

# Analysis of Financial Statement Fraud: The Vousinas Fraud Hexagon Model Approach and the Audit Committee as Moderating Variable

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**Abstract :** *The purpose of this study is to see if the Vousinas Fraud Hexagon Model approach has the potential to fraud financial statements as well as audit committees as moderating factors. The fraud hexagon hypothesis detects factors of the risk of fraud such as stimulation (pressure), capability, opportunity, rationalization, arrogance, and collusion. This is a quantitative method based on secondary data. Property, real estate, and building construction sector companies listed on the Indonesia Stock Exchange (IDX) in 2017-2020 are the population used. The study sample included 64 companies. Multiple liner regression and moderated regression analysis (MRA) are data analysis methods. According to the findings of this study, stimulus proxied by financial stability and rationalization proxied by TATA have an effect on financial statement fraud, whereas capability proxied by director experience, opportunity proxied by family firms, and collusion proxied by audit fees have no effect. The audit committee has the potential to moderate the impact of capability, rationalization, and arrogance on financial statement fraud*

**Keywords:** financial statement, fraud, financial statement fraud, fraud hexagon, komite audit.

## I. INTRODUCTION

Each company has financial statements that aim to inform judgment about the company's financial position, performance, and cash flow during an accounting period. The desire of the corporation to publish financial statements describing the firm's corporate condition might lead to the emergence of fraudulent actions by the company. In general, fraud is a legal activity committed in secret with the purpose of acquiring profit or gratifying personal or group interests that may cause harm to other parties. According to ACFE 2020, there are three categories of fraud: asset misappropriation, financial statement fraud, and corruption [1].

Financial statement fraud is the purposeful misrepresentation of a company's financial status, which can be performed through misstatements, namely the calculation of a number of values in financial statements in order to manipulate users of financial statements [2]. According to the ACFE survey, financial statement fraud schemes happen when perpetrators intentionally cause misstatements or material errors in the organization's financial statements. This type of fraud is the least common, accounting for 9% of all fraud schemes, but the highest losses are USD 593,000. [3].

In Indonesia, many cases of fraud have happened in various corporate sectors. In the case of PT Hanson International Tbk, an Indonesian property business, the Financial Services Authority (OJK) discovered in 2019 that the company had raised a considerable amount of funds that were recognized as loans and returned with interest. The accumulation of funds is represented as short-term credit in the financial statements. This is a breach of banking legislation because the collecting of funds is only for banking businesses, whereas PT Hanson is the company's property. Additionally, this company was exposed to a controversy in its financial statements in 2016 by recognizing revenue using accrual method and failing to disclose the contractual agreement for buying and selling lots of ready-to-build plots in Serpong housing. As a result of these financial statements, the income in the financial statements was exaggerated.

The fraud hexagon theory detects factors for the risk of fraud, which are stimulus (pressure), capability (capability), opportunity, rationalization, arrogance, and collusion. There are various characteristics of theoretical fraud that can detect fraud in financial statements, according to Achmad, Ghozali, and Pamungkas (2022) [4]. The first is stimulus or pressure, which is the presence of pressure elements both inside and external to the firm, According to Fathmaningrum and Anggarani (2021) [5], (Larum, Zuhroh, and Subiyantoro (2021) [6], and Fitri, Syukur, and Justisa

(2019) [7] the stimulus is proxied by financial stability, which affects financial reporting. The second element is capability, which refers to the ability of particular parties, such as the board of directors and corporate executives, to conduct fraud. capability can be proxied by the director's experience, Leader decision-making behavior is influenced by experience, preferences, and personality [8].

