

Fraud Hexagon Elements as a Determination of Fraudulent Financial Reporting in Financial Sector Services

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Abstract

The goal of this study is to examine the impact of all fraud factors. Hexagon Model in order to detect fraudulent financial reporting which will form a fraudulent financial reporting based on the fraud hexagon elements. The test for determining the elements of the fraud hexagon that affect fraudulent financial reporting will use the Wald Test and G Test, the likelihood ratio test using the stepwise regression and forward regression methods. Furthermore, the feasibility test model will be carried out. If the model formed does not pass the series of tests, there will be some improvements to the model to test the regression specification error test (RESET). This is the strength of this study if we compare to previous studies. This Study shows that The Opportunity is viewed from the ineffectiveness of the supervisor, and the change of the chairman of the internal auditor influences fraudulent financial reporting. Other causes include financial target pressure, external pressure, and personal financial demands; Opportunity in terms of external auditor quality; Rationalization based on external auditor change and audit opinion; Capability that is seen from a change of directors; The amount of images of CEOs and CEO politicians demonstrates arrogance; and collusion which is reviewed from the amount of audit fee has no effect on Fraudulent Financial Reporting.

Keywords

Fraud hexagon; fraudulent; financial reporting



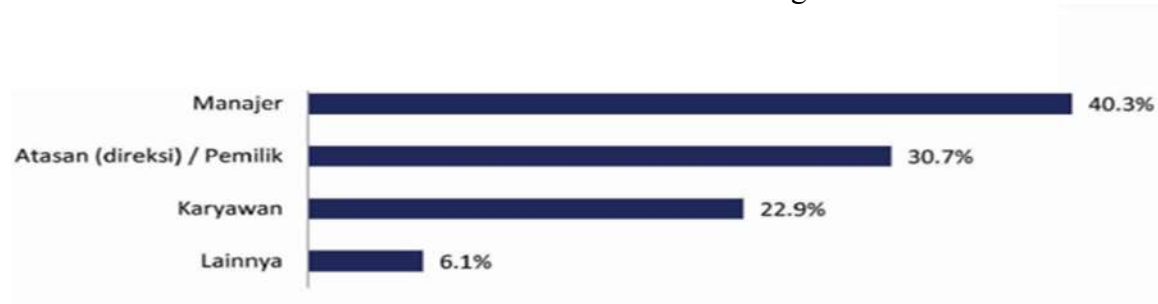
I. Introduction

Financial reports are a means of communication between companies and users of financial information, both internal and external users such as investors, creditors, and other interested parties so that they are aware of the operational activities carried out by the company. This is reinforced by Statement of Financial Accounting Concept (SFAC) No.1 addressing financial reporting objectives, one of which is to offer relevant information to existing and prospective investors and creditors. Such financial reporting is the basis for making rational decisions regarding investment, credit, and other similar decisions. Thus, the financial statements must be made correctly so as not to make other parties wrong in making decisions.

Financial statements are basically a source of information for investors as one of the basic considerations in making capital market investment decisions and also as a means of management responsibility for the resources entrusted to them (Prayoga and Afrizal 2021). Financial performance is a measuring instrument to know the process of implementing the company's financial resources. It sees how much management of the company succeeds, and provides benefits to the community. Sharia banking is contained in the Law of the Republic of Indonesia No.21 of 2008 article 5, in which the Financial Services Authority is assigned to supervise and supervise banks. (Ichsan, R. et al. 2021)

The argument that financial reports are important has not been properly understood by some management. This can be seen in the scheme of fraud occurrences in Asia Pacific, where financial statement fraud is in the fifth order of eleven types of fraud (Association of Certified Fraud Examiners (ACFE) Indonesia, 2018). Fraud is a fraud that violates laws or regulations by a person to achieve certain goals. Fraudulent practice by manipulating financial statements is known as Financial Statement Fraud. Fraudulent financial statements are usually carried out on purpose by unscrupulous owners and company management to trick users and readers of financial statements. This fraudulent practice is not uncommon in the business world and is an open secret among the public.

