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The Influence of the Fraud Hexagon Theory Factors on the Financial Statement Fraud of Companies in the Transportation and Logistics Sector

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Abstract. *This study aims to examine the influence of fraud hexagon theory factors on financial statement fraud in transportation and logistics sector companies listed on the Indonesia Stock Exchange from 2018 to 2022. The fraud hexagon theory elements in this study are proxied by financial targets, ineffective supervision, auditor changes, board of directors changes, frequency of CEO photo appearances, and State-Owned Enterprises. The sample in this study was 19 companies that had been selected using purposive sampling techniques. The number of observations in this study was 95 observations. The data analysis carried out in the study was panel data regression analysis using EViews 12 software as a data analysis tool. The results of the analysis showed that financial targets had a positive effect on financial statement fraud. However, ineffective supervision, auditor changes, board of directors changes, frequency of CEO photo appearances, and state-owned enterprise variables were shown to have no effect on financial statement fraud. This study provides theoretical implications in the form of additional information about the influence of financial targets on financial statement fraud and this study also provides practical implications for company leaders to pay more attention and consider the company's financial targets as one of the indicators that can be used to detect financial statement fraud.*

Keywords: *Fraud Hexagon Theory, Financial Statement Fraud, Transportation, Logistics Sector*

1. INTRODUCTION

The Indonesian economy is continuously experiencing a recovery phase after the Covid-19 pandemic that paralyzed various economic activities in society. Based on the 2023 Indonesian Economic Report published by Bank Indonesia, economic recovery in Indonesia continues and economic stability in Indonesia in 2023 is maintained amidst declining global economic growth. The development and recovery of the economy in Indonesia are supported by various sectors within it. One sector that plays an important role in economic growth in Indonesia is the transportation and logistics sector.

Based on data from Central Statistics Agency (2024) published in the Official Statistics News No. 13/02/Th. XXVII, February 5, 2024, the Indonesian economy in 2023 grew by 5.05%, and from the production side, the highest growth occurred in the Transportation and Warehousing Business Field of 13.96%. This growth shows the public that the transportation and logistics sector is one of the important sectors that supports the growth of the economy in Indonesia. The increase in domestic consumption and online businesses that have soared rapidly in society are factors that drive the achievements of the logistics sector (Putra, 2023).

The growth shown by the transportation and logistics sector indicates that companies in the sector have good performance. The performance of a company can be measured through information contained in the company's financial statements (Suparmini

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et al., 2020). Financial statements are a medium of communication between company management and investors regarding a company's financial picture (Prabhawanti & Widhiyani, 2018). Every company presents financial statements as a form of accountability to interested parties (Puspita & Utama, 2016).

Financial reports can reflect a company's financial condition through the financial data contained therein (Putra & Suprasto, 2022). However, the contents of the financial report may not necessarily show the entire financial condition of a company correctly. Sometimes management is willing to commit fraud so that the information in the financial report looks good (Prayoga & Sudarmaji, 2019).

According to Regulation of the Audit Board of the Republic of Indonesia Number 1 of 2017 concerning State Financial Audit Standards, fraud is an act that contains elements of intent, intention, benefiting oneself or others, deception, concealment or embezzlement, and abuse of trust aimed at obtaining illegal benefits which can be in the form of money, goods/property, services, and not paying for services, which is carried out by one or more individuals from the parties responsible for governance, employees, or third parties. According to Association of Certified Fraud Examiners (ACFE) which is one of the world's anti-fraud institutions, anti-fraud training service providers, and Certified Fraud Examiner (CFE) certification organizers, there are 3 main categories of occupational fraud, namely asset misappropriation, financial statement fraud, and corruption. Based on data listed in Occupational Fraud 2024: a Report to The Nations published by ACFE (2024), cases of financial statement fraud are reported to be in the lowest position in terms of the percentage of cases that occur when compared to the percentage of asset misappropriation and corruption cases. The percentage of financial statement fraud is only 5% of the total number of cases that occur, but the average loss value caused by financial statement fraud cases is much greater when compared to the loss value of asset misappropriation and corruption cases. Financial statement fraud has an average loss value of $766,000, while the average loss value caused by asset misappropriation and corruption is only $120,000 and $200,000, respectively.

The case of financial statement fraud that caused a huge loss was the case of Enron's financial statement fraud. At first, Enron was able to dominate the market in natural gas contracts and the company began to make large profits. However, over time Enron faced increasing business competition, and then there was a decline in the company's profits. In order to show higher profits on the financial statements, company executives used the mark-to-market accounting technique which allowed the company to record unrealized future profits into the current income statement, thus giving the illusion of higher current profits. In mid-2001 the situation began to worsen when a number of analysts began to dig into the details of Enron's financial statements released to the public, and in October 2001, Enron surprised investors by announcing that they would post a loss of $ 638 million for the third quarter, which was shortly after that the Securities and Exchange Commission (SEC) began to investigate, several Arthur Andersen officials who were the public accounting firm that audited Enron began to shred documents related to the Enron audit (The Information Architects of Encyclopaedia Britannica, 2024).

