial reporting by distributing questionnaires to SOEs employees after the Covid-19 recovery period is over. The data is processed using Smart PLS version 3.00 because the data collected is primary data. In previous research which also used hexagon fraud theory (Rizkiawan, 2021), it was revealed that 5 of the 6 hexagon Fraud factors, namely opportunity, rationalization, pressure, capability and collusion, had an effect on fraudulent financial reporting on SOES, while arrogance had no effect to that reporting. However, the research data processing carried out (Rizkiawan, 2021) uses logistic regression with Fraud financial reporting as the dependent variable with using the M score while the 6 hexagon factors of Fraud and Corporate Governance as independent variables.

8. THEORICAL FOUNDATION OF RESEARCH

8.1. The Brief Development of Fraud Theory toward to Hexagon Theory of Fraud

The development of fraud theory has developed into 6 theories. The theory of fraud begins with the emergence of white-collar crime, where at that time the victim of the crime did not feel that he was a victim of economic and business crimes because the crime was committed professionally (Sutherland, 1940) explained that this white-collar crime was different from street crimes that occurred during the second world war in the European region. White-collar crimes are carried out in a structured manner and include criminal acts because they harm the general public without them knowing it, which is then known as fraud. In the following developments, this white-collar crime became the basis for the triangle theory. The triangle theory of fraud by (Cressey, 1950), was one of the impacts of the European economic recovery after the second world war. (Cressy, 1950) has deepened his understanding of white-collar crime and revealed that there are 3 factors that give rise to fraud in organizations or companies that carry out activities in the economic and business fields where these crimes are detrimental to the general public or citizens, namely pressure, opportunity and rationalization. Pressure to do an act because of compulsion. Financial pressure, for example; fraud due to lifestyle and drug addiction. Opportunities to commit fraud can be reduced by strengthening internal control, for example: the courage to commit fraud is limited for fear of being detected by tight internal controls. abuse of authority and lack of supervision. Rationalization is interpreted as justification for the perpetrator of fraud so that he feels that his actions are legitimate. Of the three factors that trigger fraud, what needs to be highlighted is the opportunity because it starts with an opportunity so that financial pressure can be channeled after obtaining some justification. The next stage of development is marked by the presence of the Scale Theory of Fraud as stated by (Albrecht, W.S, Albrecht, C.O, Albrecht, 2018) as a correction to the Triangle Theory of Fraud because the triangle theory of fraud was considered not clear enough. In the Fraud Scale Theory, situational pressure factors as corrections for financial pressures, opportunity factors are corrected to become opportunities for fraud, and personal integrity factors as corrections for rationalization. Situational pressure to assess the condition of each individual when committing fraud, whether they feel guilty or not. The opportunity to commit fraud depends on the risk borne by the perpetrator of the fraud. Personal integrity factor to assess the potential to commit fraud based on past character. These three factors are interdependent on each other, namely the possibility of high fraud occurring under conditions of situational pressure and the opportunity to commit fraud is high but personal integrity is low, or the probability of fraud is low because one has high integrity even though situational pressure and opportunity to commit fraud remains low. Then, on the fraud scale theory, personal integrity is an important factor related to detecting fraud, including fraud financial reporting. In subsequent developments, the pentagon theory of fraud or A-B-C analysis emerged, with additional factors in the fraud triangle theory, namely capability and arrogance (Wolfe & Hermanson, 2004) . Capability is a very important factor to be able to commit fraud because fraud perpetrators have the capability to minimize the risk of their actions, and according to(Dorminey, 2011) that capability is related to adequate ability to commit fraud so that the higher a person's capability, the higher his ability to commit fraud. Subsequent developments from fraud theory led to the Diamond theory of fraud and M (Money), I (Ideology), C (Coercion) and E (Rights).

This Diamond Fraud Theory wants to clarify that the main factor that must be considered is the behavior of the perpetrators of fraud (Dorminey, 2012). The Hexagon Theory of Fraud still uses the factors of Pressure [Stimulus], Capability, Collusion, Opportunity, Rationalization and Ego [Arrogance] which influence the occurrence of Fraud, and what is meant by fraud in this study is Fraud Financial Reporting. Fraud theory has reached a new phase marked by the release of the Hexagon theory of Fraud known as the S.C.C.O.R.E Model by (Vousinas, 2019) as shown in figure 1 below.

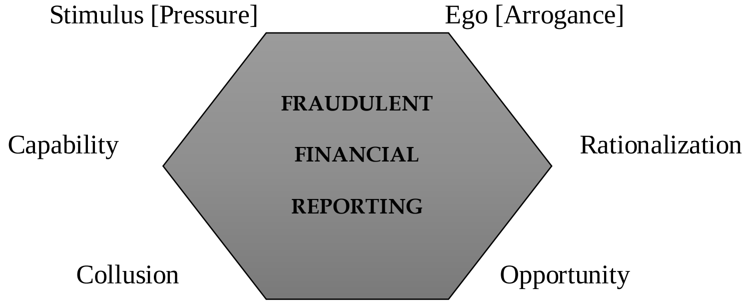

Figure 1: Fraud Hexagon Model
Source: Vousinas, 2019

The explanation of the five factors referred to above is the same as in the previous fraud theory, it's just that there is an additional collusion factor. According to Vousinas, 2019, Collusion is an agreement between a first party and a second party with the aim of deceiving a third party.

8.2. Fraudulent Financial Reporting

According to (Association of Certified Fraud Examiners (ACFE), 2018),fraud in financial reporting can be interpreted as fraud committed by management through exercising control in the form of artificial or deliberately engineered misstatements in financial reports. Fraudulent Financial Reporting can be interpreted as planned fraud, actions that violate the law, and intend to benefit certain parties (Kayoi & Fuad, 2019). This action not only deceives users of financial statements, especially it can mislead investors in reading a financial report. According to (Bryan et al., 2002) the Statement on Auditing Standards (SAS) No.99, fraudulent financial reporting can be done: a. Deliberately manipulating, falsifying, or changing accounting records or supporting documents when preparing financial reports. b. Intentional errors or omissions in information that are significant to the financial statements. c. Committing a misuse of principles relating to amount, classification, method of presentation, or disclosure.(Todorović et al., 2020) underlines the importance of Anti-Fraud Strategy to be developed for decreasing many cases of fraud and corruptions.

9. METHODOLOGY

9.1. DATA SOURCES

This research is categorized as quantitative research because this research aims to obtain data, and process it with Smart PLS to test hypotheses, then analyze the results of this research to answer the research phenomenon. The population of state-owned enterprises officially registered in 2018-2022 is 107 companies. The sample was determined using a purposive sampling method with certain criteria, namely 107 companies - 4 companies with incomplete data - 87 companies did not go public, so the valid sample is 16 companies. The 16 selected companies were then visited to distribute questionnaires to be answered by 3 leaders and 3 employees. The questionnaire was answered by 96 respondents or 16 companies x 6 respondents. Data collected from the first source is classified as primary data. According to (Sugiyono, 2018), primary data is a data source that directly provides data to data collectors so that the data obtained is data that comes from first hand, and has not been further processed for any purpose. Smart PLS is a data processing application that is more widely used for primary data where filling out questionnaires is based on a Likert scale. In addition, Smart PLS is a sophisticated application that can be used without many assumptions, such as normality tests and multicollinearity tests between these variables(Ramzan & Khan, 2010). It can even be used in all data scale categories, from nominal, ordinal, interval to ratio data scales. Another advantage of Smart PLS is that the data used can be under 100 respondents(Ghozali, 2006), like this research.
The research objects are 16 state-owned companies go public on the Indonesian Stock Exchange (IDX). The specificity of state-owned companies because companies whose share ownership by the Government of Republic of Indonesia is above 51%, and is certainly suitable for fraudulent financial reporting. Based on these

16 companies, research questionnaires were then distributed with taking respondents 3 leaders and 3 employees for each company.

Table 1 shows the indicators that are translated into research questions using a Likert scale. The sequence of research variables is based on the sequence of fraud theory journeys starting from diamond fraud theory to hexagon fraud theory.

Table 1: Operationalization of Variable

Variables	Indicators	Question	Sources
Fraudulent Financial Reporting (FFR)	8. Accounting Records 9. Disclosure 10. Inappropriate Budget Allocation 11. Cost Standards 12. Fraud 13. Manipulation 14. Gratification	12	(ACFE, 2019) (Vousinas, 2019) (Desviana et al., 2020)
Pressure (PRE)	3. Pressure from superiors 4. Accounting Standards	5	
Opportunity (OPP)	1.Organizational Structure 2. Internal Control 3. Policy 4. Facility	4	
Rationalization (RAT)	3. Follow up 4. Review	2	
Arrogance (ARR)	6. Directing of Work 7. Work of Guidelines 8. Discussion about Work 9. Decision making 10. Career	6	
Capability (CAP)	6. Initiative 7. Knowledge 8. Awake of Failure 9. Communication 10. Help to Friend	7	
Collusion (COL)	1.Self-aware 2. Reprimand 3. Burden of work 4. Integrity	4	

Source: Data processed by Author, 2023

9.2. RESEARCH HYPOTHESIS

7. Pressure on Fraudulent Financial Reporting

Shareholders or investors as principals in a cooperation contract hand over responsibility to management who acts as an agent to get good company performance. Along with high expectations from shareholders, there is pressure felt by management in formulating strategies so that these expectations are met. Pressure can give rise to the idea of committing fraud in the company's financial reports carried out by management in meeting the interests of shareholders. Financial Target is a condition where the pressure felt by the manager in achieving the economic goals obtained by the manager and the company's president director.

Financial targets are measured by the Return on Assets (ROA) indicator which presents a profitability ratio calculated by dividing profits with assets utilized. The manager's idea to commit fraud on financial statements by manipulating the ROA ratio is by increasing this ratio from the company's profits to the assets used. (Skousen & Twedt, 2009). Therefore, it can be concluded that the higher the financial target proxied by ROA profitability, the greater the opportunity for companies to practice fraud in the company's financial reports. This is supported by the results of research from (Wiharti & Novita, 2020), (Kayoi and Fuad, 2019), (Maryadi et al., 2020), (Santoso, 2019) which stated that financial targets had a significant positive influence on fraud in financial reporting. Financial targets from anywhere, especially from the shareholders or investors to the company's management, will certainly affect the way of management makes it happen. Based on agency theory that the management as an agent works in accordance with the authority and responsibility it receives from shareholders or investors as principals. In the real world, shareholders or investors always demand management to always obtain satisfactory performance regardless of the condition of the company. This demand puts pressure on management to be able to display performance that satisfies the shareholders or investors even though it does not always succeed in realizing it. Management that is less successful in meeting financial targets from shareholders or investors tends to commit fraud on financial statements so that financial statements look better. For the purposes of financial ratio analysis, the company can commit fraud against the number of records in the desired posts. A pressure can be in the form of pressure to increase financial ratios, such as ROA, ROE, ROI, Net Profit, EPS by comparing the results of the ratios of the last year with the results of the ratios of the previous year. According to (Subramanyam, 2010) state that Return on Assets (ROA) can be used to detect fraud, especially for fraudulent financial reporting.

H1: Pressure has a positive effect on Fraudulent Financial Reporting

8. Opportunity on Fraudulent Financial Reporting

Crime is not only the intention of the perpetrator but also the opportunity, so be aware, be aware. Another jargon that golden opportunity will not come twice in a lifetime. Any crime, including fraud, can occur because of the opportunity and the perpetrator of the crime will dare to carry out his actions when he is sure that his actions will not be detected by other parties. According to (Mulya et al., 2018) that the reason people commit fraud is because the internal control conditions are not so good that people who don't think about committing fraud think about doing it. Internal control and opportunity are inversely proportional, the tighter the internal control, the lower the opportunity, so it should be. Related to the ineffectiveness of internal control explained by(Siddiq, F,R, 2017) that the tightness of internal supervision depends on the ratio of the board of commissioners serving in the company with the record that the board of commissioners is able to detect fraud earlier and provide security for company assets. This discussion is in line with what was stated by (Putriasih,K, 2016) that ineffective internal control has an effect on fraudulent financial reporting. However, in other studies the opportunities that arise due to the lack of effective internal control have no effect on fraudulent financial reporting.(Damayani et al., 2019) (Bawekes, H.F, Simanjuntak A.M, Daat, 2018).

H2: Opportunity has a positive effect on Fraudulent Financial Reporting

9. Rationalization on Fraudulent Financial Reporting

According to SAS No. 99 (2002) that an auditor must have awareness of the occurrence of fraud in financial statements, especially related to the rationalization indicator. Rationalization is a behavior that considers that the fraudulent act that has been carried out does not deviate from the existing regulations so that it is appropriate to do so and the perpetrators of fraud always look for justifications for their wrong actions.

Factors that can indicate risk include ineffective value communication, management that participates excessively but does not participate in financial aspects, and management's excessive interest in increasing or maintaining the entity's profit trend. Other factors that indicate the risk of fraud can be seen from management activities in minimizing profits to be reported to taxation, as well as the attitude of management trying to justify an accounting treatment that is trivial or not supported for material reasons. The relationship between the company's internal and auditors that is not always in line or looks tense, both the previous auditor and the successor auditor can be a factor causing the rationalization risk in financial statement fraud. Because of this explanation, it can be concluded that the poor relationship between auditors and management is due to the failure of management to operate the company's finances, and the behavior of earnings management in the company is related to the factors causing financial statement fraud from rationalization.

Findings of fraud in financial reporting or fraud trails detected by the old auditor can be avoided by replacing auditors within the company. This motivates companies to replace external auditors to avoid detecting fraudulent financial reporting (Skousen & Twedt, 2009). In the two-year period there was a change in the services of a public accountant which could indicate the occurrence of fraud. Previous findings from research (Novitasari & Chariri, 2018), (Koharudin & Januarti, 2021), and (Maryadi et al., 2020), show a positive influence between change in auditor and fraudulent financial reporting. The higher rationalization can be seen from the change in the services of public accounting firms. Based on this, it can indicate that fraudulent financial reporting is getting higher.

H3: Rationalization has a positive effect on Fraudulent Financial Reporting

10. Arrogance on Fraudulent Financial Reporting

According to (Koharudin & Januarti, 2021) that arrogance is shown in a person's lack of conscience to empathize with others and feel he has superiority and the right to be greedy which makes him confident that he is immune to control. Meanwhile, in the KBBI, arrogance includes an attitude that is arrogant, haughty, and arrogant towards someone who feels superiority in himself which is manifested in an attitude that likes to be pushy or arrogant. Usually occurs in people who are in the highest position, their careers are on the rise or are experiencing rapid development in their business. In large companies, the arrogant attitude of a leader is very common.

Arrogance can have a negative impact, both on individual companies and corporate companies because it can damage company operations (Horwath, 2011). Then continued by Horwath, 2011 that there are 5 elements of arrogance from the perspective of the CEO, namely:

a. Arrogant actors tend to look like celebrities rather than the authority of a CEO.
b. Perpetrators feel immune to internal controls and are less likely to be detected.
c. Perpetrators have characteristics as people who like to disturb
d. The perpetrator has a habit of leading his subordinates in an authoritarian way
e. Arrogant perpetrators tend to acutely lose their position or status.

The number of photos of the president director appearing narcissistically in the company's annual report can show the level of arrogance or superiority concerned. Because of the fear of losing the position they already have or not wanting to feel belittled, a CEO prefers to show his success to be shown to the public related to the elements previously stated by (Crowe Horwarth, 2011). Fraud can arise because of the excessive level of arrogance of a CEO, because a CEO feels that he will be invincible and will not be touched by internal control.

H4: Arrogance has a positive effect on Fraudulent Financial Reporting

11. Capability on Fraudulent Financial Reporting

Not everyone has the ability to be able to commit fraud without being detected by the company, and successful acts of fraud are always due to knowledge and experience so that the perpetrators of crimes are said to have the ability or competence.(Wolfe & Hermanson, 2004) revealed that it is impossible for individuals who do not have individual abilities or capabilities to be able to commit fraud, especially fraudulent financial reporting, without cooperating with insiders, namely those who have the capability to work with the system. In the case of changing directors, the company's performance is not always getting better because the new director is not necessarily as good as the previous one. Moreover, the longer the transition period when a vacuum occurs, the greater the potential for fraud that can be exploited. During periods of stress will increase the possibility of fraud. (Wolfe & Hermanson, 2004). It could be that the reason for changing the director is one of the efforts to eliminate traces made by perpetrators of fraud so that fraud cannot be detected and conditions remain safe for him. In line with the research results of (Siddiq, 2017 and Faradiza 2019_, it is

revealed that capability, in this case the ability of fraud perpetrators to change the situation of changing directors, affects fraudulent financial reporting. With this discussion, the hypotheses that can be raised are:
H5: Capability has a positive effect on Fraudulent Financial Reporting

12. Collusion on Fraudulent Financial Reporting

Collusion can be classified as a moral crime because with collusion people are willing to make payments for trade to benefit themselves or their group. Collusion comes from the Latin collusion which means a secret conspiracy to carry out unethical work (Sihombing and Rahardjo, 2014). The unethical act could be in the form of an act that is punishable by a criminal act, such as taking advantage of manipulating financial reports or fraudulent financial reporting. Based on this, collusion can be projected as an act that is not good and is detrimental to the company. (Wilopo, 2006)) stated that several cases of collusion such as the cases at WorldCom, Enron, Xerox were also caused by unethical acts. Likewise, the collusion case that occurred four years before at CIMA (2002) also occurred because companies had low ethics, which led to high fraudulent financial reporting. Moreover, another case of collusion is the protection of authority and position to commit fraudulent financial reporting (Beaulieu & Reinstein, 2010). Including other unethical acts such as political connections are also detrimental to the company. The company has political connections with the government, privileged to get help from the government in dealing with difficult economic conditions. When loans are made continuously and are not restrained, there will be certain parties who take advantage of engineering accounting records so that fraudulent financial reporting occurs (Butje, 2014) .Another opinion originating from (Vousinas, 2019) states that collusion includes white collar crimes which occurred a lot in the early days after the end of the second world war. Companies that get many buyers for working on government projects, have the potential to commit collusion because fraud perpetrators have a great opportunity to manipulate accounting records and financial reports (Sari & Nugroho, 2020). With this discussion, the hypotheses that can be raised are:
H6: Collusion has a positive effect on Fraudulent Financial Reporting

9.3. STATISTICAL ANALYSIS

This study uses a quantitative method to test the hypothesis of the independent variable against the dependent variable based on empirical data. Quantitative analysis is used to measure research data so as to produce information that can be interpreted in analysis and discussed to determine conclusions, suggestions and implementation. Operationalization of independent variables, are elements of the Hexagon Theory of Fraud including, Pressure (PRE), Opportunity (OPP), Rationalization (RAT), Arrogance (ARR), Capability (CAP) and Collusion (COL), with one dependent variable, namely Fraudulent Financial Reporting (FFR). The author chooses to use empirical data on state-owned companies that go public on the Indonesian stock exchange in 2022 with the consideration that all fraud detection elements, namely S.C.C.O.R.E affect fraudulent financial reporting in the Hexagon Theory of Fraud scheme. The selection of the sample was determined by purposive sampling based on certain criteria so that the population of 20 companies became 16 sample companies. Questionnaires were distributed to the 16 companies with 6 officials per company each, so there were 96 respondents.