As stated by Association of Certified Fraud Examiners (ACFE) Indonesia (2018): "Fraud is a latent danger that threatens the world. ACFE (Association of Certified Fraud Examiners) Global research results show that every year an average of 5% of the organization's income is a victim of fraud. Fraud is also a problem that is growing nowadays. Currently, the perpetrators who commit fraud are not only limited to the upper class, but many have touched the lower layers of employees. This is certainly one thing that we all need to be aware of and care about the surroundings where we work".



Source: ACFE Chapter Indonesia, 2017

Figure 1. Position or Position of Fraud Perpetrators

In general, in Indonesia, the most common cases of fraud are corruption, namely 67 percent, followed by asset misuse of 31 percent, and fraud of financial statements by 2 percent Association of Certified Fraud Examiners (ACFE) Indonesia (2018). In the banking industry, fraud is thought to be the most important financial issue (Repousis et al., 2019). This is because the nature of the business involves money management, with access to a large amount of cash of the bank, which motivates the perpetrator to commit fraud. In addition, fraud also occurs when someone manages money other than their own Awang & Ismail (2018). Fraud in banking usually involves internal parties. According to Singh, quoted by Fathi et al., (2017), stated that 60 percent of fraud was committed by bank employees, 30 percent of fraud was committed by top management and the remaining 10 percent of fraud was committed by account holders. A 2019 report by Apps Flyer, found that Indonesia's fraud rate in the financial sector reached 43.1 percent, the second highest in Southeast Asia after Vietnam at 58.2 percent.

This study is distinct from earlier research the difference is the sample used. The sample in Hafizi (2019), is a state-owned company listed on the Indonesia Stock Exchange, while the author will conduct research with a sample of the financial sector listed on the Indonesia Stock Exchange. The second difference is that the author uses the Z-Score in measuring fraudulent financial statements, while Hafizi (2019), uses the Beneish (1999) M-Score. The authors employed the fraud hexagon hypothesis as a foundation for studies in detecting fraud in financial reporting in this study as well. The author uses the fraud hexagon theory because this theory is a refinement of the preceding

theory, which consists of the fraud triangle, fraud diamond, fraud pentagon, and fraud hexagon (Vousinas, 2019) which are the most recent theories when the author conducted this research. The above phenomenon is of interest to researchers to determine whether hexagon fraud factors partially and simultaneously affect fraudulent financial reporting. Then, if these aspects of the fraud hexagon may be combined to construct a model of false financial reporting (pressure, opportunity, rationalization, capability, arrogance, and collusion).

II. Review of Literature

2.1 Financial Reporting Fraud

According to the American Institute of Certified Public Accountants (1998), the definition of false financial reporting is: "Willful act or negligence that results in material misstatement that is misleading financial statements." Furthermore, fraudulent financial reporting is defined by the Australian Auditing Standards (AAS) as an intentional omission or misrepresentation of a specific amount or disclosure in financial reporting in order to deceive users of financial statements (Brennan & McGrath, 2007). According to Arens (2014), states that: "Fraudulent financial reporting is an intentional misstatement or omission of amounts or disclosure with the intent to deceive users. Most cases of fraudulent financial reporting involve the intentional misstatement of amounts not disclosures. For example, WorldCom is reported to have capitalized as a fixed asset, billions of dollars that should have been expensed. Omission of amounts are less common, but a company can overstate income by omitting account payable and other liabilities. Although less frequent, several notable cases of fraudulent financial reporting involved adequate disclosure. For example, a central issue in the Enron case was whether the company had adequately disclosed obligations to affiliates known as special purpose entities. "

2.2 The Influence of Financial Goals (Pressure) on Fraud Financial Reporting

Financial goals, specifically the return on investment that a corporation wishes to accomplish. One way to measure the level of profit obtained by a company is to calculate Return on Assets (ROA). According to Tessa & Harto, (2016): "Financial targets have a theoretical relationship with agency which explains the relationship between agents and principals. Agents and principals have hopes to fulfill their respective interests. The link in this case lies in the management's desire to get a bonus or the results of their performance towards fulfilling the principal's wishes, namely the fulfillment of financial targets in the form of profits. "The company's performance can be seen as good if its financial targets are getting higher. The higher the profit, the higher the bonus. Management will make every effort to achieve its financial targets. In this regard, there will be pressure from the management to get bonuses or performance results for fulfilling wishes. This raises the pressure's influence is a possibility on meeting financial targets for deceptive financial reporting. The explanation above is supported by research by Agusputri & Sofie (2019), which found the results that financial targets are related to pressure which affects fraudulent financial reporting.