In the Encyclopaedia Britannica, it is explained that as details of Enron's accounting fraud emerged, Enron Corporation's stock continued to decline, and the cancellation of the acquisition by Dynegy caused Enron's stock value to fall below $1 per share, which also affected the value of Enron's 401k employee pensions tied to the company's stock, until finally in December 2001, Enron filed for bankruptcy protection. Many of Enron's executives were charged with various charges and later sentenced to prison, while the Public Accounting Firm Arthur Andersen which audited Enron was abandoned by its clients, and had to lay off thousands of employees, was later found guilty of shredding evidence and lost its license to practice public accounting (The Information Architects of Encyclopaedia Britannica, 2024).

Financial statement fraud cases in Indonesia have occurred in several sectors, such as in the case of financial statement fraud of one of the property sector companies in Indonesia, namely PT Hanson Internasional. The results of the examination conducted by the Financial Services Authority stated that PT Hanson Internasional violated the Financial Accounting Standards Statement 44 concerning Accounting for Real Estate Development Activities (PSAK 44) because PT Hanson Internasional Tbk recognized revenue from the sale of Ready-to-Build Plots (KASIBA) with a gross value of Rp732,000,000,000 using the full accrual method. In the Kompas.com news published on January 15, 2020, it was explained that the Financial Services Authority questioned the recognition using the full accrual method, which if referring to PSAK 44, sales revenue can be recognized using the full accrual method with conditions that have met the criteria, including the completion of the Sale and Purchase Agreement (PPJB) which could not be proven by the Company. Another case of financial statement fraud that occurred was found in PT Indofarma Tbk, which is a company engaged in the health sector. PT Indofarma Tbk presented a higher value for the value of goods in process than the value that should have been presented (overstated), namely IDR 28.87 billion (CNBC, 2021).

The case of financial statement fraud in Indonesia also occurred in one of the transportation and logistics sector companies in Indonesia, namely PT Garuda Indonesia Persero (Tbk). PT Garuda Indonesia Persero (Tbk) was caught in a fraud case against the company's published financial reports. The alleged irregularities in the contents of the company's financial reports resulted in a re-examination of the published financial reports. In the Kompas.com news published on July 18, 2019, it was stated that 2 Garuda commissioners, namely Chairal Tanjung and Dony Oskaria, expressed objections to the recognition of transaction income of $239,940,000 contained in the connectivity service provision cooperation agreement, which according to the two commissioners, PT Garuda Indonesia (Persero) Tbk was not yet ready to recognize income at all. Based on the press release data issued Financial Services Authority on June 28, 2019, the Financial Services Authority has conducted an examination related to the case of the presentation of the Annual Financial Report (LKT) of PT Garuda Indonesia (Persero) Tbk as of December 31, 2018. After coordinating with the Ministry of Finance of the Republic of Indonesia qq, Center for Financial Profession Development, PT Bursa Efek Indonesia, and other related parties, The Financial Services Authority (OJK) decided to impose a written order and administrative sanctions for the violations that have been committed.

Fraud in financial reports committed by corporate individuals will be very detrimental to shareholders and will have an impact on the loss of shareholder trust in the company. The loss of shareholder trust due to fraud or cheating that occurs within the company will cause shareholders to be reluctant to reinvest their capital in the company. Fraud or cheating committed by corporate individuals will also damage the company's image in the eyes of the public. A company that has a damaged image and reputation can result in a loss of public interest in using the company's products or services which can have an impact on decreasing the company's sales value. Thus, preventing fraud in financial reports is very important and very necessary for a company so that it can avoid losses due to fraud.

One way to prevent fraud in financial reports is to analyze the factors that motivate someone to commit fraud. The theory of fraud that has developed over time explains the factors that motivate and underlie someone to commit fraud. The development of the theory of fraud began with the initiation of the fraud triangle theory by Cressey (1953). Fraud triangle theory consists of 3 elements, namely pressure, opportunity, and rationalization.

Pressure is the first element of the fraud triangle theory which was initiated by Cressey (1953). Pressure is an incentive that causes someone to commit fraud, which is generally caused by financial obligations that exceed management's capabilities (Utama et al., 2018). Every company has financial goals which can be in the form of financial targets that must be achieved by company management (Achmad et al., 2023). Company management is required to achieve a financial target within a certain period of time. When the financial target that is set cannot be achieved, this will cause pressure for company management (Puspitha & Yasa, 2018). To achieve targets, under pressure from senior management, company management will tend to commit fraud in the company's financial reports to meet the targets set (Ozcelik, 2020). This statement is in line with the research results Sari et al. (2024) which states that financial targets have a positive effect on financial statement fraud. However, different results are shown in the research results Damayani et al. (2017), which states that financial targets do not affect financial statement fraud.

