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The Effect of Hexagon Fraud Theory in Detecting Financial Statement Fraud

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ABSTRACT

Purpose – The purpose of this research is to determine the effect of hexagon fraud theory in detecting financial statement fraud.
Methodology/approach – This type of research is associative quantitative, this research uses a sample of insurance companies listed on the Indonesia Stock Exchange during the 2018-2022 period using side purposive techniques, the sample obtained was 15 insurance companies or 75 data observations. The analytical method used is logistic analysis using SPSS.24.
Findings – Based on the results of this research, it shows that External Pressure, Political Connection, Nature of Industry and Effective Monitoring have an effect on Financial Statement Fraud, while Financial Stability, Financial Target, Personal Financial Need, Capability, Rationalization, Arrogance have no effect on Financial Statement Fraud.

Introduction

A company's financial report is a very important aspect in indicating the company's financial condition. This financial statement can be accessed by external and internal parties as part of the company's financial accountability and operational activities when making decisions, so the financial statement must explain the accounting process as a whole so that it can be used optimally (Yendrawati & Prabowo, 2019). How the performance and existence of a company can be seen and described through the company's financial reports, therefore, in order to attract the interest of investors, it encourages companies to manipulate financial reports to make them look good, thereby potentially causing fraud in the preparation of financial reports. Fraud committed by this company is called fraud.
Fraud is defined as irregularities and acts that violate the law (illegal acts), which are carried out intentionally with specific aims and objectives, for example deceiving or giving a false image (mislead) to other parties, carried out by people both from within and from outside the organization. . Usually companies that have been registered and listed on the Indonesian Stock Exchange tend to have a higher chance of committing fraud than companies that have not yet listed.
Fraud is a serious problem and often occurs in Indonesia and other countries. The following is data released by ACFE (Association of Certified Fraud Examiners) Indonesia in 2019 based on the type of fraud committed:

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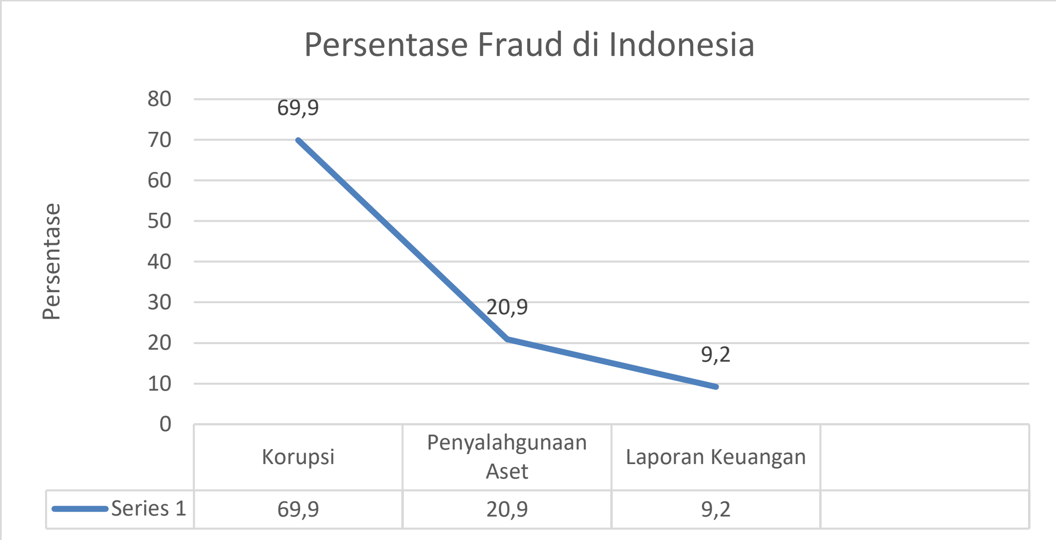

Sumber: (Association of Certified Fraud Examiners, 2019)

Figure 1. Persentase Fraud in Indonesia

The graph above shows that the biggest losses due to fraud come from acts of corruption. This indicates that various fraud cases that often occur in Indonesia, namely corruption, are the largest contributor to losses and misuse of assets and financial reports. However, even though financial statement fraud has a smaller percentage than other fraud, it must be detected as early as possible to prevent fraud from occurring (Iskamto, 2023; Jayaprawira et al., 2022; Siswanto & Daniswara, 2022).