H1: Financial Targets (Pressure) has a positive effect on Fraudulent Financial Reporting

2.3 The Effect of Financial Stability (Pressure) on Fraudulent Financial Reporting.

Financial stability is measured based on the percentage of total assets added from year to year. The more total assets owned by the company means that the company has its own appeal for investors, creditors, and shareholders. Because if the total assets of the company are increasing every year, it shows that the company is considered capable of providing reciprocal returns to investors. On the other hand, if the total assets of a company are decreasing over the years, this will not attract investors to invest in the company and even the company will be considered as experiencing a setback. The low

level of total assets, which is decreasing every year, creates pressure for management. Because if total assets decrease, it will reduce interest for investors, even creditors are not interested in providing loans to companies that have decreased the number of assets. Because of this, the management manipulated the financial statements by adding to the total assets, so that the company's financial stability would increase every year. The explanation above is supported by research by Apriliana & Agustina (2017), Bawekes et al., (2018), Tessa & Harto, (2016) who found that financial stability is related to pressure affecting fraudulent financial reporting.

H2 : Financial Stability (Pressure) has a negative effect on Fraudulent Financial Reporting

2.4 The Effect of External Pressure (Pressure) on Fraudulent Financial Reporting.

External pressure can be measured using the leverage ratio, which is the ratio between total liabilities and total assets. To overcome these external pressures, the company needs an injection of funds or additional money from creditors. However, if the company has high leverage, it means that the company has large debt and high credit risk. The higher the credit risk, making creditors worry about providing loan funds to the company. Therefore, it can lead to fraudulent financial reporting. The explanation above is supported by re-search by Tessa & Harto, (2016), Nindito (2018) which found that external pressure is related to pressure which affects fraudulent financial reporting.

H3 : External Pressure (Pressure) has a positive effect on Fraudulent Financial Reporting

2.5 The Influence of Personal Financial Needs (Pressure) on Fraudulent Financial Reporting

Personal financial needs (personal financial needs) are personal financial interests, one of which is in the form of a number of share ownership owned by insiders that can increase control within the company (Yusof et al., 2015). Based on research conducted by Saputra & Kesumaningrum (2017) and research by Junardi (2018), it shows that managerial ownership has no significant effect on fraudulent financial reporting. The share ownership of the company owner who wants to interfere in making the company's operational decisions is considered as a link between the principal and the agent. So that it will create stronger control (interests) and pressure (fear of losing investors). The greater the share ownership in a company, the control and pressure the management gets will lead to higher fraudulent financial reporting due to demands for good performance.

H4: Personal Financial Needs (Pressure) has a positive effect on Fraudulent Financial Reporting

2.6. Effect of Ineffective Supervision (Opportunity) on Fraudulent Financial Reporting

Ineffective supervision is the lack of an internal control system within the company. If the company is dominated by management by one person, or a small group, without compensation control, the ineffective supervision of the board of directors and audit committee on the financial reporting process and internal control and the like, then this can lead to fraud (SAS No. 99). With the lack of control from the internal party, it is possible for the management or other parties to carry out fraudulent financial reporting. The explanation above is supported by research by Agusputri & Sofie (2019), which found the results that ineffective supervision with opportunity affects fraudulent financial reporting.