Opportunity is the second element in the fraud triangle theory. Opportunity is a situation where there is a chance that allows fraud to occur (Utama et al., 2018). Any crime, including fraud, can occur because there is an opportunity to do it and the perpetrator's belief that the fraud committed cannot be known by other parties (Indriaty & Thomas, 2023). The opportunity to commit fraud in a company can be caused by the absence of effective supervision in the company. According to Devi et al. (2021), ineffective supervision is a situation where the company does not have a supervisory unit that can effectively monitor the company's performance. Individuals in the company can take advantage of opportunities that arise due to ineffective supervision conditions in the company to launch actions so that they can commit fraud. This statement is supported by empirical evidence from research results Wilantari & Ariyanto (2023) as well as Putra & Suprasto (2022) which found that ineffective supervision has a positive effect on financial statement fraud. However, different results were shown in the research results of Wulandari & Trisnawati (2022) which states that ineffective supervision has no effect on financial statement fraud.

Rationalization is the last element of the fraud triangle theory. Rationalization is an attempt to find justification for fraudulent actions that are carried out (Imtikhani & Sukirman, 2021). The existence of rationalization or justification can trigger fraud in financial statement because the perpetrators of fraud feel that what they are doing is normal and right (Khamainy et al., 2022). In a company, external auditors have a role to conduct audits of financial reports that have been presented by the company's management. Companies that commit fraud in their financial reports, change auditors as an effort to eliminate traces of fraud found by external auditors (Wilantari & Ariyanto, 2023). This statement is supported by empirical evidence from research results by Wilantari & Ariyanto (2023) which states that auditor changes have a positive effect on fraud in corporate financial reports. However, different results were shown by research conducted by Imtikhani & Sukirman (2021) which states that changing auditors does not have a significant effect on fraud in the company's financial statements.

The next theory regarding fraud that developed was the fraud diamond theory put forward by Wolfe & Hermanson (2004). Fraud diamond theory has 4 elements in it, namely incentive, opportunity, rationalization, and capability. According to Wolfe & Hermanson (2004), opportunity becomes the opening path to commit fraud, incentive and rationalization can lead someone towards fraud, but that person must also have the capability or ability to take advantage of the existing opportunity.

Capabilities refers to a situation where a person who has the potential to be a fraudster has the skills and ability to commit fraud (Omukaga, 2020). Not everyone has the ability to commit fraud without being detected, successful fraudulent actions are caused by knowledge and experience, so it can be said that the perpetrators of fraud have an ability or competence (Indriaty & Thomas, 2023). In a company, a person who holds the position of director must have the ability or competence supported by the knowledge and experience they have. The directors of a company can be replaced if there are directors who resign from their positions or directors whose terms of office have expired. The replacement of directors carried out by the company can be an effort to improve the performance of the previous directors (Suparmini et al., 2020). The new board of directors assigned to replace the previous board of directors is expected to show better performance than the previous board of directors so that it can create a situation that forces the new board of directors to use their competence in various existing opportunities including opportunities to commit fraud so that they can show better performance than the previous board of directors. This statement is supported by empirical evidence from the results of research conducted by Sari et al. (2024) which states that changes in the board of directors have a positive effect on financial statement fraud. However, in a study conducted by Nurbaiti & Cipta (2022), it was found that changes in the board of directors had no effect on financial statement fraud.

The theory of fraud then developed into the fraud pentagon theory. The fraud pentagon theory was put forward by Crowe Howarth (2011). Fraud pentagon theory consists of pressure, opportunity, rationalization, competence, and arrogance. According to Crowe Howarth, arrogance is explained as an attitude of superiority or greed in someone who believes that internal control cannot be imposed on him. The increasing number of CEO photos displayed in company reports can indicate the increasing arrogance of the company's CEO, a high level of arrogance can lead to fraud (Khamainy et al., 2022). This statement is supported by empirical evidence in the results of research conducted by Wilantari & Ariyanto (2023) which shows that the frequency of the appearance of CEO photos which is a proxy for the elements of arrogance or ego is shown to have a positive influence on financial statement fraud. However, different results are shown in the research results by Putra & Suprasto (2022) and Damayani et al. (2017) namely the appearance of the CEO's photo has no effect on financial statement fraud.