Fraud by manipulating the financial statements of a company creates profits for the company, but this indicates that the company is committing fraudulent acts which can harm many parties (Silaban & Zainal, 2021). Fraudulent financial reporting practices can also be called Fraudulent Financial Reporting where this incident continues to be discovered even though financial report fraud is a major risk when doing business and will have an impact on success over a long period of time, making it mandatory for companies to create action strategies to prevent fraud.

One of the insurance companies suspected of committing fraud over investment management is PT. Jiwasraya Insurance is in the spotlight in the financial sector. The case involved various parties, including an official from the Financial Services Authority (OJK) and also several investment managers, who were suspected of committing fraud over investment management. Jiwasraya's net profit reported in the financial report audited by PwC shows that the net profit in 2015 was 1.06 trillion rupiah, while in 2016 it was 1.7 trillion rupiah. However, Jiwasraya then announced that it was unable to pay the JS Saving Plan policy claim which was due at 802 billion rupiah in 2018. The alleged fraud regarding investment management in the financial report apparently failed to be detected by PwC (Kampai, 2020; (Hendrawati et al., 2022)).

Likewise, PT Asuransi Social Armed Forces of the Republic of Indonesia (Persero) or Asabri reportedly recorded a profit in 2015 of 347 billion rupiah, followed by a profit in 2016 of 116 billion rupiah with an Unqualified Audit Opinion (WTP). Meanwhile, profits in 2017 were recorded to have jumped to 943 billion rupiah, up seven times from the previous year, with an Unqualified Audit Opinion (WTP) from PwC ; Valenta, 2020). This large KAP failed to detect that there was price manipulation through the purchase of shares in the Asabri portfolio with shares belonging to certain parties, which was done solely to be able to highlight the good performance of the portfolio. This pseudo transaction certainly caused quite a lot of losses and PT Asabri's performance became controlled by certain parties which was not as it should be (Merdeka, 2021).

From the case above, there are various ways to detect the motives that an institution or individual has implemented in committing fraud through the study of several theories. Cressey (1953) coined a question theory called the fraud triangle with stages of pressure, opportunity, and justification or rationalization. Then this theory underwent development with the addition of one theory called fraud diamond, which was coined by Wolfe and Hermanson (2004). In 2011, this theory developed under the name fraud pentagon which was expressed by Crowe as a result of the development of previously existing fraud theories. And finally, these three theories were evolved and refined by (Vousinas, 2019) called the fraud hexagon or S.C.O.R.E model.

Literature Review

Agency Theory

Based on the opinion of Martani (2015) in Sjahril et al (2020) they say that there is an interest which is different for the agency and the tax authorities, which causes the company management to suffer and also from taxpayers who are not compliant in their efforts to carry out tax planning. There is The difference between the interests of the agent and the principal is that the agent wants compensation high, while the principal wants the tax burden to be as minimal as possible. The principle of agency is a basis that explains the agency ties that arise when people are hired another person (agent) will provide assistance and then assign authority to a conclusion which will be taken to the distributor (Jesen and Meckling, 1976).

Fraud

Legally, fraud is defined as an act with the intention of seeking profit that can be detrimental and deemed unfair to another party. Meanwhile, in business terms, fraud is defined as the intention to commit fraud, such as misuse of assets, manipulating financial reports for personal or group interests (Bawekes, Simanjuntak, & Christina, 2018). Fraud is defined as an intentional act that causes harm to another party, for example someone who makes a false statement, hides or removes important evidence or can be called fraud, which means a fraudulent act carried out intentionally to benefit one party (individual, company or institution). unfairly or unlawfully resulting in losses to other parties. In fact, fraud can be prevented through risk analysis, implementation, enforcing sanctions and regular anti-fraud monitoring.