To determine the quality of the data, validity and reliability tests are carried out on the outer model so that it is suitable for further processing in smart PLS 3.00 on the next stage. This validity and reliability test includes 3 criteria, namely convergent validity, discriminant validity and composite reliability. The next stage is to carry out hypothesis testing on the inner model to determine the influence of each element of hexagon fraud on fraudulent financial reporting. Then a discussion of the results of hypothesis tests on 6 research hypotheses is carried out.

10. RESEARCH RESULTS

Outer Model

Before testing the hypothesis, validity and reliability tests were first carried out to determine the feasibility and reliability of the data. Smart PLS version 3.00 processes the outer model based on 3 criteria, namely Convergent Validity, Discriminant Validity and Composite Reliability**.**

Convergent Validity, reflective measurement model based on the correlation between item scores estimated using Smart PLS version 3.00. Individual reflective measure is said to be high if it correlates > 0.700 with the construct being measured. The research model that has been made in the framework of thought is continued and the same model is made again in the Smart PLS version 3.00 application accompanied by all the indicators used in the operationalization of variables. The following presents the initial model of this research as shown in Figure 2 below.

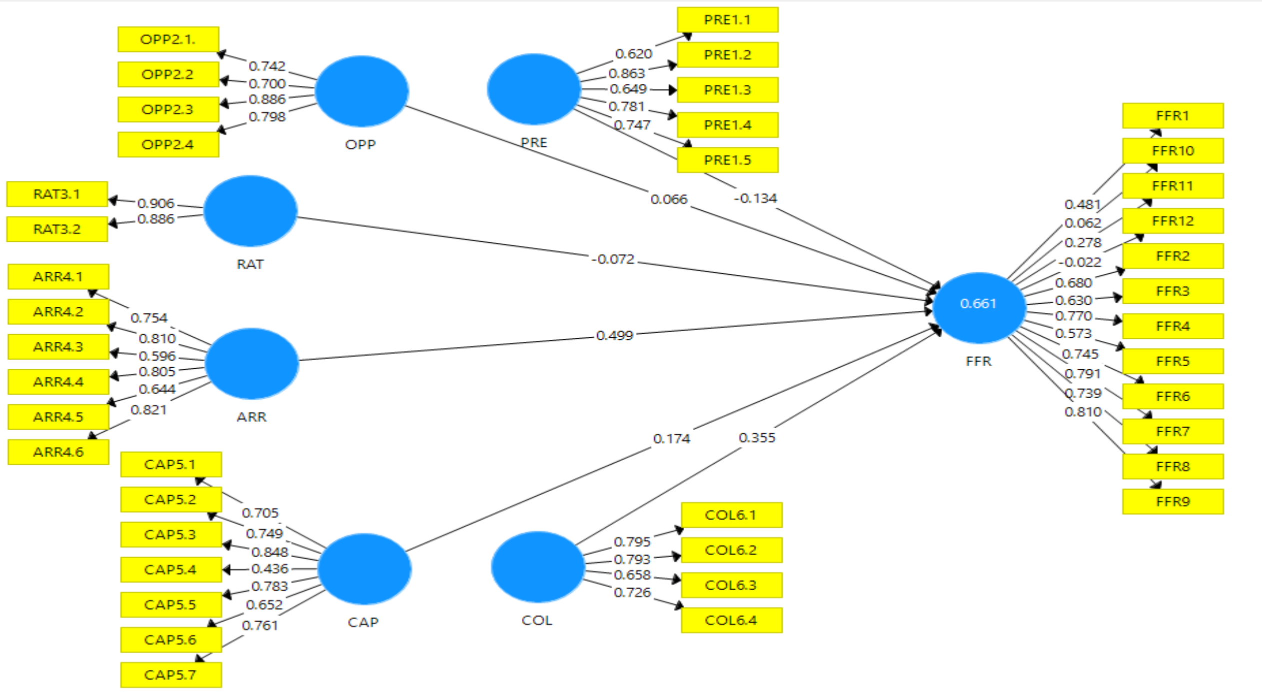

Figure 2: PLS Algorithm, First Run
Source: Data processed by Smart PLS 3.00

To obtain a final result that meets the criteria > 0.700 and up to the last run, the indicators that eliminate successively are PRE1.1, PRE1.3, ARR4.3, ARR4.5, CAP5.4, CAP5.6, COL6.3, FFR1, FFR2, FFR3, FFR5, FFR10, FFR11 and FFR12. on first run, then OPP2.2 dan COL6.4 on second run. Then the removed third run is the FF4 indicator. Finally, on the fourth run, the FFR6 indicator was removed. The following is presented last run outer loading in Figure 3 below:

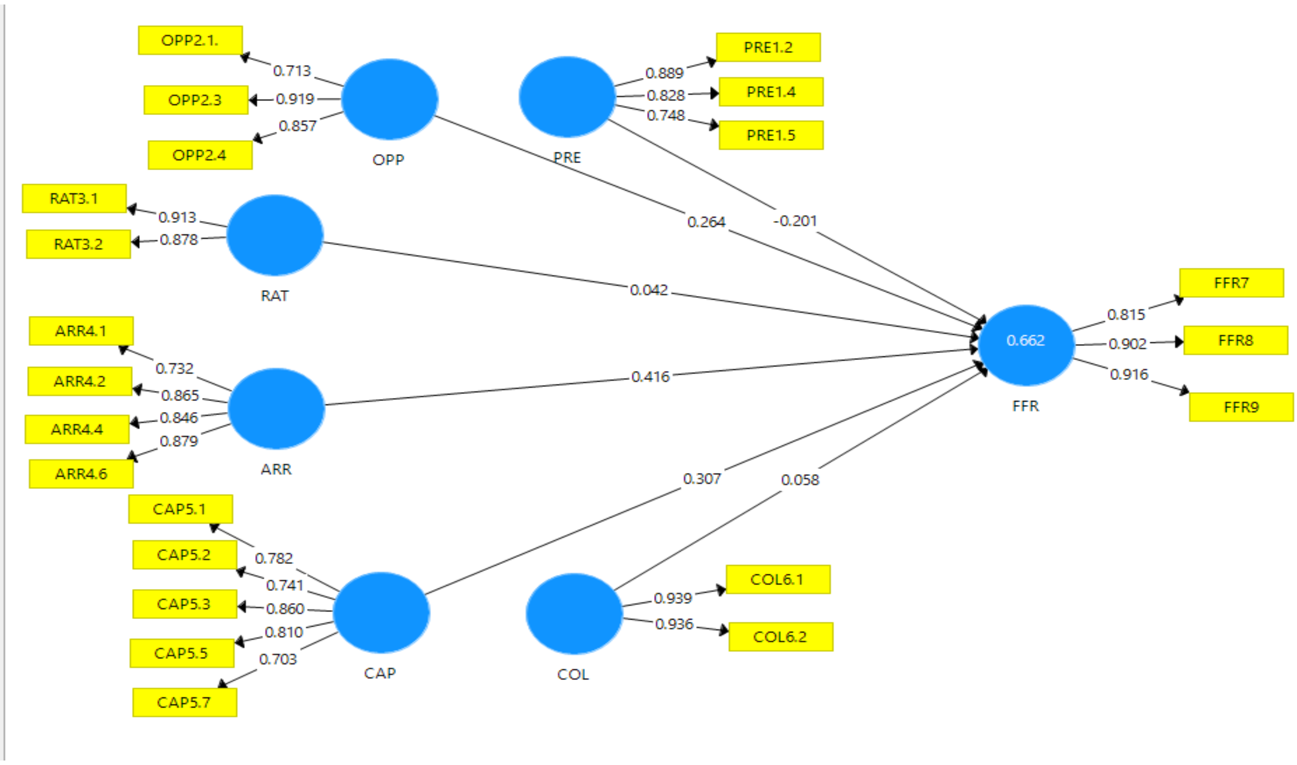

Figure 3: PLS Algorithm, Last Run
Source: Data processed by Smart PLS 3.00

Based on figure 3 it is known that all the loading values of each construct have shown a value of 0.700 so that the data using convergent validity is said to be good.

Discriminant Validity, for ensuring that all concepts of each latent variable are different from other variables. Good discriminant validity if each loading value of each indicator of a latent variable has the greatest value over other loading values as shown in table 2 below.

Table 2: Discriminant Validity

	ARR	CAP	COL	FFR	OPP	PRE	RAT
ARR	1.833						
CAP	0.758	0.781					
COL	0.457	0717	0.937				
FFR	0.751	0.739	0.493	0.879			
OPP	0.764	0.738	0.468	0.715	0.834		
PRE	0.781	0.728	0.575	0.606	0.752	0.823	
RAT	0.738	0.647	0.384	0.637	0.740	0.689	0.896

Source: Data processed by Smart PLS, 2023

Composite Reliability, the reliability value of each construct can be seen in the Average Variance Extracted (AVE) results, and a construct is said to have a high reliability value if the value is > 0.700 and the AVE is above 0.500.

Table 3: Composite Reliability and Average Variance Extracted [AVE]

	Composite Reliability	AVE
Pressure [PRE]	0.863	0.678
Opportunity [OPP]	0.872	0.696
Rationalization [RAT]	0.890	0.803
Arrogance [ARR]	0.900	0.693
Capability [CAP]	0.886	0.610
Collusion [COL]	0.935	0.879
Fraud Financial Reporting [FFR]	0.910	0.772

Source: Data processed by Smart PLS, 2023

Based on Table 3 that composite reliability is above > 0.700 and AVE > 0.500, it can be said that the construct presented can be recommended as a reliable construct.

Inner Model, in testing the inner model or structural model, it is carried out to determine the effect between constructs, significance value and R-square. The following is presented in Figure 4 as a structural model that has been tested.

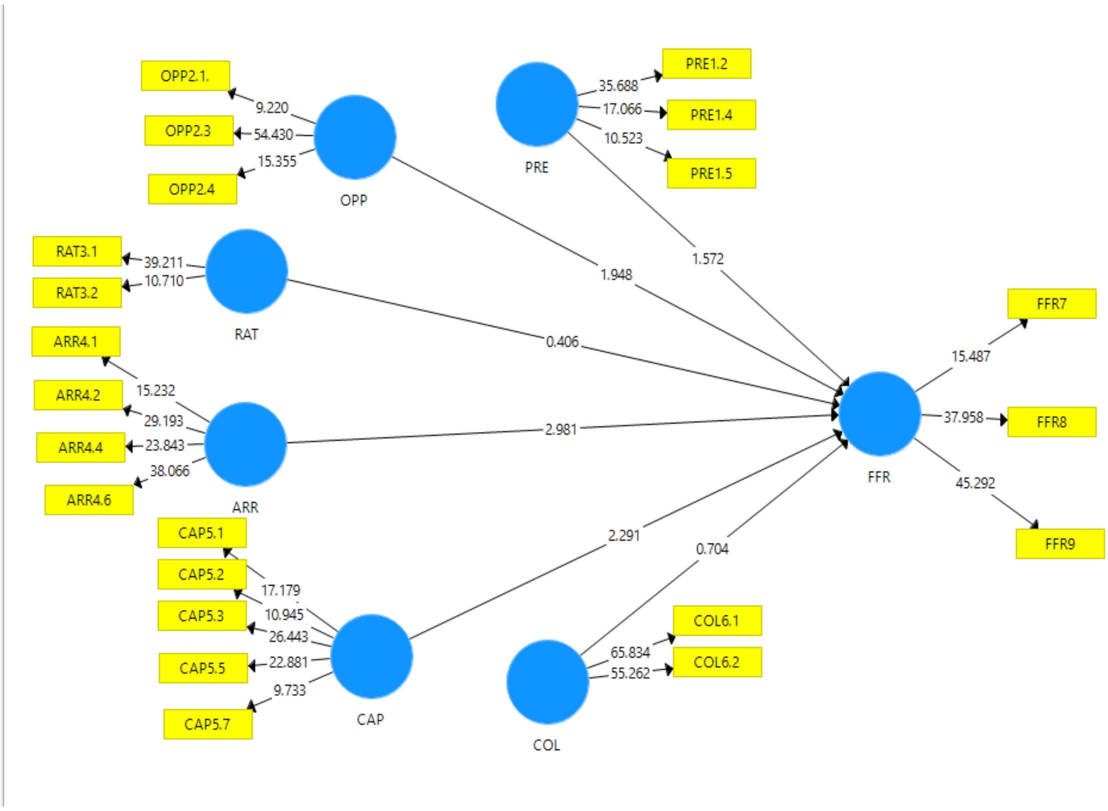

Figure 4: Tested Structural Model

Source: Data processed by Smart PLS, 2023

To test a model, Smart PLS version 3.00 starts by looking at the R-square for each dependent variable. In this research, the variable is Fraud Financial Reporting, as shown in table 4 below;

Table 4: R-Square

Variable	R-square
Fraudulent Financial Reporting [FFR]	0.662

Source: Data processed by Smart PLS, 2023

Based on the R-square results of 0.662, it means that Fraudulent Financial Reporting is influenced by the combined contribution of pressure, opportunity, rationalization, arrogance, capability and collusion of 66.2%.

Hypothesis Test

Hypothesis testing was carried out to determine the effect of one variable on another variable, and in this study the data needed for the need for hypothesis testing has been processed by Smart PLS can be presented in table 5 in the form of results for inner weights below.

Table 5: The Result for Inner Weights

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
Pressure ➔ Fraudulent Financial Reporting	-0.20	-0.18	0.13	1.57	0.12
Opportunity ➔ Fraudulent Financial Reporting	0.26	0.24	0.14	1.95	0.05
Rationalization ➔ Fraudulent Financial Reporting	0.04	0.05	0.10	0.41	0.68
Arrogance ➔ Fraudulent Financial Reporting	0.42	0.41	0.14	2.98	0.00
Capability ➔ Fraudulent Financial Reporting	0.31	0.32	0.13	2.29	0.02
Collusion ➔ Fraudulent Financial Reporting	0.06	0.06	0.08	0.70	0.48

Source: Data processed by Smart PLS, 2023

Technically, hypothesis testing is done by bootstrapping the sample to minimize data abnormalities. (Aisyah et.al, 2019). The results of testing the hypothesis by bootstrapping based on smart PLS version 3.00 are as follows:

Hypothesis Test 1: Pressure has a positive effect on Fraudulent Financial Reporting

The first hypothesis test shows the effect of Pressure on Fraudulent Financial Reporting with a path coefficient of -0.20 with a t-value of 1.57. This calculated t value is smaller than t table (1,661), then on other criteria it is known that P value (0.12) ≥ alpha (0.05), so based on these two criteria it is stated that the first hypothesis is rejected, meaning that Pressure has no effect on Fraudulent Financial reporting

Hypothesis 2 test: Opportunity has a positive effect on Fraudulent Financial Reporting

The second hypothesis test shows the effect of Opportunity on Fraudulent Financial Reporting with a path coefficient of 0.26 with a t-value of 1.95. This calculated t value is greater than t table (1,661), then on other criteria it is known that P value (0.05) ≥ alpha (0.05), so based on these two criteria it is stated that the second hypothesis is accepted, meaning that Opportunity has a positive and significant influence on Fraudulent Financial Reporting

Hypothesis 3 test: Rationalization has a positive effect on Fraudulent Financial Reporting

The third hypothesis test shows the effect of Rationalization on Fraudulent Financial Reporting with a path coefficient of 0.04 with a t-value of 0.41. This calculated t value is smaller than t table (1.661), then on other criteria it is known that P value (0.68) ≥ alpha (0.05), so based on these two criteria it is stated that the third hypothesis is rejected, meaning Rationalization has no effect on Fraudulent Financial reporting

Hypothesis 4 test: Arrogance has a positive effect on Fraudulent Financial Reporting

The fourth hypothesis test shows the effect of Arrogance on Fraudulent Financial Reporting with a path coefficient of 0.42 with a t value of 2.98. This calculated t value is greater than t table (1,661), then on other criteria it is known that P value (0.00) ≤ alpha (0.05), so based on these two criteria it is stated that the fourth hypothesis is accepted, meaning Arrogance has a positive and significant influence on Fraudulent Financial Reporting

Hypothesis 5 test: Capability has a positive effect on Fraudulent Financial Reporting

The fifth hypothesis test shows the effect of Capability on Fraudulent Financial Reporting with a path coefficient of 0.31 with a t value of 2.29. This calculated t value is greater than t table (1,661), then on other criteria it is known that P value (0.02) ≤ alpha (0.05), so based on these two criteria it is stated that the fifth hypothesis is accepted, meaning Capability has a positive and significant influence on Fraudulent Financial Reporting

Hypothesis 6 test: Collusion has a positive effect on Fraudulent Financial Reporting

The sixth hypothesis test shows the effect of Collusion on Fraudulent Financial Reporting with a path coefficient of 0.06 with a t value of 0.07. This calculated t value is smaller than t table (1.661), then on other criteria it is known that P value (0.48) ≥ alpha (0.05), so based on these two criteria it is stated that the sixth hypothesis is rejected, meaning Collusion has no influence on Fraudulent Financial reporting

11. DISCUSSION

The results of this research show that of the six factors that trigger people to commit fraudulent financial reporting, there are three factors, namely opportunity, arrogance and capability. Meanwhile, other factors that do not influence fraudulent financial reporting are pressure, rationalization and collusion. Based on the research results, pressure or stimulus has no effect on fraudulent financial reporting, even though the hypothesis states that pressure or stimulus has a positive influence on fraudulent financial reporting. A number of questions asked to respondents regarding pressure from superiors and accounting standards were answered smoothly, namely that there was no pressure in doing work and superiors were not able to dictate to subordinates whether to do or not do a job. Therefore, fraudulent financial reporting can occur without pressure or stimulus. Research questions related to the content of pressure and stimulus have not yet touched on the sanctions imposed on those who commit fraud in financial reports. These findings indicate that financial pressure influences fraudulent financial reporting. Meanwhile, pressure from aspects of implementing accounting standards and receiving stimulus is not yet strong enough to force fraud. This result is in line with the opinion of (Khamainy et al., 2022), (Sukmadilaga et al., 2022) which measures pressure or stimulus factors with financial targets and financial stability and reveals that pressure does not affect fraudulent financial reporting. Meanwhile, results that are not in line with the results of this research are those from ((Yadiati, 2023) and (Sudirman & Ornay, 2023) who found that pressure actually had an effect on fraudulent financial reporting, even in research (Sudirman, 2022) it was revealed that there was a significant effect of pressure on fraudulent financial reporting moderated by political connections.