Third, opportunity refers to a person's ability to conduct fraud, such as a lack of internal control inside the organization. Opportunity is proxied by the quality of external auditors, The quality of external auditors has a positive influence on the prediction of financial statement fraud, according to research by Apriliana and Agustina (2017) [9]. Fourth, rationalization can be used to detect fraud by justifying someone's conduct, such as accrual basic recognition in accounting records, TATA (total accrual to total assets) has a significant effect on the probability of conducting fraud, according to Popa, Mare, and Safta (2021) [10] research. Fifth, arrogance is the symptom of egoism in a person or group in an organization who typically holds a position. According to Situngkir and Triyanto (2020) [11] research, family businesses have a positive impact on financial statements. Sixth, collusion is an agreement between one group and another with the purpose of making a profit, but with the agreement, the other group may suffer losses. Audit fees, as a collusive factor, have an effect on financial statements, according to Aviantara (2021) [12]. Fraudulent financial statements can be avoided with good internal controls, in addition to strict corporate governance implementation. The presence of an audit committee in the company can help to reduce the incidence of financial statement fraud. The audit committee, which holds intensive meetings, will report various findings on a regular basis and advise the company's management if there are indications of fraud. The audit committee, according to research Aviantara (2021) [13], can moderate the relationship between the hexagon fraud component and the financial statements. According to research Larasati, Wijayanti, and Maulana (2020) [14], the audit committee has the ability to control the interaction between aspects of the fraud triangle and financial statement fraud.

Based on this context, the motivation for this study is to determine whether the Vousinas Fraud Hexagon Model approach has the potential for fraudulent financial statements, with the audit committee functioning as a moderating variable. The existence of a moderating variable, such as the audit committee, in detecting potential financial statements in the hexagon model fraud is novel in this study. In relation to the hexagon fraud model, the usage of the audit committee moderating variable, as measured by the number of audit committee meetings within the organization, is currently uncommon. This study examines at the construction of firms listed on the Indonesia Stock Exchange (IDX) in the property, real estate, and building sectors between 2017 and 2020. As previously stated, the Covid-19 pandemic had a significant influence on many businesses, also with real estate industry suffering significant losses related to fraud [3].

## **II. LITERATURE REVIEW**

According to Jansen and Meckling (1976), there is a relationship between the principal and the agent, and the principle here is to give the agent a mandate, namely the company manager, to manage and make decisions for the company, but this delegation allows the agent to know all information in the company, and this makes the agent or manager the company have an opportunistic nature [15]. Agencies can cause problems that can harm other parties where the owner of the company does not know all the activities carried out by management thus can encourage management to hide some information that is not known by the owner of the company so that management can act outside of ethics and norms, one of which is to manipulate financial reports [16]. There are differences in agency problems, namely the way between managers and shareholders in taking risk in investment strategies. managers will prefer lower risk than shareholders because shareholders can diversify their assets into several types of financial assets but managers prefer full risk over human resources with the current company [6]. A good corporate governance is needed to be implemented optimally in the company in order to minimize the occurrence of conflicts of interest that can harm other parties.

Fraud is a deliberate act committed to deceive others, delete, or manipulate information that is regarded capable of influencing and affecting judgments, with the aim of benefiting the one who commits it [17]. Financial statement fraud can occur as a result of motivation and assistance from numerous sources both inside and outside the organization. Financial statement fraud can also occur with the goal of capturing the attention of investors and potential investors by exhibiting good financial statements [18]. There are several financial statement fraud schemes such as manipulation of financial statements, intentional material misstatements, misstatements of transactions, accounts or other important information used to present financial statements, intentional misunderstandings such as errors in applying accounting standards, principles, policies and methods used in measuring reporting of business transactions, intentional misunderstandings, and negligence in disclosing and presenting financial statements [11].

The fraud hexagon theory is one of the approaches used to detect the possibility of fraud that was introduced by Vousinas in 2019. It is a development of the previous fraud theory by adding a new component or type, namely collusion [19]. The elements in detecting fraud according to the fraud hexagon theory are stimulus, capability,

opportunity, rationalization, arrogance, and collusion. Pressure is an impulse that causes someone to commit fraud. Management pressure to meet their personal financial needs can be a trigger for failure by increasing company profits [20]. Research from Fathmaningrum and Budgeti (2021), Tarmizi Achmad, Imam Ghozali; Imang Dapit Pamungkas (2022) and Sari, Pramasheilla, Fachrurrozie, Suryarini; and Pamungkas (2020) show that financial stability affects financial statement fraud. Research from Tania Larasati, Aniek Wijayanti and Agus Maulana (2020) and Zulfa and Tanusdjaja (2022) shows that financial stability has no effect on fraudulent financial statements.