Financial Statement Fraud

Fraudulent Financial Reporting is a deliberate misstatement or omission of amounts and disclosures with the intention of deceiving users of financial statements. This fraud usually occurs when a company reports higher than actual (overstates) on assets or income, or when a company reports lower than actual (understates) on liabilities and expenses which can be carried out by anyone and at any level when they have opportunities and can be analyzed using the Beneish M-Score technique. Beneish M-Score is a financial report analysis technique that can be applied in detecting fraudulent financial reports in the form of overstatement data manipulation, coined by Professor Messod Beneish in 1990.

Fraud Hexagon

Association of Certified Fraud Examiners (ACFE) create categories of fraud known as fraud trees. In the fraud tree, fraud is divided into a category, subcategory and part of a subcategory. The three main categories are corruption, asset misappropriation, and fradulent statement (Singleton et al., 2006).

Figure 2. Fraud Hexagon Theory

Financial stability

Financial stability is a condition that describes the company's financial stability in a stable position (SAS No. 99). Company finances can be said to be stable by measuring financial growth through company sales, company profit value per year and growth in company assets (Siddiq, et al, 2017). An unstable company situation will create pressure on management as a result of less than optimal performance. Research conducted by (Jaunanda, Tian, Edita, & Vivien, 2020) used the Beneish M-Score Model when analyzing the influence of pentagon fraud on fraud in financial reports, obtaining the results that Financial Stability had a positive and significant influence on fraud in financial reports.
H1: financial stability has a effect on financial statement fraud

Financial Target

According to SAS No.99, Financial Targets are a risk resulting from strong pressure on management to achieve financial targets which are based on management or board of directors' provisions, including determining bonuses and incentives that will be received by employees. Financial targets are closely related to company performance, one of the measurements to assess the level of profit obtained by the company for the effort expended is ROA (Return On Assets). The higher the ROA targeted by the company, the more susceptible management is to manipulating profits, which is a form of fraud, so it has a positive relationship with financial statement fraud.
H2: Financial Target has has a effect on financial statement fraud

External Pressure

External Pressure is excessive pressure for management to meet the requirements or expectations of third parties. External pressure is proxied using the leverage ratio, namely the comparison between total liabilities and total assets. If a company has high leverage, it means that the company is considered to have large debts and its credit risk is also high. The higher the credit risk, the greater the level of creditors' concern about providing loans to the company.
H3: external pressure has a effect on financial statement fraud

Personal Financial Need

Personal financial need is a condition when company finances are also influenced by the financial condition of company executives (Skousen et al., 2009) in (Yesiariani and Rahayu, 2016). Unclear separation between share ownership and company control will trigger managers to arbitrarily use company funds to fulfill personal desires (Siddiq, et al, 2017). Harahap et al. (2017) explained that pressure will encourage someone to commit fraud. Pressure can cover almost anything including lifestyle, economic demands, etc., including financial and non-financial things.
H4: Personal Financial Need has a effect on financial statement fraud

Collusion

Collusion is an act of agreement or agreement that aims to deceive a party in order to gain profit alone. The existence of collaboration or projects with other larger parties can give rise to the company's efforts to play a role in the project so that the company obtains greater income, thus showing better company performance and conveying it through the company's annual report. (Vousinas, 2019) argues that many acts of fraud and white collar crime occur because of collusion, namely an agreement or cooperation between two or more individuals to achieve a criminal act or fraud. Collusion can be viewed in several factors.
H5: collusion has a effect on financial statement fraud

Capability

Capability is an employee's capability in carrying out organizational and management development and being able to control social conditions which can produce benefits for him (Zimbelman et al., 2014). The greater the power and capability of a party influences the occurrence of acts of fraud in the company environment.
H6: capability has a effecton financial statement fraud

Nature of Industry

Nature of Industry is the ideal state of a company in industry. In companies there are usually certain accounts where the balance of the account is determined by the company based on an estimate, for example the bad debt account. Because the balance size can be determined by the company, the company will have more freedom to make changes to the balance of the account without raising suspicion. So that the emergence of changes in trade receivables has an impact on fraud in financial statements.