In 2019, the latest fraud theory developed, namely the fraud hexagon theory proposed by Vousinas. Fraud hexagon theory consists of 6 elements, namely stimulus (pressure), capability, collusion, opportunity, rationalization and ego. In the fraud hexagon theory, Vousinas added collusion as an element that also motivates someone to commit fraud. The motive for collusion arises from the involvement of a group of individuals in deceiving and cheating other individuals, often through coordinated agreements aimed at fraud (Bader et al., 2024). Collusion can occur in various companies including companies whose shares are wholly or mostly owned by the government or can be called State-Owned Enterprises. Research conducted by Wilantari & Ariyanto (2023) which uses State-Owned Enterprises as a proxy variable for the collusion element shows that the State-Owned Enterprises variable has a positive effect on financial statement fraud. However, different results are shown in the results of research conducted by Wulandari dan Trisnawati (2022) which found that the proxy variable of State-Owned Enterprises had no effect on fraud in corporate financial statement.

The results of previous studies indicate that financial targets, ineffective supervision, auditor changes, board of directors changes, frequency of CEO photos, and State-Owned Enterprises have a positive effect on financial statement fraud. However, there are also several previous studies that state the opposite results with the research findings that show that there is no influence given by these variables on financial statement fraud. Thus, it can be concluded that there is inconsistency in the research results.

Based on the exposure of the fraud case phenomenon that has occurred, the inconsistency of previous research results, and to fill the gaps in previous research, in this study the researcher will again conduct testing and analysis related to the influence of fraud hexagon theory factors on financial statement fraud in transportation and logistics sector companies listed on the Indonesia Stock Exchange. The good performance and growth that has been shown by companies in the transportation and logistics sector must be maintained and must also be reflected in the appearance of good company financial statements and not contain elements of fraud in them. Thus, it is hoped that the Indonesian transportation and logistics sector in the future can have better prospects and image through early detection and deeper analysis related to the factors that motivate fraud or cheating in the company's financial statements.

2. RESEARCH METHODS

This research uses quantitative research methods. According to Sugiyono (2023:16) quantitative research methods can be interpreted as research methods based on the philosophy of positivism, used to research certain populations or samples, data collection using research instruments, quantitative or statistical data analysis, with the aim of testing the established hypothesis. In this study, quantitative research methods are used to determine how financial targets, ineffective supervision, auditor changes, board of directors, frequency of CEO photos, and State-Owned Enterprises affect financial statement fraud in the transportation and logistics sector listed on the Indonesia Stock Exchange in 2018-2022.

The research was conducted in transportation and logistics sector companies listed on the Indonesia Stock Exchange in 2018-2022. The reason the researcher chose transportation and logistics sector companies in this study was because there was a phenomenon of financial statement fraud cases that had previously occurred in one of the transportation and logistics sector companies. One effort to prevent fraud cases is to identify the factors that allow fraud to occur. In this study, the variables that are suspected of influencing fraud in transportation and logistics sector companies will be tested and their influence analyzed so that in the future they can be a reference to prevent fraud.

The performance and growth of the transportation and logistics sector are also the reasons for researchers to choose the transportation and logistics sector as a research location. In the Official Statistical News published by the Central Statistics Agency, in 2023, the highest growth in terms of production occurred in the transportation and warehousing business sector with a percentage of 13.96%. This growth is an indication that the performance of the transportation and logistics sector in Indonesia has increased. The good performance improvement of the transportation and logistics sector is also expected to be reflected in the appearance of financial reports that are free from fraudulent elements in them.

The population in this study is all transportation and logistics sector companies listed on the Indonesia Stock Exchange during 2018 to 2022. The sample selected from a population must be able to represent the population. The determination of the sample in this study uses a non-probability sampling method with a purposive sampling technique. Purposive sampling is done by taking samples from the population based on certain criteria (Hartono, 2017:98).

3. RESULTS AND DISCUSSION

Research Data Analysis Results

Estimation Model Determination

The use of dummy variables such as gender, ethnicity and others will make it difficult to identify the magnitude of the intercept difference dummy coefficient because these variables do not change over time (time-invariant) (Ghozali, 2017:244). According to Gujarati & Porter (2009), Random Effects Model or Error Components Model can be used to estimate coefficients on time-invariant variables such as gender or ethnicity that remain constant for a particular subject. In this study, there is a State-Owned Enterprises variable (X6) which is measured using a dummy variable and the variable does not change over time (time-invariant), just like gender and ethnicity. Thus, the estimation model that can be used in this study is the Random Effects Model (REM).

Random Effects Model (REM) uses the estimated GLS method. According to Gujarati & Porter (2009), GLS or Generalized Least Squares is a procedure for transforming the original variables in such a way that the transformed variables meet the classical assumptions and then applying OLS or Ordinary Least Squares to these variables. Thus, the classical assumption test was not conducted in this study due to the use of the Random Effects Model (REM) estimation model which has transformed the original variables in such a way that they meet the classical assumptions.