Opportunity shows a significant influence on fraudulent financial reporting. The availability of opportunities has the potential to create fraudulent financial reporting. When respondents were asked about organizational structure, internal control, policies and facilities, it was seen how tight the organizational structure was, and how good internal control was, how good the physical security of company assets was, and how sophisticated the available facilities, there are still weaknesses, and they can be exploited. In the end, what really determines is the attitude of people who always want to look for and take advantage of opportunities. The research results show that opportunities arise due to weak internal control systems which influence fraudulent financial reporting. A similar opinion from (Alyani et al., 2023): Mulya et.al, 2019) states that the availability of opportunities influences fraudulent financial reporting. The opposite results (Dewi C.K, and Yuliati A, 2021) reveal that even though there is no opportunity at all, fraudulent financial reporting still has an impact. Other similar opinions from (Khamainy, 2022) and (Yudiati, el.at, 2023) (Sumadilaga et.al, 2022) expressed that opportunity influences fraudulent financial reporting, there were even findings of insignificant influence from (Raihan Noval Akbar, et. al. 2022; Chantia, et.al, 2021; Sudrajat, et.al, 2023). Not all BUMN employees are good and trustworthy people, but because they do not have the opportunity to commit fraud. This opinion is in line with (Chantia et.al, 2021: Alyani et.al, 2023) that weak internal supervision creates opportunities to commit fraud on financial reports. Another opinion from (Raihan Noval Akbar et al., 2022): (Sudrajat et al., 2023) reveals that whether internal control is effective or not has no impact on fraudulent financial reporting. Apart from that, another opinion states (Dewi & Yuliati, 2022) that the effectiveness of internal supervision has a negative effect on fraudulent financial reporting. According to (Rahma et al., 2022) there are eight special functions that a state-owned company must have and one of the most important is that the state-owned company provides goods and services that the community needs. This state-owned company function was chosen because of its relevance to the preparation of financial reports. Rationalization does not affect fraudulent financial reporting. The company has responded quickly to follow up on all findings and provide direct advice to complete and evaluate these findings, however this policy has no effect at all on fraudulent financial reporting. Fraudulent financial reporting does not only occur on the issue of whether the response given to the findings is continued or discontinued or for other reasons. In line with research by (Khamainy, 2022, Yadianti, et.al, 2023 and Sumadilaga et.al. 2022) that rationalization has no significant effect on fraudulent financial reporting. SOEs employees do not have the courage to commit fraud because they work as career officials and not from a particular party. However, this is not in line with the research results of (Sudirman et.al. 2023) that the rationalization element influences fraudulent financial reporting, even the influence of rationalization on fraudulent financial moderation by political connections has a significant effect, although indirectly. Arrogance has a significant effect on fraudulent financial reporting based on the results of research indicator answers, namely work direction, work guidelines, work discussions, decision making and career. These results are in line with research (Dewi, C.K and Yuliati, 2021), Sumadilaga, et.al, 2022) which revealed that arrogance or ego influences fraudulent financial reporting empirically. Measuring arrogance by highlighting content related to work, decision making, and career was different from the results of company CEO arrogance selfies. The arrogance factor is not only visible from the many selfie photos in the annual report, but is also visible in the origin of officials who occupy strategic positions. Fraudulent financial reporting like this can happen and the perpetrators are almost certainly committed by public officials. The arrogance of political party administrators who are placed in SOEs could have the potential to commit fraud in financial reports. However, there are opinions that are not in line with arrogance influencing fraudulent financial reporting from (Chantia et al., 2021), (Raihan Noval Akbar et.al, 2022), (Khamainy, 2022, Sudirman, et.al. 2022 and Yadianti, et. al, 2023) that a stylish CEO image in annual reporting has no effect on financial report fraud because the photo is just narcissistic. In contrast to career officials from SOEs, they do not like taking selfies in annual reports.

Capability has a significant effect on fraudulent financial reporting. Answers to questions asked to SOEs leaders and employees regarding indicators of initiative, knowledge, awareness of failure, communication and helping friends show that not only technical competency of human resources but also soft skills influence fraudulent financial reporting. Soft skills have proven their usefulness in planning fraud, supported by good technical capacity. almost all cases of fraud are committed by skilled insiders looking for opportunities in adversity. The results of this research are in line with research by (Yadianti et.al. 2023 and Sudirman et.al, 2022) stated that capability significantly influences fraudulent financial reporting, only in the research of (Yadianti et.al. 2023 and Sudirman et.al, 2022) will pay more attention to the issue of director changes. Discordant opinions from (Khamainy, 2022 and Sudirman et.al 2022) are that changes in directors have no effect on fraudulent financial reporting.

Collusion has an insignificant effect on fraudulent financial reporting and questionnaire questions asked by SOEs leaders and employees, regarding indicators of self-awareness, warnings, workload and integrity, cannot influence fraud. Collusion occurs for other reasons unrelated to self-awareness, reprimand, workload, and integrity. The research results are in line with Kaimainy's research, 2022, that indicators of collusion using COSO internal control have no effect on fraudulent financial reporting. Meanwhile, opinions that are not in line with the results of this research come from (Sumadilaga, et.al. 2022, Sudirman, et.al. 2022 and Yadiati et.al. 2023) determines that collusion has an effect on fraudulent financial reporting.

12. CONCLUSION

Based on the results of research with using premier data with indicators in the hexagon fraud theory on fraudulent financial reporting, it is known that there are 3 factors in the hexagon fraud theory that influence fraudulent financial reporting, namely opportunity, arrogance and capability. Meanwhile, pressure, rationalization and collusion factors have no effect on fraudulent financial reporting. For future research, moderating variables can be added for each element in the hexagon fraud theory. Research objects and respondents can be expanded by adding all SOEs, whether go public or go public not yet.

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4. Bukti Konfirmasi review dan hasil review kedua, tanggal 12 Oktober 2023

Economics Journal — Mon, Oct 16, 1:37 PM

Dear Professor, in attachment we send you the second review. We are waiting for the third review.

Lely Indriaty — Tue, Oct 17, 6:43 PM

Thank you very much. I will send my work soon

ECONOMICS

Neznanih junaka 9-11, 76 300 Bijeljina, Tel./fax: 055/423-183

Account No.: 555-000-00049162-69; E-mail: novi.economics.institut@gmail.com;
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Review Form

PART I

Article Title:
Analysis of Hexagon Fraud Model, the S.C.C.O.R.E Model Influencing Fraudulent Financial Reporting on State-Owned Companies of Indonesia
Reviewer's Name: (The reviewers' identities remain anonymous to author/s)

PART II

Evaluation (Please assign the score for each item below)	
5=Excellent 4=Good 3=Average 2=Below Average 1=Poor n/a=Not Applicable	
Items	**Grade**
Overall evaluation on the paper	
1. Contribution to existing knowledge	1
2. Novel ideas/concepts/techniques	2
3. Complete and accurate figures and tables	3
4. Appropriate formatting and structure	3
5. Readability	3
6. Correct analysis	2
7. Soundness of methodology	1
8. Evidence supports conclusion	2
9. Adequacy of literature review	1
10. Clear, concise and interesting writing	1

❖ **Summary**

This research is not yet mature.

❖ **Strengths**

Written according to the author's wishes

❖ **Weaknesses**

This research almost entirely uses local Indonesian references, so the empirical basis is not strong. There is no specific new research according to the research themes and findings, the arguments expressed are not convincing enough that this research contains newer increases in knowledge.

❖ **Suggestions to Author/s**

1. The urgency of the research has not been specifically stated and there is no research gap. There are still sentences that are opinions without more credible data and sources.
2. There is no specific type and research design yet. The sample criteria are also unclear. If generalized, then based on the data that has been traced, in Indonesia there are many state-owned companies, and also in various sectors. It needs to be emphasized why only these few companies were studied.
3. The discussion arguments are not yet based on the indicators used, requiring substantial adjustments.
4. There is no explanation of the novelty of the research and the contribution of the research, substantial arguments are needed regarding this matter, and must be based on research findings.
5. The conclusion is not substantial with the findings. There are no limitations and future research.
6. Have not used reputable international references.

PART III

Recommend the appropriate section for this paper (Please mark "X" for appropriate option)
(X) Original Article
( ) Review Article
( ) Case Report
( ) Short Communication

PART IV

Recommendation to Editor (Please mark "X" for appropriate option)
( ) Excellent, accept the submission (5) ( ) Good, accept the submission with minor revisions required (4) ( ) Acceptable, revisions required (3) (x) Resubmit for review, major revisions required (2) ( ) Decline the submission (1)

Appendix

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5. Bukti konfirmasi submit revisi kedua, dan artikel yang disubmit, 19 Oktober 2023

Lely Indriaty

Oct 8, 2023, 5:15 PM

Dear Economics Journal I sent back my work after correction. Thank you for your attention. I am waiting for the next review from you. Best Regards, Lely Indriat

Economics Journal

Oct 9, 2023, 1:46 PM

Well received with thanks.

Analysis of Hexagon Fraud Model, the S.C.C.O.R.E Model Influencing Fraudulent Financial Reporting on State-Owned Companies of Indonesia

Lely Indriaty[1], Gen Norman Thomas[2]*

Received: *Sent to review* *Accepted:*

[1]*Accounting Department, Faculty of Economics and Business, Universitas Persada Indonesia YAI, Jakarta, Indonesia*
[2]Accounting Department, School of Accounting, Bina Nusantara University, Indonesia

Correspondence Author:
Lely Indriaty
Email: lelynorman@gmail.com

JEL Classification: M4, M42

Abstract: This research aims to analyze the influence of each Hexagon Fraud factor that causes fraudulent financial reporting, namely Pressure, Opportunity, Rationalization, Arrogance, Capability and Collusion based on respondents' perceptions of the content. The research methodology used is a quantitative method, sample determination was carried out using a purposive sampling method with certain criteria. The questionnaire was distributed to 3 leaders and 3 officials based on the selected sample. Primary data was obtained to test 6 research hypotheses based on the answers of 96 respondents from 16 State-Owned Enterprises (SOEs) from the selected sample. Data processing uses Smart PLS version 3.00 to test validity and reliability and test research hypotheses. The results of research on hexagon fraud theory show that Opportunity, Arrogance and Capability have a positive and significant effect on Fraudulent Financial Reporting, while Pressure, Rationalization and Collusion do not have a significant effect on Fraudulent Financial Reporting. Research findings reveal that fraud perpetrators are parties who have a deep understanding of the company's internal control policies, especially knowledge about the effectiveness or ineffectiveness of internal controls, both from within and from outside SOEs. Fraud perpetrators may come from leaders or officials who are knowledgeable about the organizational structure and governance of officials in strategic positions.

Keywords: Arrogance, Capability, Collusion, Hexagon, Opportunity, Pressure, Rationalization

1. INTRODUCTION

Fraudulent financial reporting can raise doubts among investors about management, and also has the potential to criticize the accounting profession. The Association of Certified Fraud Examiners (ACFE) states that fraudulent financial reporting practices can threaten a country's economic activities (Association of Certified Fraud Examiners (ACFE), 2018). Association of Certified Fraud Examiners Indonesia, (2019) also shows that fraudulent practices have caused a loss of around 5% of a company's gross income. Many conflicts of interest are caused by personal interests of employees, management or executives cannot be disclosed so that they have a negative impact on the company(Wells, 2017). Conflicts of interest between several officials and employees in management can be one of the causes for management to commit fraud. Based on agency theory, where management acts as an agent, meanwhile and investors or the government as principals, in accordance with this agency theory, principals and agents act as long as they provide benefits and convenience and have the potential for fraudulent financial reporting. Moreover, fraudulent financial reporting is an act of fraud that is consciously carried out by top management to present a convincing financial statement rather than real financial statement(Albrecht, W.S, Albrecht, C.O, Albrecht, 2018). The company management can present improvements in its performance in a financial statement, but in some cases this information only aims to give an impression to readers of the financial statement (Kayoi & Fuad, 2019). Fraudulent financial reporting has a high long-term risk to the company's business activities. To prevent greater fraud, companies must be able to develop strategies to prevent fraud (Sihombing & Rahardjo, 2014). However, it is not only necessary to develop a fraud prevention strategy, but also to detect fraudulent practices early on in the company, and to understand the methods used to detect fraud. In carrying out audit planning and realizing the audit program, auditors and forensic accountants must be more careful in dealing with risk factors and fraud (Devy, et.al, 2017). Fraud is an act of a person within a company who misleads users of financial reports because fraudulent acts can change the financial reports. Fraud is carried out to deceive users of financial reports by correcting them so that the company's poor performance does not appear. In general, fraud by companies is very dangerous for the country's economy. In several cases of fraud that have been revealed, starting with ordinary fraudulent practices to fraud carried out by companies that will go public through IPO activities to deceive their investors (Puspitadewi & Sormin, 2018).

ACFE, 2019 revealed that state-owned companies in position number 3 often commit fraud, and these companies are the go public state-owned companies. There are several cases of window dressing carried out by PT Asabri and PT Garuda, and window dressing itself can change the picture of company profits to deceive users of financial reports (Kayoi & Fuad, 2019). Meanwhile, Suhartono et al., (2021) revealed a dual position, namely the main director of PT Garuda Indonesia (Persero) and the main commissioner of PT Sriwijaya Air. This condition creates unhealthy competition because both of them work together to determine ticket prices. Financial reporting that contains fraud can create long-term risks that damage the company's business. Therefore, companies need to develop fraud prevention strategies to detect potential fraud early (Sihombing & Rahardjo, 2014). Not only in preparing strategies to detect fraud, but also starting from the preparation of audit planning and audit programs, auditors or forensic accountants must be more careful in anticipating the risk of fraud (Devy et al., 2017). Many cases of fraud as described are still ongoing today, even the theory of fraud has developed in 6 phases of development to reach the hexagon theory of fraud (Vousinas, 2019).

The choice of State-Owned Enterprises as research objects is because in a SOE there are many interests, including the interests of the government as the majority shareholder, the interests of management, and the interests of individuals, both the interests of party officials and career officials. Meanwhile, SOEs is also a company that has a very large market capitalization so it is not surprising that there is a lot of fraud, especially financial statement fraud. The difference between this research and previous research is that this research raises the psychological aspect of perceptions of fraud in fraudulent financial reporting by distributing questionnaires to SOEs employees after the Covid-19 recovery period is over. The data is processed using Smart PLS version 3.00 because the data collected is primary data. In previous research which also used hexagon fraud theory (Rizkiawan, 2021), it was revealed that 5 of the 6 hexagon Fraud factors, namely opportunity, rationalization, pressure, capability and collusion, had an effect on fraudulent financial reporting on SOES, while arrogance had no effect to that reporting. However, the research data processing carried out (Rizkiawan, 2021) uses logistic regression with Fraud financial reporting as the dependent variable with using the M score while the 6 hexagon factors of Fraud and Corporate Governance as independent variables.

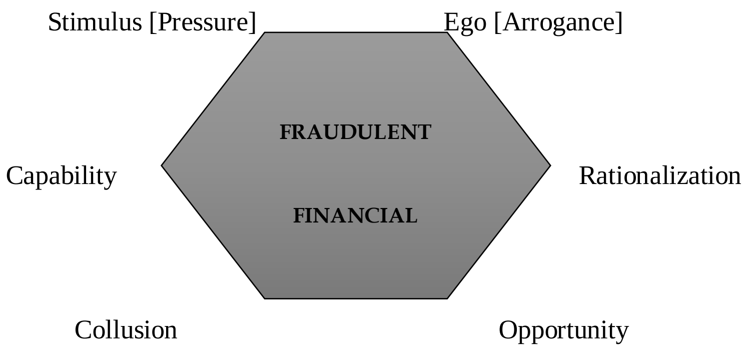
1. THEORICAL FOUNDATION OF RESEARCH

a. The Brief Development of Fraud Theory toward to Hexagon Theory of Fraud

The development of fraud theory has developed into 6 theories. The theory of fraud begins with the emergence of white-collar crime, where at that time the victim of the crime did not feel that he was a victim of economic and business crimes because the crime was committed professionally. Sutherland, (1940)explained that this white-collar crime was different from street crimes that occurred during the second world war in the European region. White-collar crimes are carried out in a structured manner and include criminal acts because they harm the general public without them knowing it, which is then known as fraud. In the following developments, this white-collar crime became the basis for the triangle theory. The triangle theory of fraud by (Cressey, 1950), was one of the impacts of the European economic recovery after the second world war. Cressy, (1950) has deepened his understanding of white-collar crime and revealed that there are 3 factors that give rise to fraud in organizations or companies that carry out activities in the economic and business fields where these crimes are detrimental to the general public or citizens, namely pressure, opportunity and rationalization. Pressure to do an act because of compulsion. Financial pressure, for example; fraud due to lifestyle and drug addiction. Opportunities to commit fraud can be reduced by strengthening internal control, for example: the courage to commit fraud is limited for fear of being detected by tight internal controls. abuse of authority and lack of supervision. Rationalization is interpreted as justification for the perpetrator of fraud so that he feels that his actions are legitimate. Of the three factors that trigger fraud, what needs to be highlighted is the opportunity because it starts with an opportunity so that financial pressure can be channeled after obtaining some justification. The next stage of development is marked by the presence of the Scale Theory of Fraud as stated by (Albrecht, W.S, Albrecht, C.O, Albrecht, 2018) as a correction to the Triangle Theory of Fraud because the triangle theory of fraud was considered not clear enough. In the Fraud Scale Theory, situational pressure factors as corrections for financial pressures, opportunity factors are corrected to become opportunities for fraud, and personal integrity factors as corrections for rationalization. Situational pressure to assess the condition of each individual when committing fraud, whether they feel guilty or not. The opportunity to commit fraud depends on the risk borne by the perpetrator of the fraud. Personal integrity factor to assess the potential to commit fraud based on past character. These three factors are interdependent on each other, namely the possibility of high fraud occurring under conditions of situational pressure and the opportunity to commit fraud is high but personal integrity is low, or the probability of fraud is low because one has high integrity even though situational pressure and opportunity to commit fraud remains low. Then, on the fraud scale theory, personal integrity is an important factor related to detecting fraud, including fraud financial reporting. In subsequent developments, the pentagon theory of fraud or A-B-C analysis emerged, with additional factors in the fraud triangle theory, namely capability and arrogance (Wolfe & Hermanson, 2004). Capability is a very important factor to be able to commit fraud because fraud perpetrators have the capability to minimize the risk of their actions, and according to(Dorminey, 2011) that capability is related to adequate ability to commit fraud so that the higher a person's capability, the higher his ability to commit fraud. Subsequent developments from fraud theory led to the Diamond theory of fraud and M (Money), I (Ideology), C (Coercion) and E (Rights).

This Diamond Fraud Theory wants to clarify that the main factor that must be considered is the behavior of the perpetrators of fraud(Dorminey, 2012). The Hexagon Theory of Fraud still uses the factors of Pressure [Stimulus], Capability, Collusion, Opportunity, Rationalization and Ego [Arrogance] which influence the occurrence of Fraud, and what is meant by fraud in this study is Fraud Financial Reporting. Fraud theory has reached a new phase marked by the release of the Hexagon theory of Fraud known as the S.C.C.O.R.E Model by (Vousinas, 2019) as shown in figure 1 below.