H7: Nature of Industry has a effect on financial statement fraud

Effective Monitoring

Effective Monitoring is a situation where a company has an effective supervisory unit to monitor the performance of company management. Company supervision is closely related to the board of commissioners. Siddiq et al. (2017) explains that fraud within a company can be prevented by increasing the ratio of the board of commissioners. Effective Monitoring has an influence on the detection of fraudulent financial statements, especially if management intends to take inappropriate actions in exploiting weaknesses in the company's internal control system.

H8: Effective Monitoring has a effecton financial statement fraud

Rationalization

The Auditor Standards statement or PSA Number 70 states that there is a relationship between the company and the auditor as an indication of fraud in the financial statements. Rationalization means that individuals who commit fraud will seek justification for activities that contain fraud. This action is believed to occur because fraud perpetrators demand that they must generate more profits from the actions they take (Andriani, 2019).

H9: Rationalization has a effecton financial statement fraud

Ego or Arrogance

Arrogance is an act of superiority, entitlement and greed on the part of criminals who believe that company regulations and procedures are not applied to them, which is caused when someone feels they are in a higher position than other parties. The more pictures of the CEO displayed in the company's annual report can represent the level of arrogance or superiority that the CEO has in the company. The arrogance described here is the attitude of someone who feels that no internal control or company wisdom does not apply to him, and he believes that he is not bound by these things, so he does not believe that he has committed fraud (Bawekes et al., 2018).

H10: Ego or Arrogance has a effect financial statement fraud

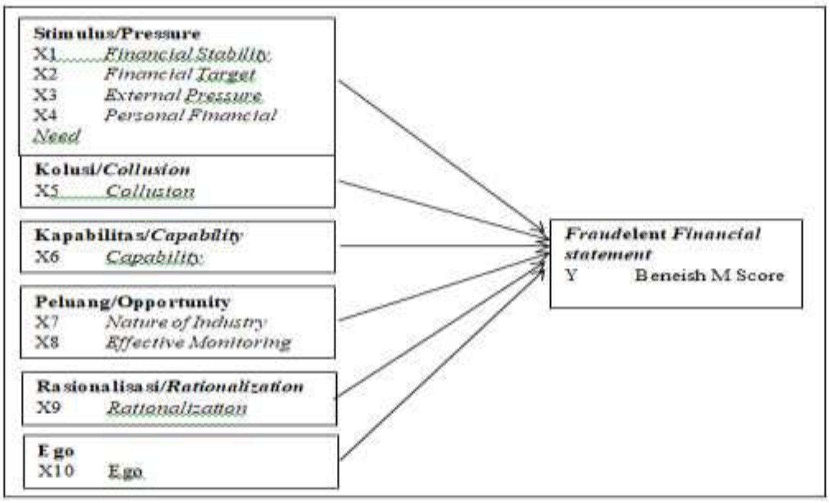

Figure 2.Conceptual Framework

METHOD

This type of research is associative quantitative. The research data is secondary data, namely data collected indirectly from the IDX website and company websites that have published financial statements and annual reports that can be accessed. The population of this research is insurance sector companies listed on the Indonesian Stock Exchange. The sampling technique in this research is a purposive sampling technique, by taking samples based on certain characteristics. The analysis technique used is logistic regression analysis using Espss.24. The following sample selection criteria are presented in Table 1.

Table 1 Sample selection criteria

NO	Sample Criteria	Criteria	Total
1	Insurance companies listed on the Indonesian Stock Exchange (BEI) in 2018 - 2022		18
2	Insurance companies that publish annual financial reports on the Indonesian Stock Exchange website or company website during 2018 - 2022.	3	15
3	Insurance companies that use the rupiah currency unit in their financial reports	0	15
	Sample		15
	Observation 2018-2022		5
	Total data (n) = 15 x 5		75

In this study, a brief overview of variable measurements is presented in Table 2.