H1 : Pressure has an effect on financial statement fraud.

Capability is the ability of individuals to control their organizations [21]. Capability indicates a person's ability and capability to perpetrate fraud in the workplace [22]. According to research from Dewi and Anisykurlillah (2021) director experiences do not affect the manipulation of financial statements, however, the behavior of leaders in making decisions is influenced by experience, preferences and personality of Xiang & Song (2021). So that the more experience the director has, the higher the decision making in committing fraud.

H2 : capability has an affects financial statement fraud.

An opportunity is one that exists in order for someone to conduct financial reporting actions. Internal control weaknesses might provide a chance for some parties to commit crimes, such as manipulating financial statements for personal benefit.

According to Apriliana and Agustina (2017) [9], research by Hasnan (2022) [23] indicates that external quality has a beneficial influence on financial statement fraud prediction. Meanwhile, according to research by Fathmaningrum and Budgeti (2022) and Tarjo, Anggono, and Sakti (2021) the quality of external auditors has no effect on fraudulent financial statements.

H3 : opportunity has an affects financial statement fraud.

Rationalization is an action taken by a person to find justification because he has felt trapped in a bad situation, where the crime or his actions have been known by others. Perpetrators in general will seek justifications to justify their conduct, which may include crimes committed in order to be accepted by other parties. A person's thinking that justifies his views on himself in committing a crime is known as rationalization [24]. According to Popa's research (2021); Situngkir and Triyanto (2020); and Nindito (2018) prove that total accruals as a proxy variable for rationalization have an influence on fraudulent financial statements.

H4 : rationalization has an affects financial statement fraud.

Arrogance is an attitude or ego that feels superiority where people who have this attitude will feel that they are different from others and with their position or position they ignore and apply internal control personally. People with this arrogant attitude believe that internal regulations and controls do not apply to them and that they will not be detected if they conduct fraud [19]. Arrogance in this study is proxied by family firms, the presence of kinship can lead to fraudulent financial statements, where the CEO can cooperate with commissioners and other relatives in pursuing their interests. According to research from Situngkir and Triyanto (2020) [11] family firms have a positive influence on fraudulent financial statements but according to Heng Teh, San Ong, and Yi Ying (2017) [25] the involvement of the family as a controller or board of directors does not affect the possibility of fraud with earnings management.

H5 : arrogance has an affects financial statement fraud.

According to Vousinas (2019), collusion results in a fraudulent agreement or cohesion between two or more people in which one party intends to take the activities of the other with ill motives, such as deceiving third parties and their rights [22]. The agreement in collusion can include the provision of specific products such as money, goods, or other methods to facilitate their work, additionally, collusion is illegal since it does all possible for personal or group gain [4]. According to Aviantara (2021) research, audit costs have an impact on fraudulent financial reports. However, according to Prasetia and Dewayanto (2021) [26], it shows that audit fees have no effect on financial statement fraud.

H6 : collusion has an affects financial statement fraud.

The interaction variable between financial stability and an audit committee that has financial expertise is able to increase the activity level of changing assets in achieving profitability in the company [14]. To avoid fraud, it is necessary to have a monitoring system to ensure that financial information is reported honestly, where the audit committee is one of the mechanisms in corporate governance to monitor and supervise. research from Dewi and Anisykurlillah (2021) the audit committee is significantly moderated by the effect of company growth where the existence of an audit committee can reduce the possibility of pressure on fraud. According to research from Larasati et al (2020) financial stability moderated by the audit committee has no effect on financial statement fraud

H7 : pressure moderated by the audit committee affects financial statement fraud.