Figure 1. Fraud Hexagon Model



Source: Vousinas, 2019

The explanation of the five factors referred to above is the same as in the previous fraud theory, it's just that there is an additional collusion factor. According to Vousinas, 2019, Collusion is an agreement between a first party and a second party with the aim of deceiving a third party.

b. Fraudulent Financial Reporting

According to (Association of Certified Fraud Examiners (ACFE), 2018),fraud in financial reporting can be interpreted as fraud committed by management through exercising control in the form of artificial or deliberately engineered misstatements in financial reports. Fraudulent Financial Reporting can be interpreted as planned fraud, actions that violate the law, and intend to benefit certain parties (Kayoi & Fuad, 2019). This action not only deceives users of financial statements, especially it can mislead investors in reading a financial report. According to(Bryan et al., 2002) the Statement on Auditing Standards (SAS) No.99, fraudulent financial reporting can be done: a. Deliberately manipulating, falsifying, or changing accounting records or supporting documents when preparing financial reports. b. Intentional errors or omissions in information that are significant to the financial statements. c. Committing a misuse of principles relating to amount, classification, method of presentation, or disclosure. Todorović et al., (2020) underlines the importance of Anti-Fraud Strategy to be developed for decreasing many cases of fraud and corruptions.

2. METHODOLOGY

a. DATA SOURCES

This research is categorized as quantitative research because this research aims to obtain data, and process it with Smart PLS to test hypotheses, then analyze the results of this research to answer the research phenomenon. The population of state-owned enterprises officially registered in 2018-2022 is 107 companies. The sample was determined using a purposive sampling method with certain criteria, namely 107 companies - 4 companies with incomplete data - 87 companies did not go public, so the valid sample is 16 companies. The 16 selected companies were then visited to distribute questionnaires to be answered by 3 leaders and 3 employees. The questionnaire was answered by 96 respondents or 16 companies x 6 respondents. Data collected from the first source is classified as primary data. According to (Sugiyono, 2018), primary data is a data source that directly provides data to data collectors so that the data obtained is data that comes from first hand, and has not been further processed for any purpose. Smart PLS is a data processing application that is more widely used for primary data where filling out questionnaires is based on a Likert scale. In addition, Smart PLS is a sophisticated application that can be used without many assumptions, such as normality tests and multicollinearity tests between these variables (Ramzan & Khan, 2010). It can even be used in all data scale categories, from nominal, ordinal, interval to ratio data scales. Another advantage of Smart PLS is that the data used can be under 100 respondents(Ghozali, 2006), like this research. The research objects are 16 state-owned companies go public on the Indonesian Stock Exchange (IDX). The specificity of state-owned companies because companies whose share ownership by the Government of Republic of Indonesia is above 51%, and is certainly suitable for fraudulent financial reporting. Based on these 16 companies, research questionnaires were then distributed with taking respondents 3 leaders and 3 employees for each company.

Table 1 shows the indicators that are translated into research questions using a Likert scale. The sequence of research variables is based on the sequence of fraud theory journeys starting from diamond fraud theory to hexagon fraud theory.

Table 1. Operationalization of Variable

Source: Data processed by Author, 2023

a. RESEARCH HYPOTHESIS

13. Pressure on Fraudulent Financial Reporting

Shareholders or investors as principals in a cooperation contract hand over responsibility to management who acts as an agent to get good company performance. Along with high expectations from shareholders, there is pressure felt by management in formulating strategies so that these expectations are met. Pressure can give rise to the idea of committing fraud in the company's financial reports carried out by management in meeting the interests of shareholders. Financial Target is a condition where the pressure felt by the manager in achieving the economic goals obtained by the manager and the company's president director.

	Indicators	Question	Sources
Fraudulent Financial Reporting (FFR)	15. Accounting Records 16. Disclosure 17. Inappropriate Budget Allocation 18. Cost Standards 19. Fraud 20. Manipulation 21. Gratification	12	
Pressure (PRE)	5. Pressure from superiors 6. Accounting Standards	5	
Opportunity (OPP)	1.Organizational Structure 2. Internal Control 3. Policy 4. Facility	4	
Rationalization (RAT)	3. Follow up 4. Review	2	(ACFE, 2019)
Arrogance (ARR)	11. Directing of Work 12. Work of Guidelines 13. Discussion about Work 14. Decision making 15. Career	6	(Vousinas, 2019) (Desviana et al., 2020)
Capability (CAP)	11. Initiative 12. Knowledge 13. Awake of Failure 14. Communication 15. Help to Friend	7	
Collusion (COL)	1.Self-aware 2. Reprimand 3. Burden of work 4. Integrity	4	

Financial targets are measured by the Return on Assets (ROA) indicator which presents a profitability ratio calculated by dividing profits with assets utilized. The manager's idea to commit fraud on financial statements by manipulating the ROA ratio is by increasing this ratio from the company's profits to the assets used (Skousen & Twedt, 2009). Therefore, it can be concluded that the higher the financial target proxied by ROA profitability, the greater the opportunity for companies to practice fraud in the company's financial reports. This is supported by the results of research from (Wiharti & Novita, 2020), (Kayoi and Fuad, 2019), (Maryadi et al., 2020),(Santoso, 2019) which stated that financial targets had a significant positive influence on fraud in financial reporting. Financial targets from anywhere, especially from the shareholders or investors to the company's management, will certainly affect the way of management makes it happen. Based on agency theory that the management as an agent works in accordance with the authority and responsibility it receives from shareholders or investors as principals. In the real world, shareholders or investors always demand management to always obtain satisfactory performance regardless of the condition of the company. This demand puts pressure on management to be able to display performance that satisfies the shareholders or investors even though it does not always succeed in realizing it. Management that is less successful in meeting financial targets from shareholders or investors tends to commit fraud on financial statements so that financial statements look better. For the purposes of financial ratio analysis, the company can commit fraud against the number of records in the desired posts. A pressure can be in the form of pressure to increase financial ratios, such as ROA, ROE, ROI, Net Profit, EPS by comparing the results of the ratios of the last year with the results of the ratios of the previous year.

H1: Pressure has a positive effect on Fraudulent Financial Reporting

14. Opportunity on Fraudulent Financial Reporting

Crime is not only the intention of the perpetrator but also the opportunity, so be aware, be aware. Another jargon that golden opportunity will not come twice in a lifetime. Any crime, including fraud, can occur because of the opportunity and the perpetrator of the crime will dare to carry out his actions when he is sure that his actions will not be detected by other parties. The reason people commit fraud is because the internal control conditions are not so good that people who don't think about committing fraud think about doing it. Internal control and opportunity are inversely proportional, the tighter the internal control, the lower the opportunity, so it should be. Related to the ineffectiveness of internal control explained by(Siddiq, F,R, 2017) that the tightness of internal supervision depends on the ratio of the board of commissioners serving in the company with the record that the board of commissioners is able to detect fraud earlier and provide security for company assets. This discussion is in line with what was stated by (Putriasih,K, 2016) that ineffective internal control has an effect on fraudulent financial reporting. However, in other studies the opportunities that arise due to the lack of effective internal control have no effect on fraudulent financial reporting (Damayani et al., 2019),(Bawekes, H.F, Simanjuntak A.M, Daat, 2018).

H2: Opportunity has a positive effect on Fraudulent Financial Reporting

15. Rationalization on Fraudulent Financial Reporting

According to SAS No. 99 (2002) that an auditor must have awareness of the occurrence of fraud in financial statements, especially related to the rationalization indicator. Rationalization is a behavior that considers that the fraudulent act that has been carried out does not deviate from the existing regulations so that it is appropriate to do so and the perpetrators of fraud always look for justifications for their wrong actions.

Factors that can indicate risk include ineffective value communication, management that participates excessively but does not participate in financial aspects, and management's excessive interest in increasing or maintaining the entity's profit trend. Other factors that indicate the risk of fraud can be seen from management activities in minimizing profits to be reported to taxation, as well as the attitude of management trying to justify an accounting treatment that is trivial or not supported for material reasons. The relationship between the company's internal and auditors that is not always in line or looks tense, both the previous auditor and the successor auditor can be a factor causing the rationalization risk in financial statement fraud. Because of this explanation, it can be concluded that the poor relationship between auditors and management is due to the failure of management to operate the company's finances, and the behavior of earnings management in the company is related to the factors causing financial statement fraud from rationalization.

Findings of fraud in financial reporting or fraud trails detected by the old auditor can be avoided by replacing auditors within the company. This motivates companies to replace external auditors to avoid detecting fraudulent financial reporting (Skousen & Twedt, 2009). In the two-year period there was a change in the services of a public accountant which could indicate the occurrence of fraud. Previous findings from research (Novitasari & Chariri, 2018), (Koharudin & Januarti, 2021), and (Maryadi et al., 2020), show a positive influence between change in auditor and fraudulent financial reporting. The higher rationalization can be seen from the change in the services of public accounting firms. Based on this, it can indicate that fraudulent financial reporting is getting higher.

H3: Rationalization has a positive effect on Fraudulent Financial Reporting

16. Arrogance on Fraudulent Financial Reporting

According to (Koharudin & Januarti, 2021) that arrogance is shown in a person's lack of conscience to empathize with others and feel he has superiority and the right to be greedy which makes him confident that he is immune to control. Meanwhile, in the KBBI, arrogance includes an attitude that is arrogant, haughty, and arrogant towards someone who feels superiority in himself which is manifested in an attitude that likes to be pushy or arrogant. Usually occurs in people who are in the highest position, their careers are on the rise or are experiencing rapid development in their business. In large companies, the arrogant attitude of a leader is very common.

Arrogance can have a negative impact, both on individual companies and corporate companies because it can damage company operations (Horwath, 2011). Then continued by (Horwath, 2011) that there are 5 elements of arrogance from the perspective of the CEO, namely:

a. Arrogant actors tend to look like celebrities rather than the authority of a CEO.
b. Perpetrators feel immune to internal controls and are less likely to be detected.
c. Perpetrators have characteristics as people who like to disturb
d. The perpetrator has a habit of leading his subordinates in an authoritarian way
e. Arrogant perpetrators tend to acutely lose their position or status.

The number of photos of the president director appearing narcissistically in the company's annual report can show the level of arrogance or superiority concerned.

H4: Arrogance has a positive effect on Fraudulent Financial Reporting

17. Capability on Fraudulent Financial Reporting

Not everyone has the ability to be able to commit fraud without being detected by the company, and successful acts of fraud are always due to knowledge and experience so that the perpetrators of crimes are said to have the ability or competence. Wolfe & Hermanson, (2004) revealed that it is impossible for individuals who do not have individual abilities or capabilities to be able to commit fraud, especially fraudulent financial reporting, without cooperating with insiders, namely those who have the capability to work with the system. In the case of changing directors, the company's performance is not always getting better because the new director is not necessarily as good as the previous one. Moreover, the longer the transition period when a vacuum occurs, the greater the potential for fraud that can be exploited. During periods of stress will increase the possibility of fraud (Wolfe & Hermanson, 2004). It could be that the reason for changing the director is one of the efforts to eliminate traces made by perpetrators of fraud so that fraud cannot be detected and conditions remain safe for him. In line with the research results of (Siddiq, F,R, 2017), (Faradiza, 2019), it is revealed that capability, in this case the ability of fraud perpetrators to change the situation of changing directors, affects fraudulent financial reporting. With this discussion, the hypotheses that can be raised are:

H5: Capability has a positive effect on Fraudulent Financial Reporting

18. Collusion on Fraudulent Financial Reporting

Collusion can be classified as a moral crime because with collusion people are willing to make payments for trade to benefit themselves or their group. Collusion comes from the Latin collusion which means a secret conspiracy to carry out unethical work (Sihombing and Rahardjo, 2014). The unethical act could be in the form of an act that is punishable by a criminal act, such as taking advantage of manipulating financial reports or fraudulent financial reporting. Based on this, collusion can be projected as an act that is not good and is detrimental to the company. Wilopo, (2006) stated that several cases of collusion such as the cases at WorldCom, Enron, Xerox were also caused by unethical acts. Likewise, the collusion case that occurred four years before at CIMA (2002) also occurred because companies had low ethics, which led to high fraudulent financial reporting. Moreover, another case of collusion is the protection of authority and position to commit fraudulent financial reporting (Beaulieu & Reinstein, 2010). Including other unethical acts such as political connections are also detrimental to the company. The company has political connections with the government, privileged to get help from the government in dealing with difficult economic conditions. When loans are made continuously and are not restrained, there will be certain parties who take advantage of engineering accounting records so that fraudulent financial reporting occurs. Another opinion originating from (Vousinas, 2019) states that collusion includes white collar crimes which occurred a lot in the early days after the end of the second world war. Companies that get many buyers for working on government projects, have the potential to commit collusion because fraud perpetrators have a great opportunity to manipulate accounting records and financial reports (Sari & Nugroho, 2020). With this discussion, the hypotheses that can be raised are:

H6: Collusion has a positive effect on Fraudulent Financial Reporting

b. STATISTICAL ANALYSIS

This study uses a quantitative method to test the hypothesis of the independent variable against the dependent variable based on empirical data. Quantitative analysis is used to measure research data so as to produce information that can be interpreted in analysis and discussed to determine conclusions, suggestions and implementation. Operationalization of independent variables, are elements of the Hexagon Theory of Fraud including, Pressure (PRE), Opportunity (OPP), Rationalization (RAT), Arrogance (ARR), Capability (CAP) and Collusion (COL), with one dependent variable, namely Fraudulent Financial Reporting (FFR). The author chooses to use empirical data on state-owned companies that go public on the Indonesian stock exchange in 2022 with the consideration that all fraud detection elements, namely S.C.C.O.R.E affect fraudulent financial reporting in the Hexagon Theory of Fraud scheme. The selection of the sample was determined by purposive sampling based on certain criteria so that the population of 20 companies became 16 sample companies. Questionnaires were distributed to the 16 companies with 6 officials per company each, so there were 96 respondents.

To determine the quality of the data, validity and reliability tests are carried out on the outer model so that it is suitable for further processing in smart PLS 3.00 on the next stage. This validity and reliability test includes 3 criteria, namely convergent validity, discriminant validity and composite reliability. The next stage is to carry out hypothesis testing on the inner model to determine the influence of each element of hexagon fraud on fraudulent financial reporting. Then a discussion of the results of hypothesis tests on 6 research hypotheses is carried out.

5. RESEARCH RESULTS

Outer Model

Before testing the hypothesis, validity and reliability tests were first carried out to determine the feasibility and reliability of the data. Smart PLS version 3.00 processes the outer model based on 3 criteria, namely Convergent Validity, Discriminant Validity and Composite Reliability**.**

Convergent Validity, reflective measurement model based on the correlation between item scores estimated using Smart PLS version 3.00. Individual reflective measure is said to be high if it correlates > 0.700 with the construct being measured. The research model that has been made in the framework of thought is continued and the same model is made again in the Smart PLS version 3.00 application accompanied by all the indicators used in the operationalization of variables. The following presents the initial model of this research as shown in Figure 2 below.

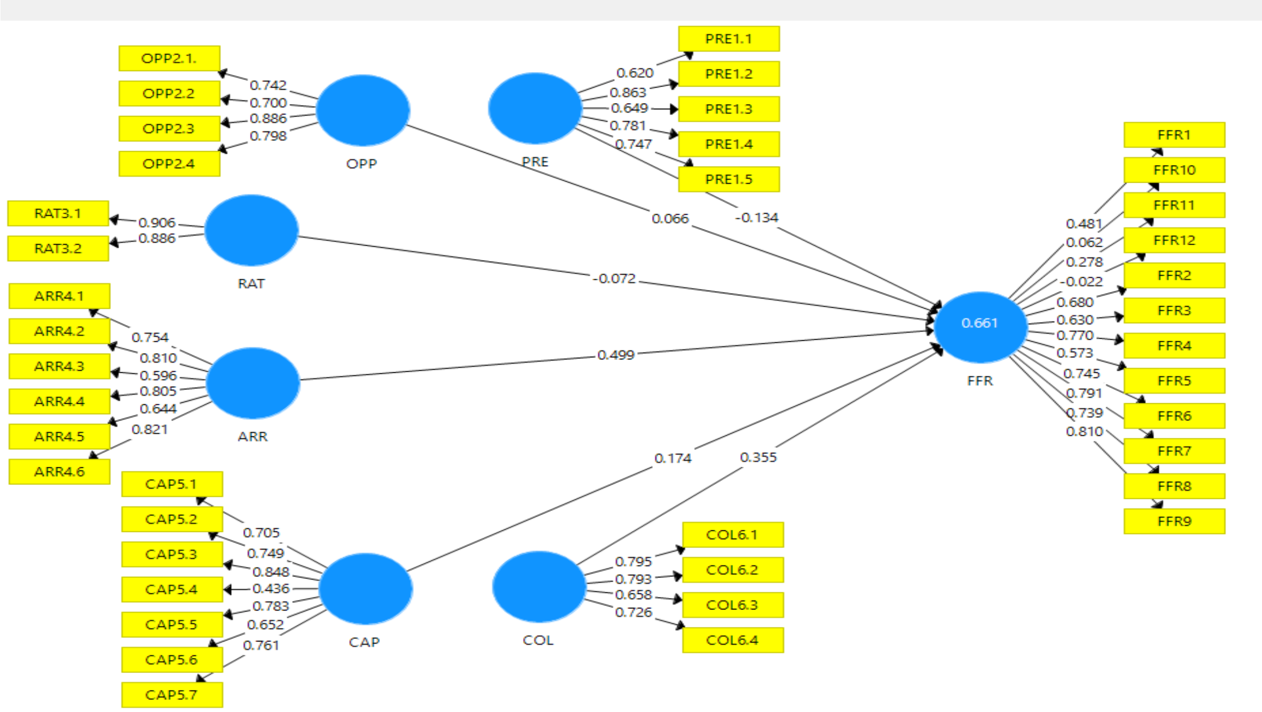


Figure 2: PLS Algorithm, First Run
Source: Data processed by Smart PLS 3.00

To obtain a final result that meets the criteria > 0.700 and up to the last run, the indicators that eliminate successively are PRE1.1, PRE1.3, ARR4.3, ARR4.5, CAP5.4, CAP5.6, COL6.3, FFR1, FFR2, FFR3, FFR5, FFR10, FFR11 and FFR12. on first run, then OPP2.2 dan COL6.4 on second run. Then the removed third run is the FF4 indicator. Finally, on the fourth run, the FFR6 indicator was removed. The following is presented last run outer loading in Figure 3 below:

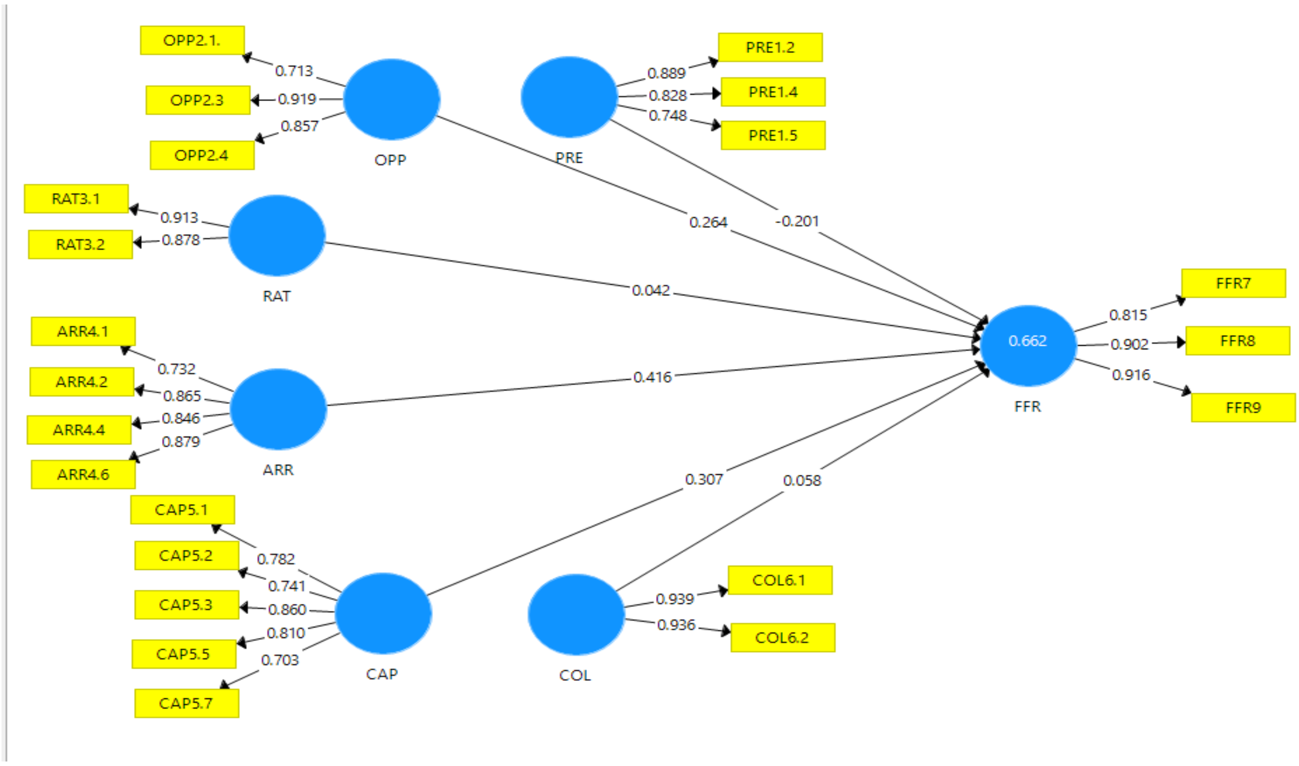


Figure 3: PLS Algorithm, Last Run
Source: Data processed by Smart PLS 3.00

Based on figure 3 it is known that all the loading values of each construct have shown a value of 0.700 so that the data using convergent validity is said to be good.