Table 2. Measurement of variable Y

	variable measurements	Source
DSRI	accounts receivable$_t$ / sales$_{t}$: accounts receivable$_{t-1}$ / sales$_{t-1}$	Beneish, 1999
GMI	Gross profit$_{t-1}$/ sales$_{t-1}$; gross profit$_t$ / sales$_t$	Beneish, 1999
AQI	1- current assets$_t$+ fixed assets$_t$: total assets$_t$ / 1- current assets$_{t-1}$+ fixed assets$_{t-1}$: total assets$_{t-1}$	Beneish, 1999
SGI	Sales$_t$/sales$_{t-1}$	Beneish, 1999
DEPI	depresiasi$_{t-1}$: depresiasi$_{t-1}$ + fixed assets$_{t-1}$: depresiasi$_t$ / depresiasi$_t$ + fixed assets$_t$	Beneish, 1999
SGAI	general selling and administrative expenses$_t$: sales$_t$ / general selling and administrative expenses$_{t-1}$ / sales$_{t-1}$	Beneish, 1999
LVGI	Total liability$_t$: total asset$_t$ / Total liability$_{t-1}$: total asset$_{t-1}$	Beneish, 1999

TATA	Net Profit$_t$ - cash flow from operating activities$_t$ / total asset$_t$	Beneish, 1999

From the results of calculations using the eight ratios above, the Beneish M-Score Model formula is as follows:

$$M\text{−}Score = -4.84 + 0.920\ (DSRI) + 0.528\ (GMI) + 0.404\ (AQI) + 0.892\ (SGI) + 0.115\ (DEPI) - 0.172\ (SGAI) - 0.327\ (LVGI) + 4.697\ TATA$$

The Beneish M-Score Model value will refer to companies that have the potential for fraudulent financial reporting if the Beneish M-Score Model value is more than –2.22. If the company has the potential to commit financial statement fraud, it is given code 1, whereas if there is no potential for financial statement fraud, it is coded 0.

Table 3. Measurement of Variable X

Variable	Definition	Scale
Financial Stability **(Himawan & Karjono, 2019)**	describes the company's financial condition as stable.	GPM = *Gross Profit Margin*
Personal Financial Need **(Damayani, Wahyudi, & Yuniartie)**	A condition where the company's finances are influenced by the personal financial conditions of company executives.	Managerial ownership (OSHIP) = Number of managerial shares / Total number of shares
External Pressure **(Sari & Nugroho, 2020)**	An encouragement for management to realize the wishes of third parties.	EPP = Total Liability / Total Asset
Financial Target **(Sari & Nugroho, 2020)**	a financial target that must be met by the company regarding financial performance such as a profit target that must be achieved by the company in a certain period.	FTP = Net profit / Total Asset
Capability **(Christian & Visakha, 2021)**	The knowledge-intensive business activities in which the company is located are highly skilled	CEO Tenure = The number of years the CEO has held the position
Nature of Industry **(Sari & Nugroho, 2020)**	the ideal state of a company in the industry	NOI = Reveivable/Sales – Receivable$_{(t-1)}$/Sales$_{(t-1)}$
Effective Monitoring **(Sari & Nugroho, 2020)**	The condition of a company is that there is poor internal control so that there is weak supervision	EMO = Number of independent commissioners/Total board
Rationalization **(Aviantara, 2021)**	A form of justification for fraud that has been committed by someone	Government Ownership (GOVSHIP) = Percentage of share ownership by the government

Ego/Arrogance **(Aprilia, 2017)**	An attitude of superiority that leads to the greed of those who believe that the internal court does not apply personally	CEOPIC = Number of CEO images in annual reports for 2018 - 2022
Collusion **(Christian & Visakha, 2021)**	Projects with the government (KOL)	Political Connection (POLCON) = If the company is found to have collaborated with the government in 2018 – 2022 it is given code 1 otherwise coded 0

Results and Discussion

Descriptive statistics

Table 4 shows descriptive statistics for the entire sample consisting of 15 insurance companies or 75 observation data. The research results show that the average M-score value is 0.56, GPM is 0.36, FTP is 0.02, EPP is 0.52, OSHIP is 0.03, POLCON is 0.53, CEO TUNURE is 8.7, NOI is 0.20, EMO is 0.58, GOVSHIP is 0.14, and CEOPICT of 2.7.