H5 : Monitoring Ineffectiveness (Opportunity) has a positive effect on Fraudulent Financial Reporting

2.7. The Effect of the Change of Head of Internal Auditor (Opportunity) on Fraudulent Financial Reporting.

The replacement of the chief internal auditor should follow the applicable regulations in the company. If the replacement of the chief internal auditor does not follow the existing regulations, then the company is considered ineffective. Too often the replacement of the internal auditor chairman will affect the internal audit that will be carried out by the Internal Control System (SPI). Companies that commit fraud more often change the chairman of the internal auditor. This is to decrease the probability of corporations detecting fake financial statements. The company has the authority to exert pressure on the auditor in order to influence the auditor's identification of misleading financial statements as stated by Rachmawati & Marsono (2014). Furthermore, Rachmawati & Marsono (2014), states that from the results of her research, there is evidence that auditor resignation is positively related to the possibility of litigation based on Lou & Wang (2011). Based on research conducted by Ulfah et al., (2017) and Hafizi (2019), it is stated that the change of the head of the internal auditor has a positive effect on Fraudulent Financial Reporting. This is different from that stated by Aprilia (2017), which states that the replacement of the internal auditor chairman has no effect on fraudulent financial statements. Meanwhile, research conducted by Yusof et al., (2015), produced a new measurement to measure the opportunities contained in the fraud pentagon element. This research is a continuation of re-search conducted by Yusof et al., (2015). Based on the description above,

H6 : The replacement of the internal auditor chairman (Opportunity) has a positive effect on Fraudulent Financial Reporting

III. Research Method

According to the level of explanation, this research is classified into descriptive, comparative and associative research. Descriptive research is done to determine the value of independent variables, comparative research is research that is comparing one sample or another object, while associative research is research that aims to determine the relationship between two or more variables.

IV. Result and Discussion

4.1 Descriptive Statistical Analysis

This analysis aims to provide a detailed description of the variables studied as a whole. The results of descriptive statistics on financial sector service companies with indications of fraud and no indication of fraud. In table 3 the average value for the financial target variable (ROA) is -0.0036 and is the only variable with a negative average value. Furthermore, for variables such as financial stability (ACHANGE) worth 0.2023, external pressure (LEVERAGE) is 0.696, personal financial needs / OSHIP is 0.0631, ineffective supervision (BDOUT) is 0.4532, turnover of the chief auditor (AUDIT_INTERNAL) is 0.227, the quality of external auditors (QUALITY_EXTERNAL) is worth 0.4339, replacement of external auditors (AUDIT_EXTERNAL_CHANGE) is worth 0.3276, audit opinion reports (OPINI_AUDIT) are worth 0.9971, changes of directors (DIRECTOR_CHANGE) are worth 0.3678, placement of photos of directors (FOTO_CEO) is worth Rp.6,954, audit fees (FEE_AUDIT)3,971,693,838 and the fraudulent financial statement is worth 0.8477.

For the average score of director politicians (POLITISI_CEO) is 0 because no CEO is also a politician.

Table 3. Descriptive Analysis of All Variables

	N	Mean	Std. Deviation
ROA	348	-0.0036	0.234
ACHANGE	348	0.2023	0.9644
LEV	348	0.696	0.39302
OSHIP	348	0.0631	0.34989
BDOUT	348	0.4532	0.21826
AUDIT_INTERNAL	348	0.227	0.4195
QUALITY_EXTERNAL	348	0.4339	0.49633
AUDIT_EXTERNAL_CHANGE	348	0.3276	0.47001
OPINI_AUDIT	348	0.9971	0.05361
DIRECTOR_CHANGE	348	0.3678	0.48291
PHOTO_CEO	348	6,954	5.28434
POLITICIAN_CEO	348	0	0
FEE_AUDIT	231	3,971,693,838	2.9462168745
FRAUD	348	0.8477	0.35983
Valid N (list wise)	207		

In table 3 it can be seen that the standard deviation value for variables such as financial target (ROA) is valued 0.23, financial stability (ACHANGE) is valuable 0.9644, the external pressure (LEVERAGE) is worth 0.39302, personal financial needs (OSHIP) are valued 0.34989, the ineffectiveness of supervision (BDOUT) is of value 0.21826, the replacement of the chief auditor (AUDIT_INTERNAL) is worth 0.4195, the quality of the external auditor (QUALITY_EXTERNAL) is of value 0.49633, the change of external auditors (AUDIT_EXTERNAL_CHANGE) is worth 0.47001, the audit opinion report (OPINI_AUDIT) is valuable 0.05361, the change of director (DIRECTOR_CHANGE) is worth 0.48291, the director's photo mount (FOTO_CEO) is worth 5.28434, the audit fee (FEE_AUDIT) is worth 2.9462168745 and fraudulent financial statement is worth

0.35983. For the standard deviation value of director politicians (POLITISI_CEO) is 0 because no CEO is also a politician.