Discriminant Validity, for ensuring that all concepts of each latent variable are different from other variables. Good discriminant validity if each loading value of each indicator of a latent variable has the greatest value over other loading values as shown in table 2 below.

Table 2: Discriminant Validity

	ARR	CAP	COL	FFR	OPP	PRE	RAT
ARR	1.833						
CAP	0.758	0.781					
COL	0.457	0717	0.937				
FFR	0.751	0.739	0.493	0.879			
OPP	0.764	0.738	0.468	0.715	0.834		
PRE	0.781	0.728	0.575	0.606	0.752	0.823	
RAT	0.738	0.647	0.384	0.637	0.740	0.689	0.896

Source: Data processed by Smart PLS, 2023

Composite Reliability, the reliability value of each construct can be seen in the Average Variance Extracted (AVE) results, and a construct is said to have a high reliability value if the value is > 0.700 and the AVE is above 0.500.

Table 3: Composite Reliability and Average Variance Extracted [AVE]

	Composite Reliability	AVE
Pressure [PRE]	0.863	0.678
Opportunity [OPP]	0.872	0.696
Rationalization [RAT]	0.890	0.803
Arrogance [ARR]	0.900	0.693
Capability [CAP]	0.886	0.610
Collusion [COL]	0.935	0.879
Fraud Financial Reporting [FFR]	0.910	0.772

Source: Data processed by Smart PLS, 2023

Based on Table 3 that composite reliability is above > 0.700 and AVE > 0.500, it can be said that the construct presented can be recommended as a reliable construct.

Inner Model, in testing the inner model or structural model, it is carried out to determine the effect between constructs, significance value and R-square. The following is presented in Figure 4 as a structural model that has been tested.

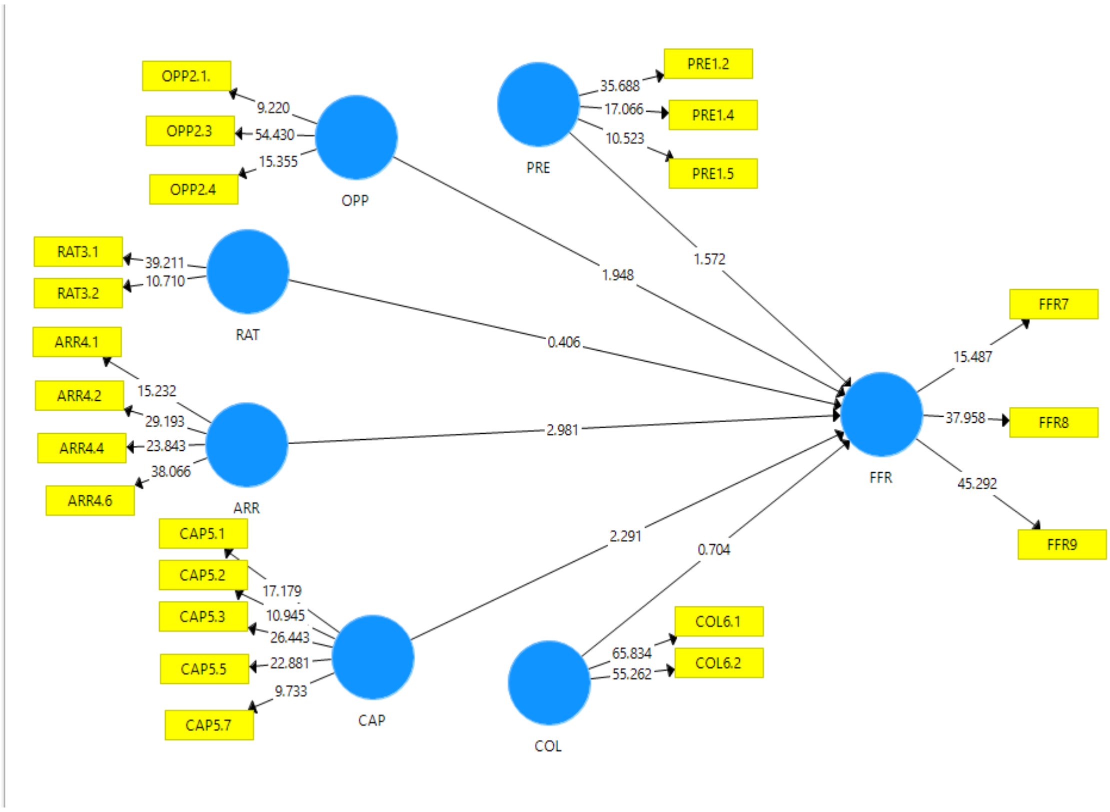


Figure 4: Tested Structural Model
Source: Data processed by Smart PLS, 2023

To test a model, Smart PLS version 3.00 starts by looking at the R-square for each dependent variable. In this research, the variable is Fraud Financial Reporting, as shown in table 4 below;

Table 4: R-Square

Variable	R-square
Fraudulent Financial Reporting [FFR]	0.662

Source: Data processed by Smart PLS, 2023

Based on the R-square results of 0.662, it means that Fraudulent Financial Reporting is influenced by the combined contribution of pressure, opportunity, rationalization, arrogance, capability and collusion of 66.2%.

Hypothesis Test

Hypothesis testing was carried out to determine the effect of one variable on another variable, and in this study the data needed for the need for hypothesis testing has been processed by Smart PLS can be presented in table 5 in the form of results for inner weights below.

Table 5: The Result for Inner Weights

	Original Sample	**Sample Mean**	**Standard Deviation**	**T Statistics**	**P Values**
Pressure ➔ Fraudulent Financial Reporting	-0.20	-0.18	0.13	1.57	0.12
Opportunity ➔ Fraudulent Financial Reporting	0.26	0.24	0.14	1.95	0.05
Rationalization ➔ Fraudulent Financial Reporting	0.04	0.05	0.10	0.41	0.68
Arrogance ➔ Fraudulent Financial Reporting	0.42	0.41	0.14	2.98	0.00
Capability ➔ Fraudulent Financial Reporting	0.31	0.32	0.13	2.29	0.02
Collusion ➔ Fraudulent Financial Reporting	0.06	0.06	0.08	0.70	0.48

Source: Data processed by Smart PLS, 2023

Technically, hypothesis testing is done by bootstrapping the sample to minimize data abnormalities. (Aisyah et.al, 2019). The results of testing the hypothesis by bootstrapping based on smart PLS version 3.00 are as follows:

Hypothesis Test 1: Pressure has a positive effect on Fraudulent Financial Reporting

The first hypothesis test shows the effect of Pressure on Fraudulent Financial Reporting with a path coefficient of -0.20 with a t-value of 1.57. This calculated t value is smaller than t table (1,661), then on other criteria it is known that P value (0.12) ≥ alpha (0.05), so based on these two criteria it is stated that the first hypothesis is rejected, meaning that Pressure has no effect on Fraudulent Financial reporting

Hypothesis 2 test: Opportunity has a positive effect on Fraudulent Financial Reporting

The second hypothesis test shows the effect of Opportunity on Fraudulent Financial Reporting with a path coefficient of 0.26 with a t-value of 1.95. This calculated t value is greater than t table (1,661), then on other criteria it is known that P value (0.05) ≥ alpha (0.05), so based on these two criteria it is stated that the second hypothesis is accepted, meaning that Opportunity has a positive and significant influence on Fraudulent Financial Reporting

Hypothesis 3 test: Rationalization has a positive effect on Fraudulent Financial Reporting

The third hypothesis test shows the effect of Rationalization on Fraudulent Financial Reporting with a path coefficient of 0.04 with a t-value of 0.41. This calculated t value is smaller than t table (1.661), then on other criteria it is known that P value (0.68) ≥

alpha (0.05), so based on these two criteria it is stated that the third hypothesis is rejected, meaning Rationalization has no effect on Fraudulent Financial reporting

Hypothesis 4 test: Arrogance has a positive effect on Fraudulent Financial Reporting

The fourth hypothesis test shows the effect of Arrogance on Fraudulent Financial Reporting with a path coefficient of 0.42 with a t value of 2.98. This calculated t value is greater than t table (1,661), then on other criteria it is known that P value (0.00) ≤ alpha (0.05), so based on these two criteria it is stated that the fourth hypothesis is accepted, meaning Arrogance has a positive and significant influence on Fraudulent Financial Reporting

Hypothesis 5 test: Capability has a positive effect on Fraudulent Financial Reporting

The fifth hypothesis test shows the effect of Capability on Fraudulent Financial Reporting with a path coefficient of 0.31 with a t value of 2.29. This calculated t value is greater than t table (1,661), then on other criteria it is known that P value (0.02) ≤ alpha (0.05), so based on these two criteria it is stated that the fifth hypothesis is accepted, meaning Capability has a positive and significant influence on Fraudulent Financial Reporting

Hypothesis 6 test: Collusion has a positive effect on Fraudulent Financial Reporting

The sixth hypothesis test shows the effect of Collusion on Fraudulent Financial Reporting with a path coefficient of 0.06 with a t value of 0.07. This calculated t value is smaller than t table (1.661), then on other criteria it is known that P value (0.48) ≥ alpha (0.05), so based on these two criteria it is stated that the sixth hypothesis is rejected, meaning Collusion has no influence on Fraudulent Financial reporting

6. DISCUSSION

The results of this research show that of the six factors that trigger people to commit fraudulent financial reporting, there are three factors, namely opportunity, arrogance and capability. Meanwhile, other factors that do not influence fraudulent financial reporting are pressure, rationalization and collusion. Based on the research results, pressure or stimulus has no effect on fraudulent financial reporting, even though the hypothesis states that pressure or stimulus has a positive influence on fraudulent financial reporting. A number of questions asked to respondents regarding pressure from superiors and accounting standards were answered smoothly, namely that there was no pressure in doing work and superiors were not able to dictate to subordinates whether to do or not do a job. Therefore, fraudulent financial reporting can occur without pressure or stimulus. Research questions related to the content of pressure and stimulus have not yet touched on the sanctions imposed on those who commit fraud in financial reports. These findings indicate that financial pressure influences fraudulent financial reporting. Meanwhile, pressure from aspects of implementing accounting standards and receiving stimulus is not yet strong enough to force fraud. This result is in line with the opinion of (Khamainy et al., 2022), (Sukmadilaga et al., 2022) which measures pressure or stimulus factors with financial targets and financial stability and reveals that pressure does not affect fraudulent financial reporting. Meanwhile, results that are not in line with the results of this research are those from (Yadiati, 2023) and (Sudirman & Ornay, 2023) who found that pressure actually had an effect on fraudulent financial reporting, even in research(Sudirman & Ornay, 2023) it was revealed that there was a significant effect of pressure on fraudulent financial reporting moderated by political connections.

Opportunity shows a significant influence on fraudulent financial reporting. The availability of opportunities has the potential to create fraudulent financial reporting. When respondents were asked about organizational structure, internal control, policies and facilities, it was seen how tight the organizational structure was, and how good internal control was, how good the physical security of company assets was, and how sophisticated the available facilities, there are still weaknesses, and they can be exploited. In the end, what really determines is the attitude of people who always want to look for and take advantage of opportunities. The research results show that opportunities arise due to weak internal control systems which influence fraudulent financial reporting. A similar opinion from (Alyani et al., 2023) & (Mulya et.al, 2019) states that the availability of opportunities influences fraudulent financial reporting. The opposite results, Dewi C.K, & Yuliati A, (2021) reveal that even though there is no opportunity at all, fraudulent financial reporting still has an impact. Other similar opinions from (Khamainy, 2022) and (Yudiati, el.at, 2023), (Sumadilaga et.al, 2022) expressed that opportunity influences fraudulent financial reporting, there were even findings of insignificant influence from (Raihan Noval Akbar, et. al. 2022), (Chantia, et.al, 2021), (Sudrajat, et.al, 2023). Not all SOEs employees are good and trustworthy people, but because they do not have the opportunity to commit fraud. This opinion is in line with (Chantia et.al, 2021), (Alyani et.al, 2023) that weak internal supervision creates opportunities to commit fraud on financial reports. Another opinion from (Raihan Noval Akbar et al., 2022), (Sudrajat et al., 2023) reveals that whether internal control is effective or not has no impact on fraudulent financial reporting. Apart from that, another opinion states (Dewi & Yuliati, 2022) that the effectiveness of internal supervision has a negative effect on fraudulent financial reporting. According to (Rahma et al., 2022) there are eight special functions that a state-owned company must have and one of the most important is that the state-owned company provides goods and services that the community needs. This state-owned company function was chosen because of its relevance to the preparation of financial reports. Rationalization does not affect fraudulent financial reporting. The company has responded quickly to follow up on all findings and provide direct advice to complete and evaluate these findings, however this policy has no effect at all on fraudulent financial reporting. Fraudulent financial reporting does not only occur on the issue of whether the response given to the findings is continued or discontinued or for other reasons. In line with research by

(Khamainy, 2022), (Yadianti, et.al, 2023) & (Sumadilaga et.al. 2022) that rationalization has no significant effect on fraudulent financial reporting. SOEs employees do not have the courage to commit fraud because they work as career officials and not from a particular party. However, this is not in line with the research results of (Sudirman et.al. 2023) that the rationalization element influences fraudulent financial reporting, even the influence of rationalization on fraudulent financial moderation by political connections has a significant effect, although indirectly. Arrogance has a significant effect on fraudulent financial reporting based on the results of research indicator answers, namely work direction, work guidelines, work discussions, decision making and career. These results are in line with research (Dewi, C.K & Yuliati, 2021), (Sumadilaga, et.al, 2022) which revealed that arrogance or ego influences fraudulent financial reporting empirically. Measuring arrogance by highlighting content related to work, decision making, and career was different from the results of company CEO arrogance selfies. The arrogance factor is not only visible from the many selfie photos in the annual report, but is also visible in the origin of officials who occupy strategic positions. Fraudulent financial reporting like this can happen and the perpetrators are almost certainly committed by public officials. The arrogance of political party administrators who are placed in SOEs could have the potential to commit fraud in financial reports. However, there are opinions that are not in line with arrogance influencing fraudulent financial reporting from (Chantia et al., 2021), (Raihan Noval Akbar et.al, 2022), (Khamainy, 2022), (Sudirman, et.al. 2022) & (Yadianti, et. al, 2023) that a stylish CEO image in annual reporting has no effect on financial report fraud because the photo is just narcissistic. In contrast to career officials from SOEs, they do not like taking selfies in annual reports.

Capability has a significant effect on fraudulent financial reporting. Answers to questions asked to SOEs leaders and employees regarding indicators of initiative, knowledge, awareness of failure, communication and helping friends show that not only technical competency of human resources but also soft skills influence fraudulent financial reporting. Soft skills have proven their usefulness in planning fraud, supported by good technical capacity. almost all cases of fraud are committed by skilled insiders looking for opportunities in adversity. The results of this research are in line with research by (Yadianti et.al. 2023) & (Sudirman et.al, 2022) stated that capability significantly influences fraudulent financial reporting, only in the research of (Yadianti et.al. 2023) & (Sudirman et.al, 2022) will pay more attention to the issue of director changes. Discordant opinions from (Khamainy, 2022) & (Sudirman et.al 2022) are that changes in directors have no effect on fraudulent financial reporting.

Collusion has an insignificant effect on fraudulent financial reporting and questionnaire questions asked by SOEs leaders and employees, regarding indicators of self-awareness, warnings, workload and integrity, cannot influence fraud. Collusion occurs for other reasons unrelated to self-awareness, reprimand, workload, and integrity. The research results are in line with Kaimainy's research, 2022, that indicators of collusion using COSO internal control have no effect on fraudulent financial reporting. Meanwhile, opinions that are not in line with the results of this research come from (Sumadilaga, et.al. 2022), (Sudirman, et.al. 2022) & (Yadiati et.al. 2023) determines that collusion has an effect on fraudulent financial reporting.