Table 4 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
M-SCORE	75	,00	1,00	,5600	,49973
GPM	75	-,79	9,17	,3605	1,36303
FTP	75	-,20	,08	,0202	,03990
EPP	75	,12	,82	,5217	,19157
OSHIP	75	,00	,51	,0398	,12273
POLCON	75	,00	1,00	,5333	,50225
CEO TENURE	75	1,00	23,00	8,7200	5,74588
NOI	75	-24,78	24,67	,2036	4,31342
EMO	75	,25	,75	,5863	,12519
GOVSHIP	75	,00	1,00	,1467	,35616
CEOPICT	75	1,00	9,00	2,7200	1,61547
Valid N (listwise)	75				

Source: SPSS software Logistic Regression Output

In testing logistic regression analysis, you must be do the test Hosmer and Lemeshows goodness of fit test and the Overall Model Fit test, based on the results of the data testing there are no violations.

Nagelkerke R2 test

Table 5 Nagelkerke R2 test

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	66,938[a]	,381	,510

Source: SPSS software Logistic Regression Output

Based on table 5 results of the Nagelkerke R2 test, it was found to be 0.510, meaning the results showed the influence of the independent variable on the dependent variable was 51%.

Hypothesis testing

F-Test (Simultaneous)

Table 7 F Test (Simultaneous)

		Chi-square	df	Sig.
Step 1	Step	35,951	10	,000
	Block	35,951	10	,000
	Model	35,951	10	,000

Source: SPSS software Logistic Regression Output

Table 7 show With logistic regression, testing simultaneous significance uses the chi-square value and the difference between -2 log likelihood before the independent variable enters the model and -2 log likelihood after the independent variable enters the model. This test is called the maximum likelihood test. So the answer to the simultaneous influence of the independent variable on the dependent variable is H1 and rejecting H0 or which means that there is a significant simultaneous influence of the GPM, FTP, EPP, OSHIP, POLCON, CEO TENURE, NOI, EMO, GOVSHIP, CEOPICT variables on financial statement fraud because The chi square p value is 0.000 < 0.05 or the calculated chi-square (X2) value is 35.951 > 18,307 chi-square (x2) table. It can be concluded that collectively the condition of financial statement fraud can be predicted by the variables GPM, FTP, EPP, OSHIP, POLCON, CEO TENURE, NOI, EMO, GOVSHIP, CEOPICT.

t-test (Partial)

The t-test aims to determine GPM, FTP, EPP, OSHIP, POLCON, CEO TENURE, NOI, EMO, GOVSHIP, CEOPICT in part. Independent variables effect financial statement fraud. Information for testing is shown in the table below:

Table 11. T-test (Partial)

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I.for EXP(B) Lower	Upper
Step 1[a]	GPM	-22,411	14,632	2,346	1	,126	,000	,000	527,179
	FTP	101,340	64,989	2,432	1	,119	1,027E+44	,000	2,139E+99
	EPP	-30,037	10,607	8,020	1	,005	,000	,000	,000
	OSHIP	-3,479	5,726	,369	1	,544	,031	,000	2309,543

POLCON	2,649	1,336	3,934	1	,047	14,146	1,032	193,931
CEO TENURE	,079	,209	,145	1	,703	1,083	,719	1,629
NOI	16,009	5,827	7,549	1	,006	8966888,552	98,417	816984360600,000
EMO	-10,811	6,072	3,171	1	,035	,000	,000	2,971
GOVSHIP	1,239	1,813	,467	1	,494	3,451	,099	120,513
CEOPICT	,155	,292	,280	1	,597	1,167	,658	2,070
Constant	20,792	8,237	6,371	1	,012	1071242133,000		

Source: SPSS software Logistic Regression Output

Based on the t-test results, it was found that EPP, POLCON, NOI, EMO had a significant value < 0.05, meaning that EPP, POLCON, NOI, EMO had an effect on financial statement fraud. Meanwhile, GPM, FTP, OSHIP, CEO TENURE, GOVSHIP, CEOPICT have a significant value > 0.05, meaning that GPM, FTP, OSHIP, CEO TENURE, GOVSHIP, CEOPICT have no effect on financial statement fraud.