The next analysis is related to the frequency of committing fraud. In table 4 from 348 samples, there were 295 samples or 84.77% indicated of fraud and the remaining 53 or 15.22% did not indicate fraud.

Table 4. Frequency Analysis of Conducting Fraud

	Frequency	Percent	Valid Percent	Cumulative Percent
.00	53	15.22989	15.22988506	15.22988506
1.00	295	84.77011	84.77011494	100
Valid Total	348	100	100	

However, after the logistic regression testing was carried out, 141 samples were outliers, so that only 207 samples were used for further testing. Table 5 shows that of the 207 valid financial reports studied, there were 175 valid financial reports that indicated a fraudulent financial statement, while 32 valid financial reports did not indicate fraudulent financial statements. The following is an explanation of the results of descriptive statistics external pressure (LEVERAGE) for valid financial statements that indicate fraudulent financial statements and those that are not. External pressure (LEVERAGE) In a valid financial report, an indication of a fraudulent financial statement is 0.7569, as well as on average External pressure (LEVERAGE) in a valid financial report that does not indicate a fraudulent financial statement is 0.6843. The meaning external pressure (LEVERAGE) in a valid financial report, an indication of the existence of a fraudulent financial statement is higher than that which is not indicated by a fraudulent financial statement.

Descriptive statistical results of the ineffectiveness of supervision (BDOUT) for valid financial statements that are indicated as fraudulent financial statements and those that are not. The ineffectiveness of supervision (BDOUT) in valid financial statements which indicates a fraudulent financial statement is 0.5316, as well as the average ineffectiveness of supervision (BDOUT) in valid financial reports where there is no indication of fraudulent financial statements is 0.4655. This means that the ineffectiveness of supervision (BDOUT) in valid financial statements, which indicates that there is a fraudulent financial statement is higher than that which is indicated by a fraudulent financial statement.

Table 5. Descriptive Statistics of Indicated and Unindicated Companies
Fraudulent Financial Reporting

Group Statistics					
FRAUD		Mean	Std. Deviation	Valid N (listwise)	
				Unweighted	Weighted
.00	ROA	0,0175	0,05704	32	32,000
	ACHANGE	0,5422	1,68785	32	32,000
	LEV	0,6843	0,21893	32	32,000
	OSHIP	0,0137	0,05419	32	32,000
	BDOUT	0,4655	0,11046	32	32,000
	AUDIT_INTERNAL	0,0313	0,17678	32	32,000
	QUALITY_EKSTERNAL	0,6875	0,47093	32	32,000
	AUDIT_EKSTERNAL_CHANGE	0,4063	0,49899	32	32,000
	OPINI_AUDIT	1,0000	0,00000	32	32,000
	DIRECTOR_CHANGE	0,1875	0,39656	32	32,000
	FOTO_CEO	6,0938	4,12982	32	32,000
	POLITISI_CEO	0,0000	0,00000	32	32,000
	FEE_AUDIT	1294571905,9063	1462692913,55756	32	32,000
	1.00	ROA	0,0037	0,11311	175
ACHANGE		0,0867	0,25695	175	175,000
LEV		0,7569	0,19991	175	175,000
OSHIP		0,0703	0,42541	175	175,000
BDOUT		0,5316	0,12361	175	175,000
AUDIT_INTERNAL		0,2857	0,45305	175	175,000
QUALITY_EKSTERNAL		0,6057	0,49010	175	175,000
AUDIT_EKSTERNAL_CHANGE		0,3143	0,46556	175	175,000
OPINI_AUDIT		0,9943	0,07559	175	175,000
DIRECTOR_CHANGE		0,4400	0,49781	175	175,000
FOTO_CEO		7,5771	5,04389	175	175,000
POLITISI_CEO		0,0000	0,00000	175	175,000
FEE_AUDIT		4954831860,9029	33806881745,28920	175	175,000
Total		ROA	0,0058	0,10640	207
	ACHANGE	0,1571	0,71535	207	207,000
	LEV	0,7457	0,20411	207	207,000
	OSHIP	0,0615	0,39207	207	207,000
	BDOUT	0,5213	0,12375	207	207,000
	AUDIT_INTERNAL	0,2464	0,43195	207	207,000
	QUALITY_EKSTERNAL	0,6184	0,48697	207	207,000
	AUDIT_EKSTERNAL_CHANGE	0,3285	0,47081	207	207,000
	OPINI_AUDIT	0,9952	0,06950	207	207,000
	DIRECTOR_CHANGE	0,4010	0,49128	207	207,000
	FOTO_CEO	7,3478	4,93401	207	207,000
	POLITISI_CEO	0,0000	0,00000	207	207,000
	FEE_AUDIT	4388994573,1739	31103825678,00770	207	207,000