7. CONCLUSION

Based on the results of research using premier data with the influence factors in the hexagon Fraud theory on Fraudulent Financial Reporting, it can be concluded that:

1. It has been empirically proven that there are 3 factors from the hexagon Fraud Theory that influence Fraudulent Financial Reporting, namely opportunity, arrogance and capability. By paying attention to the type of research that takes SOEs leaders and employees as research objects, the measurement of fraud and fraudulent financial reporting is based on a human approach. In the case of opportunity, no matter how good the company regulations are and how strict the internal controls are, there are still individuals who can take advantage. The ability to understand Standard Operation Procedures [SOP] and career paths makes employees try to commit fraud, and this arrogance is almost the same as the arrogance in the number of CEO photos in annual reports. The ability to learn tricks at work so that you become capable of doing things and are supported by opportunities so that you have the potential to commit fraud.
2. However, the factors of pressure, rationalization and collusion empirically apparently have no effect on fraudulent financial reporting. Any pressure has no effect on fraudulent financial reporting, whether economic and financial pressure such as financial pressure, financial stability and financial targets or psychological pressure at work. Rationalization and collusion have no effect on fraudulent financial reporting because the hexagon fraud theory measurement indicators are only based on respondents' answers.

For further research, for obtaining the best research that the author suggests:

1. In measuring hexagon fraud: Stimulus, Capability, Collusion, Opportunity, Rationalization, and Ego, moderating variables can be used for each of these factors to obtain information about the direct and indirect influences on fraudulent financial reporting.
2. The research object can be expanded by adding respondents to all SOEs, both go public and non-go public SOEs.

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CONFLICT OF INTEREST: I know of no conflict of interest associated with this articles/publication

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6. Bukti Konfirmasi Review dan Hasil Review Ketiga, tanggal 29 Oktober 2023

Neznanih junaka 9-11, 76 300 Bijeljina, Tel./fax: 055/423-183

Account No.: 555-000-00049162-69; E-mail: novi.economics.institut@gmail.com; www.economicsrs.com;

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Review Form

PART I

Article Title: Analysis of Hexagon Fraud Model, the S.C.C.O.R.E Model Influencing Fraudulent Financial Reporting on State-Owned Companies of Indonesia
Reviewer's Name: (The reviewers' identities remain anonymous to author/s)

PART II

Evaluation (Please assign the score for each item below)	
5=Excellent 4=Good 3=Average 2=Below Average 1=Poor n/a=Not Applicable	
Items	**Grade**
Overall evaluation on the paper	
11. Contribution to existing knowledge	3
12. Novel ideas/concepts/techniques	4
13. Complete and accurate figures and tables	4
14. Appropriate formatting and structure	2
15. Readability	2
16. Correct analysis	3
17. Soundness of methodology	4
18. Evidence supports conclusion	3
19. Adequacy of literature review	3
20. Clear, concise and interesting writing	2

❖ **Summary**

The submitted paper could be published, but only if the author fully reflects the criticisms and comments below in his subsequent revision.

First and foremost, I recommend re-reading the paper carefully and removing at least the more significant grammatical errors and typos (English grammar and stylistics are generally very poor), which in many places make the text completely unreadable (e.g. first sentence of the abstract, first sentence of the introduction, last sentence of the Analysis and Discussion, first sentence of the conclusion etc.). The abstract is generally very successful, containing a precise statement of the aim, a description of the scientific methods, a summary of the main results and the conclusions of the research. The only thing missing is the JEL classification, which is very important for the publication of the paper, not only from an international perspective.

I see a rather fundamental deficiency in the use of the citation apparatus. In many places, I have no idea whether it is an extensive quotation of the whole paragraph, or whether the author has forgotten to indicate the source of the claimed ideas, or whether it is perhaps his own opinion (see, for example, the Introduction, second and fifth paragraphs – but this applies to many, many other places). This should undoubtedly be corrected, as such a practice is not only about the readability and quality of the paper, but is in direct contradiction to international academic principles.

I also have reservations about the handling of in-text citations. The style cited is fine, but its formal treatment is not consistent across the extensive text. In some places the author uses parentheses, in others not, in some places he separates the text in parentheses by a full stop, in others by a double space … Again, this does not look professional (partly it is a misunderstanding of the citation format, partly it is a typo – both of which, in my opinion, need to be removed).

In many places, the paper also contains very informal language (see, for example, page 4, middle of the page). Personally, I have reservations about the last statements in the introductory chapter – the theory with the CEO photos and their impact on financial fraud seems to me "far-fetched" and if it is indeed the output of some credible research, it would be useful to put it in front of other opinions and arguments, and to cite other research in general. On page 5, the author uses the masculine gender exclusively when referring to a fraudster, which is highly inappropriate in this day and age, so I would recommend that this is modified.

I find the research itself acceptable and the results well interpreted. The method of establishing the various hypotheses within the text itself is unusual but interesting.

There is another typo on the top of page eight which seems to make the text unintelligible: 'the relationship between the company's internal and auditors ...' – what is that supposed to mean?

In some places the text is too descriptive. I would personally recommend shortening it considerably; I think it would help the overall quality of the paper (some passages are not really necessary for the topic and presentation of the research and its results).

Many of the sources used are significantly older; is the author sure that they sufficiently reflect the progress and advancement of the topic?

I find the formatting on page 10 unacceptable – in terms of chapter headings and individual figure captions (ditto the following tables).

I consider the section on the final evaluation of the individual hypotheses to be successful.

The format for the final list of sources used is not correct, and in addition, the individual items are inconsistently listed. This needs to be corrected (and standardised).

The paper may have merit, but it still needs to be slightly edited.

❖ **Strengths**

- Abstract
- Conducted research and research methods
- Final evaluation of the hypothesis

❖ **Weaknesses**

- Grammar

- Typos (significant misunderstandings across the text)
- Stylistic
- Citation apparatus and format of the in-text citations
- Presence of informal language
- Controversial research results (without opponent opinions being included)
- Length of the paper
- Formatting
- Format of the final list of resources

❖ **Suggestions to Author/s**

- Please review and revise your paper listing and taking into account all the comments above.

PART III

Recommend the appropriate section for this paper (Please mark "X" for appropriate option)
( ) Original Article
(X) Review Article
( ) Case Report
( ) Short Communication

PART IV

Recommendation to Editor (Please mark "X" for appropriate option)
( ) Excellent, accept the submission (5) ( ) Good, accept the submission with minor revisions required (4) (X) Acceptable, revisions required (3) ( ) Resubmit for review, major revisions required (2) ( ) Decline the submission (1)

Appendix

Ethical Guidelines for Reviewers

- Respect confidentiality.
- Respect copyright protection of submissions by not using in their own research or work any unpublished data, information, interpretation, or discussion from a submitted article.
- Maintain objectivity in reviewing submissions and avoid personal criticism of authors.
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ANALYSIS OF HEXAGON FRAUD MODEL, THE S.C.C.O.R.E MODEL INFLUENCING FRAUDULENT FINANCIAL REPORTING ON STATE-OWNED COMPANIES OF INDONESIA

Lely Indriaty[1*], Gen Norman Thomas[2]

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[1] Accounting Department, Faculty of Economics and Business, Universitas Persada Indonesia YAI, Jakarta, Indonesia

[2] Accounting Department, School of Accounting, Bina Nusantara University, Indonesia

Correspondence Author:
Lely Indriaty

Email: lelynorman@gmail.com

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ABSTRACT

This research aims to analyze the influence of each Hexagon Fraud factor that causes fraudulent financial reporting, namely Pressure, Opportunity, Rationalization, Arrogance, Capability and Collusion based on respondents' perceptions of the content. The research methodology used is a quantitative method, sample determination was carried out using a purposive sampling method with certain criteria. The questionnaire was distributed to 3 leaders and 3 officials based on the selected sample. Primary data was obtained to test 6 research hypotheses based on the answers of 96 respondents from 16 State-Owned Enterprises (SOEs) from the selected sample. Data processing uses Smart PLS version 3.00 to test validity and reliability and test research hypotheses. The results of research on hexagon fraud theory show that Opportunity, Arrogance and Capability have a positive and significant effect on Fraudulent Financial Reporting, while Pressure, Rationalization and Collusion do not have a significant effect on Fraudulent Financial Reporting. Research findings reveal that fraud perpetrators are parties who have a deep understanding of the company's internal control policies, especially knowledge about the effectiveness or ineffectiveness of internal controls, both from within and from outside SOEs. Fraud perpetrators may come from leaders or officials who are knowledgeable about the organizational structure and governance of officials in strategic positions.

Keywords: *Arrogance, Capability, Collusion, Hexagon, Opportunity, Pressure, Rationalization*

1. INTRODUCTION

Fraudulent financial reporting can raise doubts among investors about management, and also has the potential to criticize the accounting profession. The Association of Certified Fraud Examiners (ACFE) states that fraudulent financial reporting practices can threaten a country's economic activities (Association of Certified Fraud Examiners (ACFE), 2018). Association of Certified Fraud Examiners Indonesia, (2019) also shows that fraudulent practices have caused a loss of around 5% of a company's gross income. Many conflicts of interest are caused by personal interests of employees, management or executives cannot be disclosed so that they have a negative impact on the company(Wells, 2017). Conflicts of interest between several officials and employees in management can be one of the causes for management to commit fraud. Based on agency theory, where management acts as an agent, meanwhile and investors or the government as principals, in accordance with this agency theory, principals and agents act as long as they provide benefits and convenience and have the potential for fraudulent financial reporting. Moreover, fraudulent financial reporting is an act of fraud that is consciously carried out by top management to present a convincing financial statement rather than real financial statement (Albrecht, W.S, Albrecht, C.O, Albrecht, 2018). The company management can present improvements in its performance in a financial statement, but in some cases this information only aims to give an impression to readers of the financial statement (Kayoi & Fuad, 2019). Fraudulent financial reporting has a high long-term risk to the company's business activities (Kayahan & Murat, 2022). To prevent greater fraud, companies must be able to develop strategies to prevent fraud (Sihombing & Rahardjo, 2014). However, it is not only necessary to develop a fraud prevention strategy, but also to detect fraudulent practices early on in the company, and to understand the methods used to detect fraud. In carrying out audit planning and realizing the audit program, auditors and forensic accountants must be more careful in dealing with risk factors and fraud (Devy, et.al, 2017). Fraud is an act of a person within a company who misleads users of financial reports because fraudulent acts can change the financial reports. Fraud is carried out to deceive users of financial reports by correcting them so that the company's poor performance does not appear. In general, fraud by companies is very dangerous for the country's economy. In several cases of fraud that have been revealed, starting with ordinary fraudulent practices to fraud carried out by companies that will go public through IPO activities to deceive their investors (Puspitadewi & Sormin, 2018).

ACFE, 2019 revealed that state-owned companies in position number 3 often commit fraud, and these companies are the go public state-owned companies. There are several cases of window dressing carried out by PT Asabri and PT Garuda, and window dressing itself can change the picture of company profits to deceive users of financial reports (Kayoi & Fuad, 2019). Meanwhile, Suhartono et al., (2021) revealed a dual position, namely the main director of PT Garuda Indonesia (Persero) and the main commissioner of PT Sriwijaya Air. This condition creates unhealthy competition because both of them work together to determine ticket prices. Financial reporting that contains fraud can create long-term risks that damage the company's business (Shemshad & Karim, 2023). Therefore, companies need to develop fraud prevention strategies to detect potential fraud early (Sihombing & Rahardjo, 2014). Not only in preparing strategies to detect fraud, but also starting from the preparation of audit planning and audit programs, auditors or forensic accountants must be more careful in anticipating the risk of fraud (Devy et al., 2017). Many cases of fraud as described are still ongoing today, even the theory of fraud has developed in 6 phases of development to reach the hexagon theory of fraud (Vousinas, 2019).

The choice of State-Owned Enterprises as research objects is because in a SOE there are many interests, including the interests of the government as the majority shareholder, the interests of management, and the interests of individuals, both the interests of party officials and career officials. Meanwhile, SOEs is also a company that has a very large market capitalization so it is not surprising that there is a lot of fraud, especially financial statement fraud. The difference between this research and previous research is that this research raises the psychological aspect of perceptions of fraud in fraudulent financial reporting by distributing questionnaires to SOEs employees after the Covid-19 recovery period is over. The data is processed using Smart PLS version 3.00 because the data collected is primary data. In previous research which also used hexagon fraud theory (Rizkiawan, 2021), it was revealed that 5 of the 6 hexagon Fraud factors, namely opportunity, rationalization, pressure, capability and collusion, had an effect on fraudulent financial reporting on SOES, while arrogance had no effect to that reporting. However, the research data processing carried out (Rizkiawan, 2021) uses logistic regression with Fraud financial reporting as the dependent variable with using the M score while the 6 hexagon factors of Fraud and Corporate Governance as independent variables.

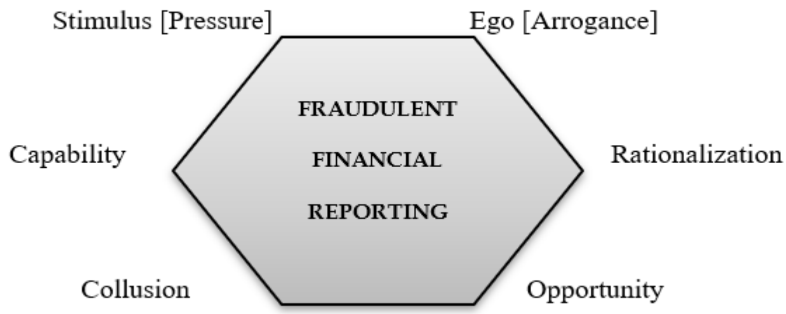
2. THEORICAL FOUNDATION OF RESEARCH

2. 1 THE BRIEF DEVELOPMENT OF FRAUD THEORY TOWARD TO HEXAGON THEORY OF FRAUD

The development of fraud theory has developed into 6 theories. The theory of fraud begins with the emergence of white-collar crime, where at that time the victim of the crime did not feel that he was a victim of economic and business crimes because the crime was committed professionally. Sutherland, (1940)explained that this white-collar crime was different from street crimes that occurred during the second world war in the European region. White-collar crimes are carried out in a structured manner and include criminal acts because they harm the general public without them knowing it, which is then known as fraud. In the following developments, this white-collar crime became the basis for the triangle theory. The triangle theory of fraud by (Cressey, 1950), was one of the impacts of the European economic recovery after the second world war. Cressy, (1950) has deepened his understanding of white-collar crime and revealed that there are 3 factors that give rise to fraud in organizations or companies that carry out activities in the economic and business fields where these crimes are detrimental to the general public or citizens, namely pressure, opportunity and rationalization. Pressure to do an act because of compulsion. Financial pressure, for example; fraud due to lifestyle and drug addiction. Opportunities to commit fraud can be reduced by strengthening internal control, for example: the courage to commit fraud is limited for fear of being detected by tight internal controls. abuse of authority and lack of supervision. Rationalization is interpreted as justification for the perpetrator of fraud so that he feels that his actions are legitimate (Moraliyska, 2023). Of the three factors that trigger fraud, what needs to be highlighted is the opportunity because it starts with an opportunity so that financial pressure can be channeled after obtaining some justification. The next stage of development is marked by the presence of the Scale Theory of Fraud as stated by (Albrecht, W.S, Albrecht, C.O, Albrecht, 2018) as a correction to the Triangle Theory of Fraud because the triangle theory of fraud was considered not clear enough. In the Fraud Scale Theory, situational pressure factors as corrections for financial pressures, opportunity factors are corrected to become opportunities for fraud, and personal integrity factors as corrections for rationalization. Situational pressure to assess the condition of each individual when committing fraud, whether they feel guilty or not. The opportunity to commit fraud depends on the risk borne by the perpetrator of the fraud. Personal integrity factor to assess the potential to commit fraud based on past character (). These three factors are interdependent on each other, namely the possibility of high fraud occurring under conditions of situational pressure and the opportunity to commit fraud is high but personal integrity is low, or the probability of fraud is low because one has high integrity even though situational pressure and opportunity to commit fraud remains low (Ahmić & Isović, 2023). Then, on the fraud scale theory, personal integrity is an important factor related to detecting fraud, including fraud financial reporting. In subsequent developments, the pentagon theory of fraud or A-B-C analysis emerged, with additional factors in the fraud triangle theory, namely capability and arrogance (Wolfe & Hermanson, 2004). Capability is a very important factor to be able to commit fraud because fraud perpetrators have the capability to minimize the risk of their actions, and according to (Dorminey, 2011) that capability is related to adequate ability to commit fraud so that the higher a person's capability, the higher his ability to commit fraud. Subsequent developments from fraud theory led to the Diamond theory of fraud and M (Money), I (Ideology), C (Coercion) and E (Rights).

This Diamond Fraud Theory wants to clarify that the main factor that must be considered is the behavior of the perpetrators of fraud(Dorminey, 2012). The Hexagon Theory of Fraud still uses the factors of Pressure [Stimulus], Capability, Collusion, Opportunity, Rationalization and Ego [Arrogance] which influence the occurrence of Fraud, and what is meant by fraud in this study is Fraud Financial Reporting. Fraud theory has reached a new phase marked by the release of the Hexagon theory of Fraud known as the S.C.C.O.R.E Model by (Vousinas, 2019) as shown in figure 1 below.

Figure 1. The S.C.C.O.R.E. Model



Source: Vousinas, 2019

The explanation of the five factors referred to above is the same as in the previous fraud theory, it's just that there is an additional collusion factor. According to Vousinas, 2019, Collusion is an agreement between a first party and a second party with the aim of deceiving a third party.

2. 2 FRAUDULENT FINANCIAL REPORTING

According to (Association of Certified Fraud Examiners (ACFE), 2018),fraud in financial reporting can be interpreted as fraud committed by management through exercising control in the form of artificial or deliberately engineered misstatements in financial reports. Fraudulent Financial Reporting can be interpreted as planned fraud, actions that violate the law, and intend to benefit certain parties (Kayoi & Fuad, 2019). This action not only deceives users of financial statements, especially it can mislead investors in reading a financial report. According to(Bryan et al., 2002) the Statement on Auditing Standards (SAS) No.99, fraudulent financial reporting can be done: a. Deliberately manipulating, falsifying, or changing accounting records or supporting documents when preparing financial reports. b. Intentional errors or omissions in information that are significant to the financial statements. c. Committing a misuse of principles relating to amount, classification, method of presentation, or disclosure. Todorović et al., (2020) underlines the importance of Anti-Fraud Strategy to be developed for decreasing many cases of fraud and corruptions.

3. METHODOLOGY

3. 1 DATA SOURCES

This research is categorized as quantitative research because this research aims to obtain data, and process it with Smart PLS to test hypotheses, then analyze the results of this research to answer the research phenomenon. The population of state-owned enterprises officially registered in 2018-2022 is 107 companies. The sample was determined using a purposive sampling method with certain criteria, namely 107 companies - 4 companies with incomplete data - 87 companies did not go public, so the valid sample is 16 companies. The 16 selected companies were then visited to distribute questionnaires to be answered by 3 leaders and 3 employees. The questionnaire was answered by 96 respondents or 16 companies x 6 respondents. Data collected from the first source is classified as primary data (Puška et al., 2020). According to (Sugiyono, 2018), primary data is a data source that directly provides data to data collectors so that the data obtained is data that comes from first hand, and has not been further processed for any purpose. Smart PLS is a data processing application that is more widely used for primary data where filling out questionnaires is based on a Likert scale. In addition, Smart PLS is a sophisticated application that can be used without many assumptions (Juliana et al., 2022), such as normality tests and multicollinearity tests between these variables (Ramzan & Khan, 2010). It can even be used in all data scale categories, from nominal, ordinal, interval to ratio data scales (Puška et al., 2018). Another advantage of Smart PLS is that the data used can be under 100 respondents(Ghozali, 2006), like this research.