Panel Data Regression Analysis

The results of the panel data regression test using the Random Effect Model are presented in Table 1 below:

Table 1. Panel Data Regression Results

Hypothesis	Variable	Coefficient	Std. Error	t-Statistic	Prob.
	C	0.2617	0.1072	2,4411	0.0166
H1	X1	2,0054	0.2974	6,7424	0.0000
H2	X2	-0.3229	0.2281	-1.4153	0.1605
H3	X3	-0.0352	0.0954	-0.3688	0.7132
H4	X4	-0.0990	0.0596	-1.6595	0.1006
H5	X5	0.0041	0.0165	0.2472	0.8053
H6	X6	0.0295	0.1461	0.2022	0.8402

Source: Processed data, 2024 (Appendix 3)

Description: C= Constant, X1= Financial Target, X2= Ineffective Supervision, X3= Auditor Change, X4= Director Change, X5= Frequency of CEO Photo Appearance, X6= State-Owned Enterprises.

Based on the results presented in Table 1, the following regression equation can be made:

FFR = 0.261 + 2.005ROA – 0.322BDOUT – 0.035AUDCHANGE – 0.099DCHANGE + 0.004FREQCEOPIC + 0.029SOE ....(7)

Information:

FFR = Financial Statement Fraud

ROA = Return on Asset

BDOUT = Ratio of the number of independent commissioners to the total board of Commissioners

AUDCHANGE = Auditor Change

DCHANGE = Director Change

FREQCEOPIC = Frequency of CEO photo appearance

SOE = State-Owned Enterprises

Based on the regression equation, the following things can be explained:

1) The constant coefficient value is 0.2617 means that if the value of the financial target variable (X1), ineffective supervision (X2), change of auditors (X3), change of directors (X4), frequency of appearance of CEO photos (X5), and State-Owned

Enterprises (X6) is equal to zero (0), then the value of the financial statement fraud variable (Y) is 0.2617 unit.

2) The coefficient value of the financial target variable (X1) is 2.0054, this means that if there is an increase in the financial target by one unit and the other variables are constant, then the value of the dependent variable of financial statement fraud will increase by 2.0054 unit.
3) The coefficient value of the ineffective supervision variable (X2) is-0.3229, meaning that if there is an increase in ineffective supervision by one unit and the other variables are constant, then the value of the dependent variable of financial statement fraud will decrease by 0.3229 unit.
4) The coefficient value of the auditor change variable (X3) is-0.0352, this means that if there is a change in auditor, the value of the dependent variable for financial statement fraud will decrease by 0.0352 unit.
5) The coefficient value of the director change variable (X4) is-0.0990, this means that if there is a change in directors, the value of the dependent variable for financial statement fraud will decrease by 0.0990 unit.
6) The coefficient value of the frequency of the appearance of CEO photos (X5) is 0.0041, this means that if there is an increase in the frequency of the appearance of the CEO's photo by one unit and the other variables are constant, then the value of the dependent variable of financial statement fraud will increase by 0.0041 unit.
7) The coefficient value of the State-Owned Enterprises variable (X6) is 0.0295, this means that if the company is a state-owned company, the value of the dependent variable for financial statement fraud will increase by 0.0295 unit.

Determination Coefficient Test (R2) and Model Suitability Test (F Test)

Table 2. Results of the Determination Coefficient Test and Model Feasibility Test

Weighted Statistics			
Root MSE	0.2556	R-squared	0.3513
Mean dependent variable	0.2086	Adjusted R-squared	0.3071
SD dependent var	0.3191	SE of regression	0.2656
Sum squared residual	6.2080	F-statistic	7.9434
Durbin-Watson stat	2.2318	Prob(F-statistic)	0.0000

Source: Processed data, 2024 (Appendix 3)

Based on the results in Table 2, the adjusted R-squared value in this study was obtained at 0.3071. The value shows that the independent variables in this study, namely financial targets, ineffective supervision, auditor changes, director changes, frequency of CEO photos, and State-Owned Enterprises can explain the dependent variable, namely financial statement fraud by 30.71%, while the remaining 69.29% is explained by other variables not included in this study. Table 4.3 also shows the Prob value (F-statistic) of 0.0000 which is less than 0.05 so that it can be concluded that the model used is declared feasible.

Hypothesis Test (t-Test)

The basis for decision making for hypothesis testing (t-test) in this study was carried out by comparing the significance probability value with a significance level of 5% (alpha = 0.05). If the significance probability value is less than 0.05, it can be concluded that the independent variable has a partial effect on the dependent variable. The regression coefficient value for each variable that has a positive value indicates that there is a unidirectional relationship between the independent variable and the dependent variable. The regression coefficient value for each variable that has a negative value indicates that there is a non-unidirectional relationship between the independent variable and the dependent variable. Based on the results of the regression analysis that have been presented, the explanation related to the results of the hypothesis test (t-test) is as follows:

1) The financial target variable (X1) has a probability value of 0.0000 and has a regression coefficient value of 2.0054. The probability value of 0.0000 is smaller than 0.05, so the first hypothesis (H1) in this study is accepted. The regression coefficient value on the financial target variable (X1) has a positive value. Thus, it can be concluded that financial targets have a positive and significant effect on financial statement fraud.
2) The ineffective supervision variable (X2) has a probability value of 0.1605and has a regression coefficient value of -0.3229. The probability value is 0.1605 greater than 0.05 then the second hypothesis (H2) in this study is rejected. The regression coefficient value on the ineffective supervision variable (X2) has a negative value. Thus, it can be concluded that ineffective supervision has a relationship that is not in the same direction according to the regression coefficient value and does not have a significant effect on financial statement fraud.