Descriptive statistical results change of external auditor (AUDIT_EXTERNAL_CHANGE) valid financial reports that indicate fraudulent financial statements and those that are not. Change of external auditors (AUDIT_EXTERNAL_CHANGE) In the valid financial statements, the indication of a fraudulent financial statement is 0.3143, as well as on average Change of external auditors (AUDIT_EXTERNAL_CHANGE) in a valid financial report that does not indicate a fraudulent financial statement is 0.4063. The meaning Change of external auditors (AUDIT_EXTERNAL_CHANGE) in a valid financial statement where there is no indication of a fraudulent financial statement is higher than that indicated a fraudulent financial statement.

Descriptive statistical results audit opinion (OPINI_AUDIT) valid financial reports that indicate fraudulent financial statements and those that are not. Audit opinion (OPINI_AUDIT) In a valid financial report the indication of a fraudulent financial statement is 0.9943, as well as on average audit opinion (OPINI_AUDIT) in a valid financial report that does not indicate a fraudulent financial statement is 1. It means audit opinion (OPINI_AUDIT) in a valid financial statement where there is no indication of a fraudulent financial statement is higher than that indicated a fraudulent financial statement.

4.2 Discriminant Analysis

a. Significance Test of Initial Model Parameters

Before forming a logistic regression model, the parameter significance test was first carried out. The first test carried out is testing the role of the parameters in the overall model, namely with the following hypothesis:

H0: $\beta_1 = \beta_2 = \dots = \beta_i = 0$ (Model is meaningless)

H1: At least one coefficient $\beta_i \neq 0$ (Model means) where $i = 1, 2, p$.

The test statistics used are by: $G = -2 \log \frac{l_0}{l_1}$

l_0 = likelihood without independent variables

l_1 = likelihood with independent variables

The G test statistic is Chi-square distribution with degrees of freedom p or $G \geq \chi^2_{\alpha, p}$, H_0 is rejected if $G \geq \chi^2_{\alpha, p}$, where α is the selected significance level. If H_0 is rejected, it means that the model with the independent variable is significant at the α level of significance.

Table 6. Overall Significance Test

-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
154.968a	.222	.368

The likelihood ratio test value (Log Likelihood) can be obtained using SPSS version 17 software. In Table 6 the likelihood ratio value is 154.968. While the Chi-square table value = 304,834 with $\alpha = 0, 05$ and $p = 347$.