Discussion

The Effect of Pressure Proxied by Financial Stability on Financial Statement Fraud

Based on the results of statistical tests, it shows that Financial Stability (GPM) produces a regression coefficient (B) of -22.411 and a significance of 0.126 > 0.05. So, it can be interpreted that Financial Stability (GPM) has no effect on financial statement fraud. Based on these results, it can be seen that high Financial Stability (GPM) does not effect management in committing financial statement fraud, because a high GPM value will indicate a company's good ability to generate profits. GPM informs that this proxy is used by companies to determine overall management effectiveness based on the size of the level of income generated from sales (Firdausya & Prasetya, 2021). This is in line with research by Kurniati & Sopian (2020) which states that Financial Stability does not have a significant effect on financial statement fraud, but is not in line with research by Christian & Visakha (2021) which states that Financial Stability has a positive and significant effect on corporate fraud.

The Effect of Pressure Proxied by Financial Targets on Financial Statement Fraud

Based on the results of statistical tests, it shows that Pressure Proxied by Financial Target produces a regression coefficient (B) of 101.340 and a significance of 0.119 > 0.05. So, it can be interpreted that Pressure Proxied by Financial Targets has no effect on financial statement fraud. Based on these results, it can be seen that high or low Financial Target (ROA) values will not effect the company in committing financial statement fraud. This is because management does not consider the specified Financial Target (ROA) difficult to achieve. Management feels that this target is still reasonable and can be achieved by managers so that a high Financial Target (ROA) cannot be a factor for management to commit financial statement fraud. This is in line with research by Kurniati & Sopian (2020) which states that Financial Target does not have a significant effect on financial statement fraud. However, this is not in line with Widarti's (2015) research which states that Financial Target has a positive effect on financial statement fraud.

The Effect of Pressure Proxied by External Pressure on Financial Statement Fraud

Based on the results of statistical tests, it shows that pressure proxied by external pressure produces a regression coefficient (B) of -30.037 and a significance of 0.005 < 0.05. So, it can be interpreted that pressure proxied by external pressure has an effect on financial statement fraud. External Pressure is calculated using leverage. Companies that have a high level of External Pressure (leverage) tend to commit financial statement fraud. Therefore, the leverage ratio proxied by the debt to total asset ratio can be used to detect fraud in financial reports. This is in line with research (Tessa and Harto, 2016); (Oktafiana, Khoirun Nisa, & Sari, 2019) who examined the influence of External Pressure on fraud in financial reports, namely the results indicated that External Pressure had an effect on financial statement fraud. However, this is not in line with research by Oktaviany & Reskino (2023) which states that External Pressure has no effect on financial statements fraud.

The Effect of Pressure Proxied by Personal Financial Need on Financial Statement Fraud

Based on the results of statistical tests, it shows that Pressure Proxied by Personal Financial Need produces a regression coefficient (B) of -3.479 and a significance of 0.54 > 0.05. So, it can be interpreted that pressure as proxied by personal financial need has no effect on fraudulent financial statements. Personal Financial Need informs that there is a condition where company finances can be influenced by the financial condition of company executives, that company managers/executives face pressure to commit financial report fraud when their personal financial condition is threatened by financial performance. So that company executives who have share ownership can influence management policies in disclosing the company's financial performance. Therefore, Personal Financial Need is proxied by share ownership (OSHIP) (Skousen et al., 2009), where this research shows that OSHIP does not show a relationship with financial statement fraud because in insurance companies not all insurance company management has share ownership. This is in line with research by Aprilia (2017) which states that Personal Financial Need has no effect on fraudulent financial reports. However, this research is not in line with research conducted by Oktafiana et al. (2019) who said that Personal Financial Need influences financial statement fraud.