Capability proxied by the experience of the board of directors and moderated by the audit committee can affect financial statement fraud. The ability of directors who have experience working or serving in companies allows them to easily commit fraud, thus it is necessary to have an audit committee in overseeing financial reporting. The task of the

audit committee in carrying out supervision can be carried out through meetings or meetings of audit committee members, the higher the frequency of meetings conducted by the audit committee indicates the level of diligence of audit committee members, thus the possibility of corporate errors or fraud [27]. The experience of the directors, which is moderated by the audit committee, has an influence on financial statement fraud which can weaken the occurrence of fraud [16].

H8 : capability moderated by the audit committee has an effect on financial statement fraud.

opportunity proxied by the quality of external auditors moderated by the audit committee can influence financial statement fraud, the use of external auditors with KAP BIG4 can minimize the tendency to manipulate the company's financial statements. Supervision from the audit committee can help assess the findings found by the auditor so as to minimize any form of rationality carried out by management. The existence of an audit committee can strengthen the effect of external auditor quality on fraudulent financial statements. The moderating variable of the audit committee has a significant effect on the turnover of the company's KAP [14]. According to research from Luhri, Mashuri, and Ermaya (2021) [28] the audit committee is not able to moderate the relationship between the opportunities for fraud through external auditors to fraud in financial statements.

H9 : opportunity moderated by the audit committee has an effect on financial statement fraud.

The use of rationalization of manipulation of financial statements by using total accrual to total assets which justifies on behalf of the accrual principle in its management [11]. The audit committee can prevent fraud by rationalizing financial reporting through total accruals to total assets, allowing financial reports to be provided with information that is not harmful to third parties. According to research from [29] the existence of an audit committee can minimize acts of fraud

H10 : rationalization moderated by the audit committee has an effect on financial statement fraud.

Minimizing the possibility of fraud through family firms or kinship between company leaders, optimal supervision is needed and high professionalism is needed, this can be through the existence of an audit committee that can reveal findings that are deemed not in accordance with company rules or SOPs so that it can affect the possibility of fraud financial statements. According to research from Situngkir and Triyanto (2020) it shows that family firms have an influence on fraudulent financial statements. According to Gautama (2017) [30] the audit committee strengthens the relationship between family ownership and the quality of company financial reporting, where the audit committee will increase oversight in company financial reporting so that it will reduce the occurrence of fraudulent financial statements.

H11 : arrogance moderated by the audit committee has an effect on financial statement fraud.

An increase in audit fees or differences in audit fees in the previous year may indicate the possibility of fraudulent financial statements, with an audit committee within the company it is hoped that it will be able to reveal inappropriate findings during audit meetings, so that the form of internal supervision of the company continues and will reduce the possibility of fraudulent financial statements. But according to research from Ardani (2017) [31] the audit committee cannot moderate the audit fee on audit quality, namely the results of the audit report regarding the findings of whether there is financial statement fraud in the company or not.

H12 : Collusion moderated by the audit committee has an effect on financial statement fraud.

### III. METHOD

The approach in this study is quantitative research using secondary data in the form of financial reports and annual reports of property, real estate, and building construction companies listed on the Indonesia Stock Exchange (IDX) in 2017-2020. The secondary data was obtained from the IDX's official website (<http://www.idx.co.id>) and related company websites. The sampling method in this study uses a purposive sampling method, namely companies that present complete financial reports and annual reports during the research year, namely 2017-2020 on the company website and the IDX website, the company issued financial statements in rupiah currency, the company experienced a profit during 2016-2020.