Thus, $G \leq \chi^2_{\alpha, p}$, namely $154,968 \leq 304,834$ so that H_0 is accepted. This means that there is no one significant logistic regression coefficient at $\alpha = 0.05$. Table 6 above shows the logistic regression determinant coefficient of 0.368 so it can be said that the contribution of the independent variable to the dependent variable is 36.8%.

b. Determination Coefficient (Nagelkerke R Square)

Based on data from Table 6, the Nagelkerke R Square value is 0.368. So, the dependent variable in this study can be explained by independent variables of 36.8%, but for the remaining 63.2% can only be explained by other variables outside of this research model. The results of the coefficient of determination explain that together the variation in the independent variables can explain the variation in the dependent variable by 36.8%.

c. Assessing the Feasibility of a Regression Model

Furthermore, for the analysis carried out is to assess most of the logistic regression models that will be used. To assess a feasibility and a regression model, the researcher observes the goodness of fit model which can be measured by looking at the Chi-Square in the Hosmer and Lemeshove's column.

The hypotheses used to assess the feasibility of this regression model are:

H_0 = There is no difference between the model and the data

Ha = There is a difference between the model and the data.

It can be seen in table 7, the results show that using the Hosmer and Lemeshow's Test, it is known that the significance value is 1. The significant value obtained is above 0.05, which means that the regression model can predict the value of the observation, or the model is acceptable or in accordance with the observation data and the model in this study can be used for further analysis.

Table 7. Hosmer and Lemeshow's Test

Step	Chi-square	df	Sig.
1	0.000	8	1,000

d. Regression Models and Hypotheses

A logistic regression model can be formed by considering the value of the parameter estimates in Variables in The Equation in table 8:

Table 8. Test Results for Variables in the Equation Phase 1

	B	SE	Wald	df	Sig.	Exp (B)
ACHANGE	-0.994	0.33	9,068	1	0.003	0.37
LEV	0.751	1,152	0.426	1	0.514	2,119
AUDIT_INTERNAL	2,554	0.971	6,911	1	0.009	12,852
QUALITY_EXSTERNAL	-0,771	0.495	2,426	1	0.119	0.462
ROA	-1,204	3,912	0.095	1	0.758	0.3
OSHIP	5,362	3,494	2,355	1	0.125	213,248
BDOUT	2,927	1,257	5,426	1	0.02	18,676
AUDIT_EXSTERNAL_CHANGE	-0,649	0.429	2,287	1	0.13	0.523
OPINI_AUDIT	-15,772	40192.88	0	1	1	0
DIRECTOR_CHANGE	0.725	0.498	2,118	1	0.146	2,064
PHOTO_CEO	0.023	0.053	0.188	1	0.664	1,023
FEE_AUDIT	0	0	1,022	1	0.312	1
Constant	15,442	40192.88	0	1	1	5088045

a Variable (s) entered on step 1: ACHANGE, LEV, AUDIT_INTERNAL, QUALITY_EKSTERNAL, ROA, OSHIP, BDOUT, AUDIT_EKSTERNAL_CHANGE, OPINI_AUDIT, DIRECTOR_CHANGE, FOTO_CEO, FEE_AUDIT.

The test results show that there is a coefficient in the model that is not significant, because the Sig. or its p-value > alpha. The insignificant independent variable will be discarded starting from the one with the greatest p-value, then a partial test is carried out without involving insignificant variables. After disposal of 8 variables, the following results were obtained:

Table 9. Test Results for Variables in the Equation Stage 2

Variables in the Equation							
		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	ACHANGE	-0,577	0,185	9,758	1	0,002	0,562
	AUDIT_INTERNAL	1,537	0,566	7,376	1	0,007	4,651
	BDOUT	1,415	0,697	4,120	1	0,042	4,115
	Constant	1,039	0,341	9,276	1	0,002	2,826

a. Variable(s) entered on step 1: ACHANGE, AUDIT_INTERNAL, BDOUT.