The research objects are 16 state-owned companies go public on the Indonesian Stock Exchange (IDX). The specificity of state-owned companies because companies whose share ownership by the Government of Republic of Indonesia is above 51%, and is certainly suitable for fraudulent financial reporting. Based on these 16 companies, research questionnaires were then distributed with taking respondents 3 leaders and 3 employees for each company.

Table 1. List of Research Indicators

Variables	Indicators	Question	Sources
Fraudulent Financial Reporting (FFR)	1. Accounting Records 2. Disclosure 3. Inappropriate Budget Allocation 4. Cost Standards 5. Fraud 6. Manipulation 7. Gratification	12	(ACFE, 2019) (Vousinas, 2019) (Desviana et al., 2020)
Pressure (PRE)	1. Pressure from superiors 2. Accounting Standards	5	
Opportunity (OPP)	1. Organizational Structure 2. Internal Control 3. Policy 4. Facility	4	
Rationalization (RAT)	1. Follow up 2. Review	2	
Arrogance (ARR)	1. Directing of Work 2. Work of Guidelines 3. Discussion about Work 4. Decision making 5. Career	6	
Capability (CAP)	1. Initiative 2. Knowledge 3. Awake of Failure 4. Communication 5. Help to Friend	7	
Collusion (COL)	1. Self-aware 2. Reprimand 3. Burden of work 4. Integrity	4	

Source: Data processed by Author, 2023

Table 1 shows the indicators that are translated into research questions using a Likert scale. The sequence of research variables is based on the sequence of fraud theory journeys starting from diamond fraud theory to hexagon fraud theory.

3. 2 RESEARCH HYPOTHESIS

3. 2. 1 PRESSURE ON FRAUDULENT FINANCIAL REPORTING

Shareholders or investors as principals in a cooperation contract hand over responsibility to management who acts as an agent to get good company performance. Along with high expectations from shareholders, there is pressure felt by management in formulating strategies so that these expectations are met. Pressure can give rise to the idea of committing fraud in the company's financial reports carried out by management in meeting the interests of shareholders. Financial Target is a condition where the pressure felt by the manager in achieving the economic goals obtained by the manager and the company's president director.

Financial targets are measured by the Return on Assets (ROA) indicator which presents a profitability ratio calculated by dividing profits with assets utilized (Kushnir et al., 2023). The manager's idea to commit fraud on financial statements by manipulating the ROA ratio is by increasing this ratio from the company's profits to the assets used (Skousen & Twedt, 2009). Therefore, it can be concluded that the higher the financial target proxied by ROA profitability, the greater the opportunity for companies to practice fraud in the company's financial reports. This is supported by the results of research from (Wiharti & Novita, 2020), (Kayoi and Fuad, 2019), (Maryadi et al., 2020), (Santoso, 2019) which stated that financial targets had a significant positive influence on fraud in financial reporting. Financial targets from anywhere, especially from the shareholders or investors to the company's management, will certainly affect the way of management makes it happen. Based on agency theory that the management as an agent works in accordance with the authority and responsibility it receives from shareholders or investors as principals. In the real world, shareholders or investors always demand management to always obtain satisfactory performance regardless of the condition of the company. This demand puts pressure on management to be able to display performance that satisfies the shareholders or investors even though it does not always succeed in realizing it. Management that is less successful in meeting financial targets from shareholders or investors tends to commit fraud on financial statements so that financial statements look better. For the purposes of financial ratio analysis, the company can commit fraud against the number of records in the desired posts. A pressure can be in the form of pressure to increase financial ratios, such as ROA, ROE, ROI, Net Profit, EPS by comparing the results of the ratios of the last year with the results of the ratios of the previous year.

H1: Pressure has a positive effect on Fraudulent Financial Reporting

3. 2. 2 OPPORTUNITY ON FRAUDULENT FINANCIAL REPORTING

Crime is not only the intention of the perpetrator but also the opportunity, so be aware, be aware. Another jargon that golden opportunity will not come twice in a lifetime. Any crime, including fraud, can occur because of the opportunity and the perpetrator of the crime will dare to carry out his actions when he is sure that his actions will not be detected by other parties. The reason people commit fraud is because the internal control conditions are not so good that people who don't think about committing fraud think about doing it. Internal control and opportunity are inversely proportional, the tighter the internal control, the lower the opportunity, so it should be. Related to the ineffectiveness of internal control explained by(Siddiq, F,R, 2017)1953 that the tightness of internal supervision depends on the ratio of the board of commissioners serving in the company with the record that the board of commissioners is able to detect fraud earlier and provide security for company assets (Zhukevych & Zhuk, 2023). This discussion is in line with what was stated by (Putriasih,K, 2016) that ineffective internal control has an effect on fraudulent financial reporting. However, in other studies the opportunities that arise due to the lack of effective internal control have no effect on fraudulent financial reporting (Damayani et al., 2019)financial target, external pressure, managerial ownership, ineffective monitoring, nature of industry, change in auditor, change in directors, and frequent number of CEO's picture. While dependent variable is financial statement fraud.Population on this research areinfrastructure companies that listed in Indonesian Stock Exhange (IDX,(Bawekes, H.F, Simanjuntak A.M, Daat, 2018).

H2: Opportunity has a positive effect on Fraudulent Financial Reporting

3. 2. 3 RATIONALIZATION ON FRAUDULENT FINANCIAL REPORTING

According to SAS No. 99 (2002) that an auditor must have awareness of the occurrence of fraud in financial statements, especially related to the rationalization indicator. Rationalization is a behavior that considers that the fraudulent act that has been carried out does not deviate from the existing regulations so that it is appropriate to do so and the perpetrators of fraud always look for justifications for their wrong actions.

Factors that can indicate risk include ineffective value communication, management that participates excessively but does not participate in financial aspects, and management's excessive interest in increasing or maintaining the entity's profit trend. Other factors that indicate the risk of fraud can be seen from management activities in minimizing profits to be reported to taxation, as well as the attitude of management trying to justify an accounting treatment that is trivial or not supported for material reasons. The relationship between the company's internal and auditors that is not always in line or looks tense, both the previous auditor and the successor auditor can be a factor causing the rationalization risk in financial statement fraud. Because of this explanation, it can be concluded that the poor relationship between auditors and management is due to the failure of management to operate the company's finances, and the behavior of earnings management in the company is related to the factors causing financial statement fraud from rationalization.

Findings of fraud in financial reporting or fraud trails detected by the old auditor can be avoided by replacing auditors within the company. This motivates companies to replace external auditors to avoid detecting fraudulent financial reporting (Skousen & Twedt, 2009). In the two-year period there was a change in the services of a public accountant which could indicate the occurrence of fraud. Previous findings from research (Novitasari & Chariri, 2018), (Koharudin & Januarti, 2021)financial target, external pressure, and (Maryadi et al., 2020), show a positive influence between change in auditor and fraudulent financial reporting. The higher rationalization can be seen from the change in the services of public accounting firms. Based on this, it can indicate that fraudulent financial reporting is getting higher.

H3: Rationalization has a positive effect on Fraudulent Financial Reporting

3. 2. 4 ARROGANCE ON FRAUDULENT FINANCIAL REPORTING

According to (Koharudin & Januarti, 2021) that arrogance is shown in a person's lack of conscience to empathize with others and feel he has superiority and the right to be greedy which makes him confident that he is immune to control. Meanwhile, in the KBBI, arrogance includes an attitude that is arrogant, haughty, and arrogant towards someone who feels superiority in himself which is manifested in an attitude that likes to be pushy or arrogant. Usually occurs in people who are in the highest position, their careers are on the rise or are experiencing rapid development in their business. In large companies, the arrogant attitude of a leader is very common.

Arrogance can have a negative impact, both on individual companies and corporate companies because it can damage company operations (Horwath, 2011). Then continued by (Horwath, 2011) that there are 5 elements of arrogance from the perspective of the CEO, namely:

a. Arrogant actors tend to look like celebrities rather than the authority of a CEO.
b. Perpetrators feel immune to internal controls and are less likely to be detected.
c. Perpetrators have characteristics as people who like to disturb
d. The perpetrator has a habit of leading his subordinates in an authoritarian way
e. Arrogant perpetrators tend to acutely lose their position or status.

The number of photos of the president director appearing narcissistically in the company's annual report can show the level of arrogance or superiority concerned.

H4: Arrogance has a positive effect on Fraudulent Financial Reporting

3. 2. 5 CAPABILITY ON FRAUDULENT FINANCIAL REPORTING

Not everyone has the ability to be able to commit fraud without being detected by the company, and successful acts of fraud are always due to knowledge and experience so that the perpetrators of crimes are said to have the ability or competence. Wolfe & Hermanson, (2004) revealed that it is impossible for individuals who do not have individual abilities or capabilities to be able to commit fraud, especially fraudulent financial reporting, without cooperating with insiders, namely those who have the capability to work with the system. In the case of changing directors, the company's performance is not always getting better because the new director is not necessarily as good as the previous one. Moreover, the longer the transition period when a vacuum occurs, the greater the potential for fraud that can be exploited. During periods of stress will increase the possibility of fraud (Wolfe & Hermanson, 2004). It could be that the reason for changing the director is one of the efforts to eliminate traces made by perpetrators of fraud so that fraud cannot be detected and conditions remain safe for him. In line with the research results of (Siddiq, F,R, 2017)1953, (Faradiza, 2019), it is revealed that capability, in this case the ability of fraud perpetrators to change the situation of changing directors, affects fraudulent financial reporting. With this discussion, the hypotheses that can be raised are:

H5: Capability has a positive effect on Fraudulent Financial Reporting

3. 2. 6 COLLUSION ON FRAUDULENT FINANCIAL REPORTING

Collusion can be classified as a moral crime because with collusion people are willing to make payments for trade to benefit themselves or their group. Collusion comes from the Latin collusion which means a secret conspiracy to carry out unethical work (Sihombing and Rahardjo, 2014). The unethical act could be in the form of an act that is punishable by a criminal act, such as taking advantage of manipulating financial reports or fraudulent financial reporting. Based on this, collusion can be projected as an act that is not good and is detrimental to the company. Wilopo, (2006) stated that several cases of collusion such as the cases at WorldCom, Enron, Xerox were also caused by unethical acts. Likewise, the collusion case that occurred four years before at CIMA (2002) also occurred because companies had low ethics, which led to high fraudulent financial reporting. Moreover, another case of collusion is the protection of authority and position to commit fraudulent financial reporting (Beaulieu & Reinstein, 2010). Including other unethical acts such as political connections are also detrimental to the company. The company has political connections with the government, privileged to get help from the government in dealing with difficult economic conditions. When loans are made continuously and are not restrained, there will be certain parties who take advantage of engineering accounting records so that fraudulent financial reporting occurs. Another opinion originating from (Vousinas, 2019) states that collusion includes white collar crimes which occurred a lot in the early days after the end of the second world war. Companies that get many buyers for working on government projects, have the potential to commit collusion because fraud perpetrators have a great opportunity to manipulate accounting records and financial reports (Sari & Nugroho, 2020). With this discussion, the hypotheses that can be raised are:

H6: Collusion has a positive effect on Fraudulent Financial Reporting

3. 3 STATISTICAL ANALYSIS

This study uses a quantitative method to test the hypothesis of the independent variable against the dependent variable based on empirical data. Quantitative analysis is used to measure research data so as to produce information that can be interpreted in analysis and discussed to determine conclusions, suggestions and implementation. Operationalization of independent variables, are elements of the Hexagon Theory of Fraud including, Pressure (PRE), Opportunity (OPP), Rationalization (RAT), Arrogance (ARR), Capability (CAP) and Collusion (COL), with one dependent variable, namely Fraudulent Financial Reporting (FFR). The author chooses to use empirical data on state-owned companies that go public on the Indonesian stock exchange in 2022 with the consideration that all fraud detection elements, namely S.C.C.O.R.E affect fraudulent financial reporting in the Hexagon Theory of Fraud scheme. The selection of the sample was determined by purposive sampling based on certain criteria so that the population of 20 companies became 16 sample companies. Questionnaires were distributed to the 16 companies with 6 officials per company each, so there were 96 respondents.

To determine the quality of the data, validity and reliability tests are carried out on the outer model so that it is suitable for further processing in smart PLS 3.00 on the next stage. This validity and reliability test includes 3 criteria, namely convergent validity, discriminant validity and composite reliability. The next stage is to carry out hypothesis testing on the inner model to determine the influence of each element of hexagon fraud on fraudulent financial reporting. Then a discussion of the results of hypothesis tests on 6 research hypotheses is carried out.

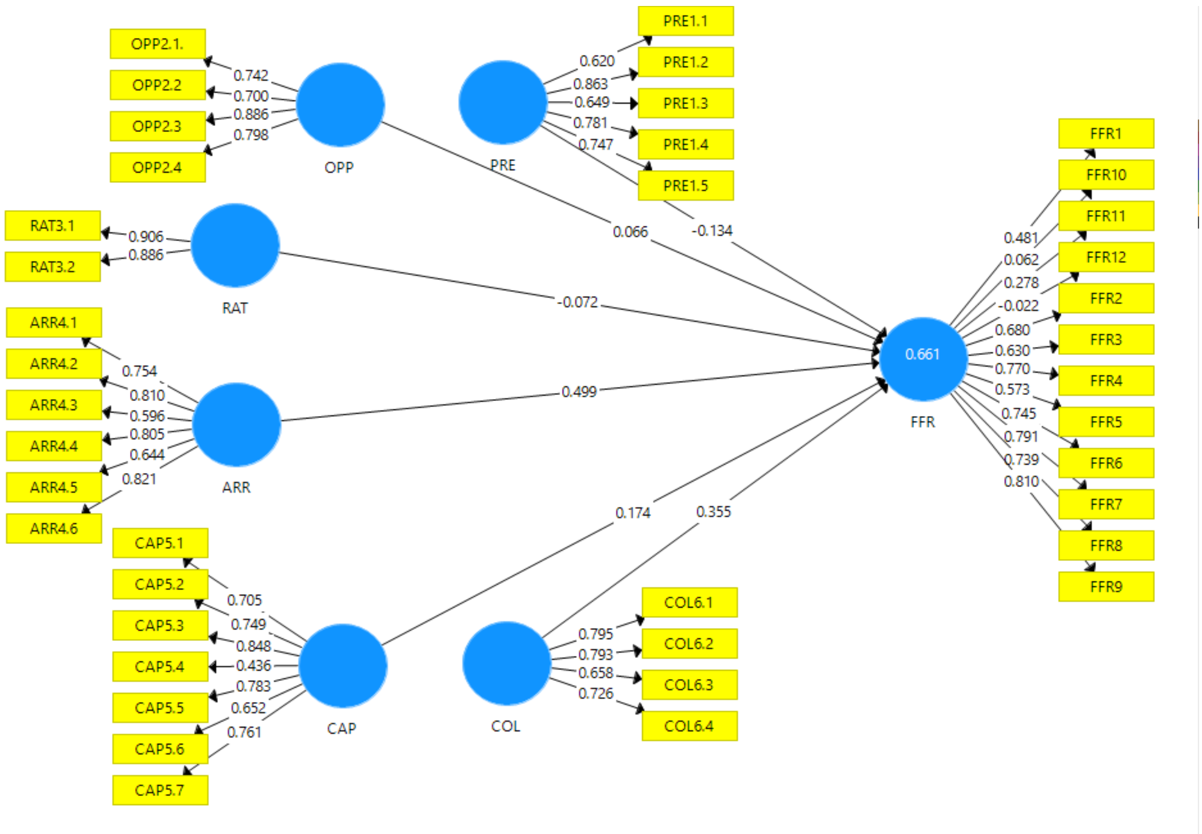
4. RESEARCH RESULTS

4. 1 OUTER MODEL

Before testing the hypothesis, validity and reliability tests were first carried out to determine the feasibility and reliability of the data. Smart PLS version 3.00 processes the outer model based on 3 criteria, namely Convergent Validity, Discriminant Validity and Composite Reliability**.**

Convergent Validity, reflective measurement model based on the correlation between item scores estimated using Smart PLS version 3.00. Individual reflective measure is said to be high if it correlates > 0.700 with the construct being measured. The research model that has been made in the framework of thought is continued and the same model is made again in the Smart PLS version 3.00 application accompanied by all the indicators used in the operationalization of variables. The following presents the initial model of this research as shown in Figure 2 below.

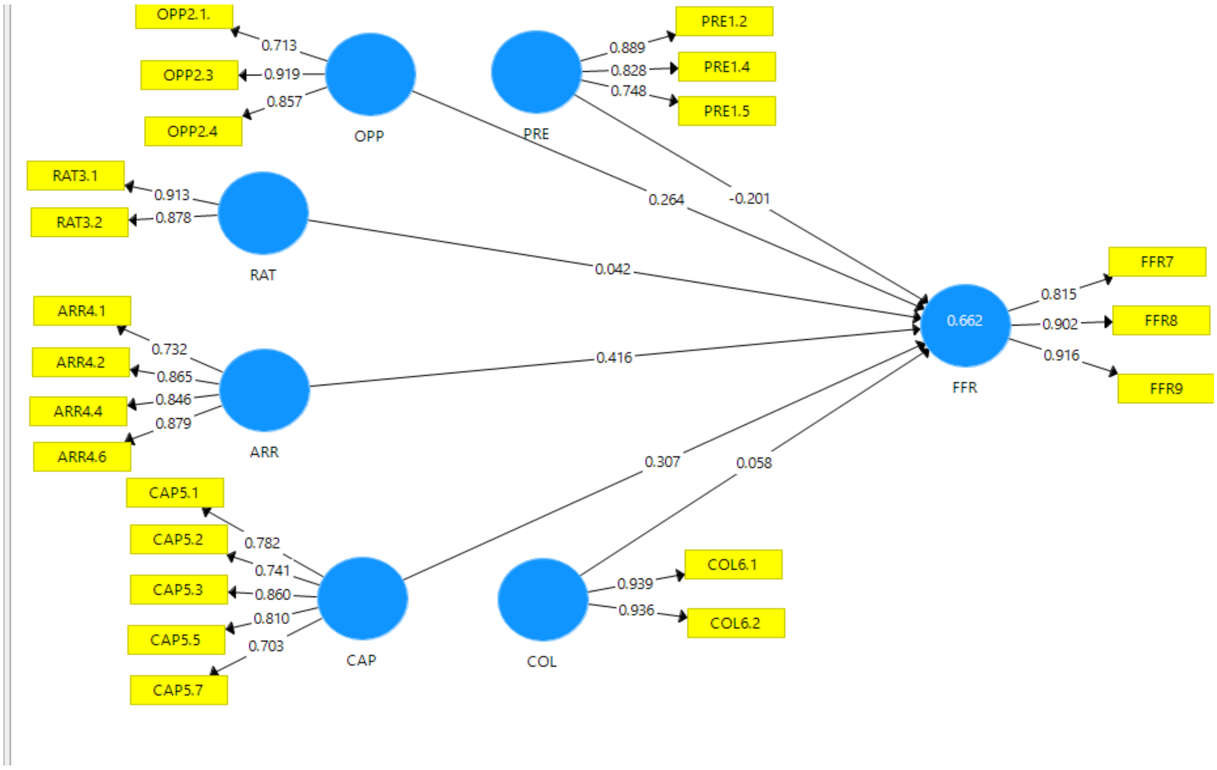
Figure 2. Outer Loading Result, First Run



Source: Data processed by Smart PLS 3.00

To obtain a final result that meets the criteria > 0.700 and up to the last run, the indicators that eliminate successively are PRE1.1, PRE1.3, ARR4.3, ARR4.5, CAP5.4, CAP5.6, COL6.3, FFR1, FFR2, FFR3, FFR5, FFR10, FFR11 and FFR12. on first run, then OPP2.2 dan COL6.4 on second run. Then the removed third run is the FF4 indicator. Finally, on the fourth run, the FFR6 indicator was removed. The following is presented last run outer loading in Figure 3 below:

Figure 3. Outer Loading Result, Last Run



Source: Data processed by Smart PLS 3.00

Based on figure 3 it is known that all the loading values of each construct have shown a value of 0.700 so that the data using convergent validity is said to be good.