3) The auditor change variable (X3) has a probability value of 0.7132 and has a regression coefficient value of -0.0352. The probability value is 0.7132 greater than 0.05 then the third hypothesis (H3) in this study is rejected. The regression coefficient value of the auditor change variable (X3) has a negative value. Thus, it can be concluded that auditor change has a relationship that is not in the same direction according to the regression coefficient value and does not have a significant effect on financial statement fraud.
4) The directors change variabel (X4) has a probability value of 0.1006 and has a regression coefficient value of -0.0990. The probability value is 0.1006 greater than 0.05 then the fourth hypothesis (H4) in this study is rejected. The regression coefficient value of the variable of director change (X4) has a negative value. Thus, it can be concluded that the change of directors has a relationship that is not in the same direction according to the regression coefficient value and does not have a significant effect on financial statement fraud.
5) The frequency of the appearance of CEO photos (X5) has a probability value of 0.8053 and has a regression coefficient value of 0.0041.The probability value is 0.8053 greater than 0.05 then the fifth hypothesis (H5) in this study is rejected. The regression coefficient value of the CEO photo frequency variable (X5) has a positive value. Thus, it can be concluded that the frequency of CEO photo appearance has a unidirectional relationship but does not have a significant effect on financial statement fraud.
6) The state-owned enterprise variable (X6) has a probability value of 0.8402 and has a regression coefficient value of 0.0295. The probability value is 0.8402 greater than 0.05 then the sixth hypothesis (H6) in this study is rejected. The regression coefficient value of the state-owned enterprise variable (X6) has a positive value. Thus, it can be concluded that state-owned enterprises have a unidirectional relationship but do not have a significant effect on financial statement fraud.

Discussion of Research Results

The Influence of Financial Targets on Financial Statement Fraud

The first hypothesis (H1) in this study assumes that financial targets have a positive effect on financial statement fraud. Based on the hypothesis test (t-test) that has been conducted previously, the results obtained are that the first hypothesis (H1) in this study is accepted, so it can be concluded that financial targets have a positive effect on financial statement fraud. The higher the financial target that exists each year in a company, the higher the financial statement fraud that can occur in the company. The results of this study are also in line with the results of research conducted by Devi et al. (2021), Sari et al. (2024), and Rengganis et al. (2019) who also found that financial targets have a positive effect on financial statement fraud.

Financial targets in this study were measured using the Return on Asset (ROA) calculation. Return on Asset is a financial ratio that can indicate a company's profitability. A high Return on Asset value in a company indicates that the company is able to generate high profits and has good performance, which will later have an impact on the company's tendency to increase the financial targets it wants to achieve in the coming period. Financial targets that are getting higher and increasing every year can cause greater pressure on the company's management. This pressure can arise due to demands to achieve targets within a certain period of time, which can create a situation that forces the company's management to make every effort including carrying out manipulation or fraud in financial statement in order to meet the predetermined financial targets.

The Influence of Ineffective Supervision on Financial Statement Fraud

The second hypothesis in this study assumes that ineffective supervision has a positive effect on financial statement fraud. Based on the hypothesis test (t-test) that has been conducted previously, the results obtained are that the second hypothesis (H2) in this study is rejected, so it can be concluded that ineffective supervision does not have an effect on financial statement fraud. Ineffective supervision in this study is calculated by looking at the ratio of the number of independent commissioners to the total number of commissioners. According to Financial Services Authority Regulation Number 33/POJK.04/2014 concerning the Board of Directors and Board of Commissioners of Issuers or Public Companies, the board of commissioners consists of at least 2 board of commissioners, in the case of a board of commissioners consisting of 2 people, 1 of them is an independent commissioner. In addition, the regulation also explains that in the case of a board of commissioners consisting of more than 2 people, the number of independent commissioners must be at least 30% of the total number of members of the board of commissioners.

Based on the regulation, the number of independent commissioners in a company is not significant compared to the number of other power holders. The majority shareholder (controlling shareholder) still plays an important role in the company so that the number of independent commissioners is not a significant factor (Kusumawati et al., 2021). A similar statement was also made by Wulandari dan Trisnawati (2022), which states that ineffective monitoring does not have a significant influence on financial statement fraud, which explains that the number of independent commissioners in a company is not a significant factor in the company's operational supervision.