The Effect of Collusion Proxied by Collusion on Financial Statement Fraud

Based on the results of statistical tests, it shows that Collusion produces a regression coefficient (B) of 2.649 and a significance of 0.047 > 0.05. So, it can be interpreted that Collusion has an effect on financial statements fraud. In the Hexagon Fraud Theory, if there is fraud caused by collusion (Polcon), this can trigger employees who have never committed fraud to participate in committing fraud because they are carried away by the surrounding environment which is often involved in fraudulent acts, so that these actions become more widespread and can become company culture that is difficult to eliminate (Akbar, Zakaria & Prihatni 2022). The higher the collusion (Polcon) within the company, the higher the potential for fraud. This may occur because there is a mutual agreement in committing fraudulent acts which usually involve employees/several individuals. In this research, insurance companies still have multiple positions on company directors both within the company and outside the company which can facilitate the potential for collusion to occur within a company. These results are in line with research (Sari & Nugroho, 2020) which states that collusion has an effect on fraudulent financial reports.

The Influence of Opportunity Proxied by Nature of Industry on Financial Statement Fraud

Based on the results of statistical tests, it shows that Capability produces a regression coefficient (B) of 0.079, a significance of 0.703 > 0.05. So, it can be interpreted that Capability has no effect on financial statement fraud. This is because whether or not the CEO has been in office for a long time has no effect on financial statement fraud because the CEO in the company really wants the company's performance to improve. The results of this research are in line with (Sagala & Siagian, 2021) which states that Capability has no effect on financial report fraud. However, this research is not in line with research (Tumanggor, 2021) which suggests that Capability has an influence in detecting financial statement fraud.

The Effect of Opportunity Proxied by Effective Monitoring on Financial Statement Fraud

Based on the results of statistical tests, it shows that Opportunity as Proxied by Effective Monitoring produces a regression coefficient (B) of -10.811 with a significance of 0.035 < 0.05. So, it can be interpreted that Opportunity as Proxied by Effective Monitoring has an effect on financial statement fraud. This is because the company does not have an effective monitoring unit so the potential for committing fraud is very high. The results of this research are in line with research (Ainiyah and Effendi, 2022) which suggests that Effective Monitoring has an effect in detecting financial statement fraud. And it is not in line with research (Putri & Sudarma, 2023) which states that Effective Monitoring has no effect financial statement fraud.

The Effect of Rationalization Proxied by Rationalization on Financial Statement Fraud

Based on the results of statistical tests, it shows that Rationalization produces a regression coefficient (B) of 1.239 with a significance of 0.494 > 0.05. So, it can be interpreted that Rationalization has no effect on financial statement fraud. This is because government ownership can be said to be a tool to limit problems that sometimes often arise between executives/supervisors, management and investors because government ownership provides clear guidelines and systems for authorities and can also help assist management representation in a company. These results are not in line with research (Wahyuni & Budiwitjaksono, 2017) which states that Rationalization is used in detecting financial reports. However, this research is in line with (Sagala & Siagan, 2021) which states that Rationalization has no effect on financial statement fraud.

The Effect of Arrogance Proxied by Ego or Arrogance on Financial Statement Fraud

Based on the results of statistical tests, it shows that Arrogance which is proxied by Ego or Arrogance produces a regression coefficient (B) of 0.155 with a significance of 0.597 > 0.05. So, it can be interpreted that Arrogance which is proxied by Ego or Arrogance has no effect on financial statement fraud. This is because whether or not the number of CEO photos is large does not reflect the CEO's arrogance. The CEO photo contained in the company's annual report aims to introduce the company's leaders and many of the photos are the result of documentation of activities carried out by the company (Agusputri & Sofie, 2019). These results are not in line with research conducted by (Tumanggor, 2021) which states that Ego has an effect on the detection of financial statement fraud.

Conclusion

Based on the results of statistical testing in this research, the following conclusions can be made: Financial Stability has no effect on Financial Statement Fraud, Financial Target has no effect on Financial Statement Fraud, External Pressure has an effect on Financial Statement Fraud, Personal Financial Need has no effect on Financial Statement Fraud, Political Connections has an effect on Financial Report Fraud, Capability has no effect on Financial Statement Fraud , Nature of Industry has an effect on Financial Statement Fraud, Effective Monitoring has an effect on Financial Statement Fraud, Rationalization has no effect on Financial Statement Fraud, Arrogance has no effect on Financial Statement Fraud.

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