So, the regression model that is formed based on the estimated parameter values in Variables in The Equation is as follows:

$$\text{FRAUDULENT} = 1.039 - 0.577 (\text{ACHANGE}) + 1.415 (\text{AUDIT_INTERNAL}) + 1.039 (\text{BDOUT})$$

Information:

Fraudulent : Fraudulent Financial Statement
ACHANGE : Financial Stability
AUDIT_INTENRAL : Change of Head of Internal Audit
BDOUT : Monitoring ineffective

The interpretation of the logistic regression equation is as follows:

- The constant value is 1.039, for a positive sign, this means that if all independent variables are zero or constant, the Fraudulent Financial Statement variable has decreased by 1.039.
- The value of β_1 : - 0.577 for a negative sign means that if the ACHANGE variable decreases, the Fraudulent Financial Statement variable will decrease and vice versa.
- The value of β_2 : 1.537 for a positive sign means that if the AUDIT_INTERNAL variable increases, the Fraudulent Financial Statement variable will increase and vice versa.
- The value of β_3 : 1,415 for a positive sign means that if the BDOUT variable increases, the Fraudulent Financial Statement variable will increase and vice versa.

4.3 Discussion

The results of testing the financial targets from table 8 show a negative regression coefficient value of -1.204 and a significance level of 0.758 (greater than 10%), so H1 is rejected, meaning that financial targets have no effect on financial report fraud.

This study's findings do not support the research of Agusputri & Sofie (2019), Widarti (2015), Ratnasari & Solikhah (2019), but in accordance with the findings of Herdiana & Sari (2018). High financial targets allow fraudulent financial reports to occur, because in order to achieve these targets, management may act inappropriately. Return on assets has no effect as a proxy for financial targets on financial statement fraud because managers assume that the target return on assets of the company is still considered reasonable and achievable by managers.

The results of the financial stability test obtained the regression coefficient value negative of -0.994 with a significance level of 0.003. More significance value less than 10%, then H2 is accepted. This demonstrates that financial stability has an impact on financial statement fraud. The results of this study are consistent research by Sihombing & Rahardjo (2014), Apriliana & Agustina (2017), Bawekes et al., (2018), Tessa & Harto, (2016) which found that financial stability is related to pressure affecting fraudulent financial reporting. But it does not support the research results of Oktafiana et al., (2019).

This study can show that the lower the total assets which are decreasing every year, creating pressure on the management. Because if total assets decrease, it will reduce interest for investors, even creditors are not interested in providing loans to companies that have decreased the number of assets. Because of this, the management manipulated the financial statements by adding to the total assets in order to increase the company's financial stability year after year.

Furthermore, the external pressure test shows a regression coefficient value of 0.751 and a significance value of 0.514 with a significance value greater than 10%, then H3 is rejected. This means external pressure has no effect on financial statement fraud and contributes to study by Ratnasari & Solikhah (2019). To overcome these external pressures, the company needs an injection of funds or additional money from creditors. However, if a corporation has a high leverage, it suggests it has a lot of debt and a lot of credit risk. The greater the credit risk, the creditors worry about providing loan funds to the company. Therefore, it can lead to fraudulent financial reporting. The findings of this study contradict the findings of previous research by Tessa & Harto (2016), and Sari & Nugroho (2020)

From the results of testing the number of photos of CEOs, the regression coefficient value is 0.023 with a significance of 0.664 (greater than 10%), so H13 is rejected, meaning that the number of CEO photos has no influence on erroneous financial reporting. The findings of this investigation contradict previous research by Apriliana & Agustina (2017), Bawekes et al., (2018), Tessa & Harto (2016), who found the number of CEO photos plastered with arrogance that influenced fraudulent financial reporting.

Based on the findings of audit fee testing, the regression coefficient value is 0 with a significance of 0.312 (greater than 10%), so H14 is rejected, implying that the audit cost has no bearing on fraudulent financial reporting. This violates the principle of independence and is a form of collusion.

V. Conclusion

Based on the findings of the study and discussion described above, it shows that of the three main factors of the Vousinas Fraud Hexagon Model, namely pressure in terms of financial stability; The opportunity is viewed from the ineffectiveness of the supervisor, and the change of the chairman of the internal auditor has an effect on fraudulent financial reporting. Other factors include financial targets, external pressure, and personal financial demands; opportunity in terms of external auditor quality; rationalization as viewed from the change of external auditors and audit opinion; capability as seen from a change of directors; arrogance judging from the number of plastered photos of CEOs and CEO politicians; and collusion in terms of the amount of audit fees has no impact on fraudulent financial reporting.

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