The results of this study are in line with the results of research conducted by Sari et al. (2024), Wulandari dan Trisnawati (2022), as well as Damayani et al. (2017) which also found that ineffective supervision has no effect on financial statement fraud. The results of this study do not support the fraud hexagon theory and agency theory used as the theoretical basis in this study.

The Influence of Auditor Change on Financial Statement Fraud

The third hypothesis in this study assumes that auditor changes have a positive effect on financial statement fraud. Based on the hypothesis test (t-test) that has been conducted previously, the results obtained are that the third hypothesis (H3) in this study is rejected, so it can be concluded that auditor changes have no effect on financial statement fraud. The data from this study show that the majority of companies that were sampled in this study did not change the public accounting firm that audited the company during the observation period, changes in public accounting firms only occurred in a few companies during the observation period. This is because changing public accounting firms is not something that companies must do because there are no regulations that require companies to change the public accounting firm that audits their financial statements. The change of auditors shown to have no effect on the results of this study can be caused by the use of an inappropriate method in measuring the auditor change variable in this study. In this study, auditor changes are measured by a dummy variable with the provision of code 1 if there is a change in the public accounting firm that audits the company and code 0 if there is no change in the public accounting firm that audits the company. The results of the study indicate that auditor changes as measured by changes in public accounting firms show results that have no effect on financial statement fraud. Thus, it can be concluded that changing or not the public accounting firm that audits a company is not a factor that can influence financial statement fraud.

The change of auditors that has been shown to have no effect on financial statement fraud can also be caused by the government's efforts to regulate the provision of services from public accountants so that the independence of public accountants can be maintained and public accountants can avoid various conflicts of interest that can encourage fraudulent practices. Regulations to maintain auditor independence in the provision of services have existed long before and are regulated inThe Sarbanes-Oxley Act which is a law that was formed in 2002 in the United States, as a response to restore investor confidence from various fraudulent acts that harmed many parties, one of which was fraud at Enron Corporation. In Indonesia, the rules regarding auditor independence are regulated in Regulation of the Minister of Finance of the Republic of Indonesia Number 186 /PMK.01/2021 concerning the Development and Supervision of Public Accountants, which is stated in article 36 paragraph 1 that in providing insurance services, Public Accountants and KAP must maintain independence and be free from conflicts of interest, then in article 36 paragraph 2 it is explained regarding the forms of conflicts of interest referred to in paragraph 1, where one of the conflicts of interest that must not occur is public accountants providing assurance services and non-assurance services in the same period or fiscal year. With the existence of regulations that require auditors to maintain independence, it can show the government's efforts to prevent loopholes that can cause and encourage fraudulent practices in a company.

The results obtained in this study are in line with the results of research conducted by Imtikhani & Sukirman (2021), Sari et al. (2024), Putra & Suprasto (2022), Ratnasari & Solikhah (2019), as well as Damayani et al. (2017) which also found that auditor change had no effect on financial statement fraud. The results of this study do not support the fraud hexagon theory and agency theory used as the theoretical basis in this study.

The Influence of Change of Directors on Financial Statement Fraud

The fourth hypothesis in this study assumes that the change of directors has a positive effect on financial statement fraud. Based on the hypothesis test (t-test) that has been conducted previously, the results obtained are that the fourth hypothesis (H4) in this study is rejected, so it can be concluded that the change of directors does not affect financial statement fraud. The change of directors can occur in a company because there are directors whose term of office has expired or can occur because there are directors who resign. Based on POJK Number 33/POJK.04/2014 concerning the board of directors of issuers or public companies, in article 3 paragraph 3 it is stated that 1 (one) term of office of a member of the board of directors is a maximum of 5 (five) years or until the closing of the annual GMS at the end of 1 (one) period of office in question and in article 8 paragraph 1 it is stated that members of the board of directors can resign from their positions before their term of office ends. Thus, if in a company there are directors whose term of office has expired or who resign from their positions, there can be a change of directors in the company to fill the vacant position of the director.

The change of directors carried out by a company can also be an effort to improve the performance of the previous directors. Policy makers such as shareholders often want to improve performance, one of which is by changing the directors (Wilantari & Ariyanto, 2023). Good company performance will encourage investors to invest in the company's business (Achmad et al., 2022). Thus, it can be concluded that the change of directors carried out in a company is not always related to fraud that occurs in the company, but the change of directors carried out in a company can be caused by several things, namely the resignation of directors, the expiration of their term of office and the change of directors is also an effort to improve company performance.