Discriminant Validity, for ensuring that all concepts of each latent variable are different from other variables. Good discriminant validity if each loading value of each indicator of a latent variable has the greatest value over other loading values as shown in table 2 below.

Table 2. Result of Process for Discriminant Validity

	ARR	CAP	COL	FFR	OPP	PRE	RAT
ARR	1.833						
CAP	0.758	0.781					
COL	0.457	0717	0.937				
FFR	0.751	0.739	0.493	0.879			
OPP	0.764	0.738	0.468	0.715	0.834		
PRE	0.781	0.728	0.575	0.606	0.752	0.823	
RAT	0.738	0.647	0.384	0.637	0.740	0.689	0.896

Source: Data processed by Smart PLS, 2023

Composite Reliability, the reliability value of each construct can be seen in the Average Variance Extracted (AVE) results, and a construct is said to have a high reliability value if the value is > 0.700 and the AVE is above 0.500.

Table 3. Result of Process for Composite Reliability and Average Variance Extracted [AVE]

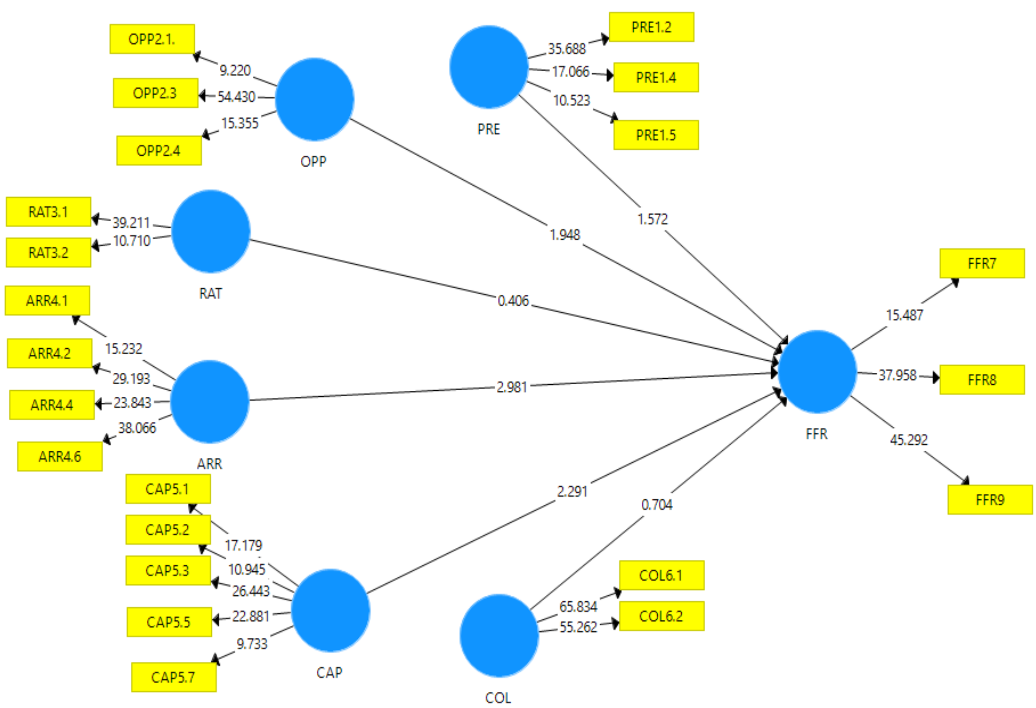
	Composite Reliability	AVE
Pressure [PRE]	0.863	0.678
Opportunity [OPP]	0.872	0.696
Rationalization [RAT]	0.890	0.803
Arrogance [ARR]	0.900	0.693
Capability [CAP]	0.886	0.610
Collusion [COL]	0.935	0.879
Fraud Financial Reporting [FFR]	0.910	0.772

Source: Data processed by Smart PLS, 2023

Based on Table 3 that composite reliability is above > 0.700 and AVE > 0.500, it can be said that the construct presented can be recommended as a reliable construct.

Inner Model, in testing the inner model or structural model, it is carried out to determine the effect between constructs, significance value and R-square. The following is presented in Figure 4 as a structural model that has been tested.

Figure 4. Result of Evaluation for Inner Model



Source: Data processed by Smart PLS, 2023

To test a model, Smart PLS version 3.00 starts by looking at the R-square for each dependent variable. In this research, the variable is Fraud Financial Reporting, as shown in table 4 below.

Table 4. Output of R-Square

Variable	R-square
Fraudulent Financial Reporting [FFR]	0.662

Source: Data processed by Smart PLS, 2023

Based on the R-square results of 0.662, it means that Fraudulent Financial Reporting is influenced by the combined contribution of pressure, opportunity, rationalization, arrogance, capability and collusion of 66.2%.

Hypothesis Test

Hypothesis testing was carried out to determine the effect of one variable on another variable, and in this study the data needed for the need for hypothesis testing has been processed by Smart PLS can be presented in table 5 in the form of results for inner weights below.

Table 5. The Result for Bootstrapping to Research Data

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
Pressure ➔ Fraudulent Financial Reporting	-0.20	-0.18	0.13	1.57	0.12
Opportunity ➔ Fraudulent Financial Reporting	0.26	0.24	0.14	1.95	0.05
Rationalization ➔ Fraudulent Financial Reporting	0.04	0.05	0.10	0.41	0.68
Arrogance ➔ Fraudulent Financial Reporting	0.42	0.41	0.14	2.98	0.00
Capability ➔ Fraudulent Financial Reporting	0.31	0.32	0.13	2.29	0.02
Collusion ➔ Fraudulent Financial Reporting	0.06	0.06	0.08	0.70	0.48

Source: Data processed by Smart PLS, 2023

Technically, hypothesis testing is done by bootstrapping the sample to minimize data abnormalities. (Aisyah et.al, 2019). The results of testing the hypothesis by bootstrapping based on smart PLS version 3.00 are as follows:

Hypothesis Test 1: Pressure has a positive effect on Fraudulent Financial Reporting

The first hypothesis test shows the effect of Pressure on Fraudulent Financial Reporting with a path coefficient of -0.20 with a t-value of 1.57. This calculated t value is smaller than t table (1,661), then on other criteria it is known that P value (0.12) ≥ alpha (0.05), so based on these two criteria it is stated that the first hypothesis is rejected, meaning that Pressure has no effect on Fraudulent Financial reporting

Hypothesis 2 test: Opportunity has a positive effect on Fraudulent Financial Reporting

The second hypothesis test shows the effect of Opportunity on Fraudulent Financial Reporting with a path coefficient of 0.26 with a t-value of 1.95. This calculated t value is greater than t table (1,661), then on other criteria it is known that P value (0.05) ≥ alpha (0.05), so based on these two criteria it is stated that the second hypothesis is accepted, meaning that Opportunity has a positive and significant influence on Fraudulent Financial Reporting

Hypothesis 3 test: Rationalization has a positive effect on Fraudulent Financial Reporting

The third hypothesis test shows the effect of Rationalization on Fraudulent Financial Reporting with a path coefficient of 0.04 with a t-value of 0.41. This calculated t value is smaller than t table (1.661), then on other criteria it is known that P value (0.68) ≥ alpha (0.05), so based on these two criteria it is stated that the third hypothesis is rejected, meaning Rationalization has no effect on Fraudulent Financial reporting

Hypothesis 4 test: Arrogance has a positive effect on Fraudulent Financial Reporting

The fourth hypothesis test shows the effect of Arrogance on Fraudulent Financial Reporting with a path coefficient of 0.42 with a t value of 2.98. This calculated t value is greater than t table (1,661), then on other criteria it is known that P value (0.00) ≤ alpha (0.05), so based on these two criteria it is stated that the fourth hypothesis is accepted, meaning Arrogance has a positive and significant influence on Fraudulent Financial Reporting

Hypothesis 5 test: Capability has a positive effect on Fraudulent Financial Reporting

The fifth hypothesis test shows the effect of Capability on Fraudulent Financial Reporting with a path coefficient of 0.31 with a t value of 2.29. This calculated t value is greater than t table (1,661), then on other criteria it is known that P value (0.02) ≤ alpha (0.05), so based on these two criteria it is stated that the fifth hypothesis is accepted, meaning Capability has a positive and significant influence on Fraudulent Financial Reporting

Hypothesis 6 test: Collusion has a positive effect on Fraudulent Financial Reporting

The sixth hypothesis test shows the effect of Collusion on Fraudulent Financial Reporting with a path coefficient of 0.06 with a t value of 0.07. This calculated t value is smaller than t table (1.661), then on other criteria it is known that P value (0.48) ≥ alpha (0.05), so based on these two criteria it is stated that the sixth hypothesis is rejected, meaning Collusion has no influence on Fraudulent Financial reporting

5. DISCUSSION

The results of this research show that of the six factors that trigger people to commit fraudulent financial reporting, there are three factors, namely opportunity, arrogance and capability. Meanwhile, other factors that do not influence fraudulent financial reporting are pressure, rationalization and collusion. Based on the research results, pressure or stimulus has no effect on fraudulent financial reporting, even though the hypothesis states that pressure or stimulus has a positive influence on fraudulent financial reporting. A number of questions asked to respondents regarding pressure from superiors and accounting standards were answered smoothly, namely that there was no pressure in doing work and superiors were not able to dictate to subordinates whether to do or not do a job. Therefore, fraudulent financial reporting can occur without pressure or stimulus. Research questions related to the content of pressure and stimulus have not yet touched on the sanctions imposed on those who commit fraud in financial reports. These findings indicate that financial pressure influences fraudulent financial reporting. Meanwhile, pressure from aspects of implementing accounting standards and receiving stimulus is not yet strong enough to force fraud. This result is in line with the opinion of (Khamainy et al., 2022), (Sukmadilaga et al., 2022) which measures pressure or stimulus factors with financial targets and financial stability and reveals that pressure does not affect fraudulent financial reporting. Meanwhile, results that are not in line with the results of this research are those from (Yadiati, 2023) and (Sudirman & Ornay, 2023) who found that pressure actually had an effect on fraudulent financial reporting, even in research (Sudirman & Ornay, 2023) it was revealed that there was a significant effect of pressure on fraudulent financial reporting moderated by political connections.

Opportunity shows a significant influence on fraudulent financial reporting. The availability of opportunities has the potential to create fraudulent financial reporting. When respondents were asked about organizational structure, internal control, policies and facilities, it was seen how tight the organizational structure was, and how good internal control was, how good the physical security of company assets was, and how sophisticated the available facilities, there are still weaknesses, and they can be exploited. In the end, what really determines is the attitude of people who always want to look for and take advantage of opportunities. The research results show that opportunities arise due to weak internal control systems which influence fraudulent financial reporting. A similar opinion from (Alyani et al., 2023) & (Mulya et.al, 2019) states that the availability of opportunities influences fraudulent financial reporting. The opposite results, Dewi C.K, & Yuliati A, (2021) reveal that even though there is no opportunity at all, fraudulent financial reporting still has an impact. Other similar opinions from (Khamainy, 2022) and (Yudiati, el.at, 2023), (Sumadilaga et.al, 2022) expressed that opportunity influences fraudulent financial reporting, there were even findings of insignificant influence from (Raihan Noval Akbar, et. al. 2022), (Chantia, et.al, 2021), (Sudrajat, et.al, 2023). Not all SOEs employees are good and trustworthy people, but because they do not have the opportunity to commit fraud. This opinion is in line with (Chantia et.al, 2021), (Alyani et.al, 2023) that weak internal supervision creates opportunities to commit fraud on financial reports. Another opinion from (Raihan Noval Akbar et al., 2022), (Sudrajat et al., 2023) reveals that whether internal control is effective or not has no impact on fraudulent financial reporting. Apart from that, another opinion states (Dewi & Yuliati, 2022) that the effectiveness of internal supervision has a negative effect on fraudulent financial reporting. According to (Rahma et al., 2022) there are eight special functions that a state-owned company must have and one of the most important is that the state-owned company provides goods and services that the community needs. This state-owned company function was chosen because of its relevance to the preparation of financial reports (Dluhopolskyi & Zhukovska, 2023). Rationalization does not affect fraudulent financial reporting. The company has responded quickly to follow up on all findings and provide direct advice to complete and evaluate these findings, however this policy has no effect at all on fraudulent financial reporting. Fraudulent financial reporting does not only occur on the issue of whether the response given to the findings is continued or discontinued or for other reasons. In line with research by (Khamainy, 2022), (Yadianti, et.al, 2023) & (Sumadilaga et.al. 2022) that rationalization has no significant effect on fraudulent financial reporting. SOEs employees do not have the courage to commit fraud because they work as career officials and not from a particular party. However, this is not in line with the research results of (Sudirman et.al. 2023) that the rationalization element influences fraudulent financial reporting, even the influence of rationalization on fraudulent financial moderation by political connections has a significant effect, although indirectly. Arrogance has a significant effect on fraudulent financial reporting based on the results of research indicator answers, namely work direction, work guidelines, work discussions, decision making and career. These results are in line with research (Dewi, C.K & Yuliati, 2021), (Sumadilaga, et.al, 2022) which revealed that arrogance or ego influences fraudulent financial reporting empirically. Measuring arrogance by highlighting content related to work, decision making, and career was different from the results of company CEO arrogance selfies. The arrogance factor is not only visible from the many selfie photos in the annual report, but is also visible in the origin of officials who occupy strategic positions. Fraudulent financial reporting like this can happen and the perpetrators are almost certainly committed by public officials. The arrogance of political party administrators who are placed in SOEs could have the potential to commit fraud in financial reports. However, there are opinions that are not in line with arrogance influencing fraudulent financial reporting from (Chantia et al., 2021), (Raihan Noval Akbar et.al, 2022), (Khamainy, 2022), (Sudirman, et.al. 2022) & (Yadianti, et. al, 2023) that a stylish CEO image in annual reporting has no effect on financial report fraud because the photo is just narcissistic. In contrast to career officials from SOEs, they do not like taking selfies in annual reports.

Capability has a significant effect on fraudulent financial reporting. Answers to questions asked to SOEs leaders and employees regarding indicators of initiative, knowledge, awareness of failure, communication and helping friends show that not only technical competency of human resources but also soft skills influence fraudulent financial reporting. Soft skills have proven their usefulness in planning fraud, supported by good technical capacity. almost all cases of fraud are committed by skilled insiders looking for opportunities in adversity. The results of this research are in line with research by (Yadianti et.al. 2023) & (Sudirman et.al, 2022) stated that capability significantly influences fraudulent financial reporting, only in the research of (Yadianti et.al. 2023) & (Sudirman et.al, 2022) will pay more attention to the issue of director changes. Discordant opinions from (Khamainy, 2022) & (Sudirman et.al 2022) are that changes in directors have no effect on fraudulent financial reporting.

Collusion has an insignificant effect on fraudulent financial reporting and questionnaire questions asked by SOEs leaders and employees, regarding indicators of self-awareness, warnings, workload and integrity, cannot influence fraud. Collusion occurs for other reasons unrelated to self-awareness, reprimand, workload, and integrity. The research results are in line with Kaimainy's research, 2022, that indicators of collusion using COSO internal control have no effect on fraudulent financial reporting. Meanwhile, opinions that are not in line with the results of this research come from (Sumadilaga, et.al. 2022), (Sudirman, et.al. 2022) & (Yadiati et.al. 2023) determines that collusion has an effect on fraudulent financial reporting.

6. CONCLUSION

Based on the results of research using premier data with the influence factors in the hexagon Fraud theory on Fraudulent Financial Reporting, it can be concluded that:

1. It has been empirically proven that there are 3 factors from the hexagon Fraud Theory that influence Fraudulent Financial Reporting, namely opportunity, arrogance and capability. By paying attention to the type of research that takes SOEs leaders and employees as research objects, the measurement of fraud and fraudulent financial reporting is based on a human approach. In the case of opportunity, no matter how good the company regulations are and how strict the internal controls are, there are still individuals who can take advantage. The ability to understand Standard Operation Procedures [SOP] and career paths makes employees try to commit fraud, and this arrogance is almost the same as the arrogance in the number of CEO photos in annual reports. The ability to learn tricks at work so that you become capable of doing things and are supported by opportunities so that you have the potential to commit fraud.

2. However, the factors of pressure, rationalization and collusion empirically apparently have no effect on fraudulent financial reporting. Any pressure has no effect on fraudulent financial reporting, whether economic and financial pressure such as financial pressure, financial sta-

bility and financial targets or psychological pressure at work. Rationalization and collusion have no effect on fraudulent financial reporting because the hexagon fraud theory measurement indicators are only based on respondents' answers.

For further research, for obtaining the best research that the author suggests:

1. In measuring hexagon fraud: Stimulus, Capability, Collusion, Opportunity, Rationalization, and Ego, moderating variables can be used for each of these factors to obtain information about the direct and indirect influences on fraudulent financial reporting.

2. The research object can be expanded by adding respondents to all SOEs, both go public and non-go public SOEs.

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Lely Indriaty

Accounting Department, Faculty of Economics and Business,

Universitas Persada Indonesia YAI

Jakarta,Indonesia

CONFIRMATION

The paper entitled *ANALYSIS OF HEXAGON FRAUD MODEL, THE S.C.C.O.R.E MODEL INFLUENCING FRAUDULENT FINANCIAL REPORTING ON STATE-OWNED COMPANIES OF INDONESIA* by **Lely Indriaty** and Gen Norman Thomas received positive reviews from the editor-in-chief and two anonymous reviewers.The paper will soon be published First online on the www.economicsrs.com and letter in ECONOMICS-Innovative and Economics Research Journal (Volume 11, No.2, December 2023, regular edition). https://sciendo.com/journal/EOIK

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