The results of this study are in line with the results of research conducted by Wilantari & Ariyanto (2023), Imtikhani & Sukirman (2021), Nurbaiti & Cipta (2022), Wulandari dan Trisnawati (2022), Putra & Suprasto (2022), Ratnasari dan Solikhah (2019), Damayani et al. (2017), as well as Suparmini et al. (2020) which also found that the change of directors did not affect financial statement fraud. The results of this study do not support the fraud hexagon theory and agency theory used as the theoretical basis in this study.

The Influence of CEO Photo Appearance Frequency on Financial Statement Fraud

The fifth hypothesis in this study assumes that the frequency of CEO photo appearance has a positive effect on financial statement fraud. Based on the hypothesis test (t-test) that has been conducted previously, the results obtained are that the fifth hypothesis (H5) in this study is rejected, so it can be concluded that the frequency of CEO photo appearance does not affect financial statement fraud. The appearance of CEO photos in the company's annual report can be evidence of the participation of company leaders in various important activities carried out by the company (Nurbaiti & Cipta, 2022). The appearance of the CEO's photo in the company report can be caused by the company wanting to introduce the company's leader to the public, where the photos displayed in the annual report are mostly photos of the results of the company's activities (Agusputri & Sofie, 2019). According to Putra & Suprasto (2022), the number of CEO photos can also be associated with positive things, namely self-confidence. CEO photos displayed at various important company activities also show the CEO's self-confidence in the performance and achievements of the company he leads. Thus, it can be concluded that the frequency of

CEO photos appearing in company reports is an effort by the company to introduce the CEO to the public and to show the achievements and performance of the company that the CEO has led, and is not an image-building effort from a CEO who wants to maintain his position or position so that it remains safe so that he can easily commit fraud.

The results of this study are in line with the results of research conducted by Nurbaiti & Cipta (2022), Putra & Suprasto (2022), as well as Damayani et al. (2017) which also found that the frequency of CEO photo appearances had no effect on financial statement fraud. The results of this study do not support the fraud hexagon theory and agency theory used as the theoretical basis in this study.

The Influence of State-Owned Enterprises on Financial Statement Fraud

The sixth hypothesis in this study assumes that state-owned enterprises have a positive effect on financial statement fraud. Based on the hypothesis test (t-test) that has been conducted previously, the results obtained are that the sixth hypothesis (H6) in this study is rejected, so it can be concluded that state-owned enterprises do not have an effect on financial statement fraud. The state-owned enterprise variable is a proxy variable for collusion which is measured by a dummy variable, if a company is a state-owned enterprise, it will be given a code of 1 and if the company is not a state-owned enterprise, it will be given a code of 0. The results of the analysis show that State-Owned Enterprises (BUMN) do not have an effect on financial statement fraud, which results can be caused by government efforts to encourage clean business practices from corruption, collusion and nepotism in the BUMN environment by issuing Circular Letter Number: SE-2/MBU/07/2019 concerning Clean Management of State-Owned Enterprises Through the Implementation of Prevention of Corruption, Collusion and Nepotism, and Handling of Conflicts of Interest and Strengthening of Internal Supervision.

The circular states that the directors of BUMN and the board of commissioners/supervisory board of BUMN in their corporate governance are required to apply the principle of prudence and high compliance with laws and regulations so that BUMN is clean and free from actions related to corruption, collusion, and nepotism, including bribery and violations of laws and regulations. The circular shows the government's efforts to encourage cleaner business practices in the BUMN environment. The existence of cleaner business practices in the BUMN environment shows that companies included in the BUMN environment can avoid and are not associated with fraudulent practices including fraudulent financial reports.

The results of this study are in line with the results of research conducted by Wulandari dan Trisnawati (2022) and Sagala & Siagian (2021) which also found that state-owned enterprises have no effect on financial statement fraud. The results of this study do not support the fraud hexagon theory and agency theory used as the theoretical basis in this study.

4. CONCLUSION

Based on the results of the analysis and discussion that have been described, it can be concluded that:

1) Financial targets have a positive effect on financial statement fraud. These results indicate that the higher the financial targets in a company, the higher the financial statement fraud that can occur in the company.
2) Ineffective supervision has no effect on financial statement fraud. These results indicate that increasing ineffective supervision within a company will not affect the occurrence of financial statement fraud in the company.
3) Auditor change has no effect on financial statement fraud. This result shows that auditor change by the company does not affect the occurrence of financial statement fraud in the company.
4) Change of directors has no effect on financial statement fraud. This result shows that the change of directors carried out by the company does not affect the occurrence of financial statement fraud in the company.
5) The frequency of CEO photo appearance has no effect on financial statement fraud. This result shows that the more frequently the CEO photo appears in the company's annual report does not affect the occurrence of financial statement fraud in the company.
6) State-owned enterprises have no effect on financial statement fraud. These results indicate that the ownership of all or most of the company's shares by the government does not affect the occurrence of financial statement fraud in the company.

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