Data analysis and hypothesis testing in this study was carried out using multiple linear regression, as well as classical assumption test to find out the data used met the basic assumptions and did not deviate from the research model. The following is the model of equation 1 in this study as follows:

$$FRAUD = \beta_0 + \beta_1 AGROW + \beta_2 DE + \beta_3 BIG4 + \beta_4 TATA + \beta_5 ARRO + \beta_6 KOL + \beta_7 KA + e$$

In this study, there is a moderating variable, namely the audit committee, to test the effect of the moderating variable, an interaction test is used, namely the moderated regression analysis (MRA). The following is the model of equation 2 with moderating variables:

$$FRAUD = \beta_0 + \beta_1 AGROW + \beta_2 DE + \beta_3 BIG4 + \beta_4 TATA + \beta_5 ARRO + \beta_6 KOL + \beta_7 KA + \beta_8 AGROW * KA + \beta_9 DE * KA + \beta_{10} BIG4 * KA + \beta_{11} TATA * KA + \beta_{12} ARRO * KA + \beta_{13} KOL * KA + e$$

Explanation:

$\beta_0$	= Constant Regression Coefficient
$\beta_1 - \beta_2$	= Coefficient of Determination
FRAUD	= Beneish M-Score score
AGROW	= Financial stability
DE	= Director experience
BIG 4	= Quality of external auditor
TATA	= Total Accrual to Total Assets
ARRO	= Family firms
KOL	= Audit Fee
KA	= Audit Committee
AGROW*KA	= Interaction between financial stability and audit committee
DE*KA	= Interaction between director experience and audit committee
BIG 4*KA	= Interaction between quality of external auditor and audit committee
TATA*KA	= Interaction between total accrual to total asset and audit committee
ARRO*KA	= Interaction between family firms auditor and audit committee
KOL*KA	= Interaction between audit fee and audit committee

The dependent variable in this study is financial statement fraud. The measurement of the financial statements fraud variable uses the value of the Beneish M-Score. Beneish M-Score model as follows[10]:

$$\text{Beneish M-Score} = -4,840 + 0,920 \text{ DSRI} + 0,528 \text{ GMI} + 0,404 \text{ AQI} + 0,892 \text{ SGI} + 0,115 \text{ DEPI} - 0,172 \text{ SGAI} - 0,327 \text{ LVGI} + 4,697 \text{ TATA}$$

Fraud hexagon is an independent variable consisting of stimulus, capability, opportunity, rationalization, arrogance, and collusion. The stimulus in this study uses a financial stability measurement proxy, namely [7]:

$$\text{AGROW} = \frac{\text{total aset (t)} - \text{total aset (t-1)}}{\text{Total aset (t)}}$$

Capability can be proxied by director experience [16]. In this study capability is measured by the total experience of the directors serving as the board of directors in the company. The opportunity variable in this study uses a quality of external auditor proxy with a dummy variable, namely code 1 for companies audited by Big4 companies and code 0 for companies not audited by Big4 companies [5]. In this study, the rationalization variable is proxied by TATA (total accrual to total assets). Calculation as follows:

$$\text{TATA} = \frac{\text{Laba Usaha (t)} - \text{Arus Kas Operasional (t)}}{\text{Total Aktiva (t)}}$$

The variable of arrogance in this study is proxied by the variable of family firms which is measured by a dummy variable, if in the company there is a family relationship between the directors and the board of commissioners then it is coded 1 if not coded 0 [11]. Collusion in this study is proxied by audit fees (Aviantara, 2020):

$$\text{Audit fee} = \text{biaya audit Ln t} - \text{biaya audit Ln t-1}$$

This study will use the moderating variable, namely the audit committee. The audit committee is an organ within the company that works under the board of commissioners and its existence assists in the supervision of the company, especially in the company's financial reporting. The calculation of the audit committee variable is the total audit committee meeting in one year [16].

#### IV. RESULT

The quantity of property, real estate, and building construction sector businesses listed on the Indonesia Stock Exchange (IDX) in 2017-2020 is 352 companies, based on predetermined criteria there are 72 companies that present complete financial statements and experience profits. The results of the regression analysis were initially not normally distributed so that 8 outliers were needed to make the regression model feasible. The final sample of this study after the outliers is 64 data. The results of statistical tests obtained descriptive statistics as follows:

Tabel 1 Classic Assumption Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
FRAUD	64	-12.737	-1.038	-2.00762	1.455646
Stimulus (AGROW)	64	-5.638	.975	.02908	.752513
Capability (DE)	64	2.000	110.000	18.14063	19.637886
Opportunity (BIG4)	64	.000	1.000	.15625	.365963
Rationalization (TATA)	64	-.229	.229	.01612	.057041
Arrogance (ARRO)	64	.000	1.000	.39063	.491747
Collusion (KOL)	64	.000	22.137	13.56208	8.010506
Komite Audit (KA)	64	4.000	37.000	9.26563	7.538772
AGROW_KA	64	-95.85	32.54	.0542	12.94716
DE_KA	64	18.00	440.00	120.5469	93.51546
BIG4_KA	64	.00	18.00	.9844	2.93578
TATA_KA	64	-1.61	3.89	.1417	.70311
ARRO_KA	64	.00	13.00	2.5625	3.78751
KOL_KA	64	.00	747.80	142.5702	161.65374
Valid N (listwise)	64				

Source: Data processed by SPSS, 2022

Based on the results of the classical assumption test in the table above, it can be concluded that for the normality test using the Kolmogorov-Smirnov (KS) non-parametric statistical test, it shows that equation 1 and equation 2 produce a value of 0.200, which is greater than 0.05, meaning that the data is distributed normal. The results of the autocorrelation test using Durbin-Watson (DW) in equation 1 are 1,995 and the DW value in equation 2 is 2,000. Because the DW values of the two equations are between (-2) to 2, it can be concluded that there is no autocorrelation in the data.

Heteroscedasticity test using Spearman's Rank Test showed a significance value of Stimulus (AGROW) of 0.888; Capability (DE) of 0.172; Opportunity (BIG4) of 0.798; Rationalization (TATA) of 0.602; Arrogance (ARRO) of 0.865; Collusion (KOL) of 0.831; Audit Committee (KA) of 0.483. The significance value of equation 1 is more than 0.05 which means that all regression variables in equation 1 do not occur heteroscedasticity. Equation 2 has a significance value of Stimulus (AGROW) of 0.542; Capability (DE) of 0.347; Opportunity (BIG4) of 0.756; Rationalization (TATA) of 0.551; Arrogance (ARRO) of 0.600; Collusion (KOL) of 0.932; Audit Committee (KA) of 0.291; AGROW\_KA of 0.564; DE\_KA is 0.889; BIG4\_KA of 0.801; TATA\_KA is 0.436; ARRO\_KA of 0.630; KOL\_KA is 0.329. The significance value of equation 2 is more than 0.05 which means that all regression variables in equation 2 do not occur heteroscedasticity.

The multicollinearity test in this study can be seen from the value of the Variance Inflation Factor (VIF) or the tolerance value. it is known that the Stimulus variable (AGROW) has a VIF value of 0.772 and a tolerance value of 0.772; Capability (DE) has a VIF value of 1.307 and a tolerance value of 0.765; Opportunity (BIG4) has a VIF value of 1.105 and a tolerance value of 0.905; Rationalization (TATA) has a VIF value of 1.294 and a tolerance value of 0.773; Arrogance (ARRO) has a VIF value of 1.245 and a tolerance value of 0.804; Collusion (KOL) has a VIF value of 1.181 and a tolerance value of 0.846; The Audit Committee (KA) has a VIF value of 0.765, a tolerance value of 1.306. Thus, it shows the magnitude of the VIF value of all variables < 10 and the tolerance value > 0.1 or 10% so that it can be concluded that there is no multicollinearity. The moderating variable, AGROW\_KA, has a VIF value of 34,475 > 10 and a tolerance value of 0.029 so that multicollinearity occurs; DE\_KA has a VIF value of 14.567 > 10 and a tolerance value of 0.069 < 0.1 so that multicollinearity occurs; BIG4\_KA has a VIF value of 3.300 < 10 and a tolerance value of 0.303 > 0.1 so that there is no multicollinearity; TATA\_KA has a VIF value of 6.631 < 10 and a tolerance value of 0.151 > 0.1 so that there is no multicollinearity; ARRO\_KA has a VIF value of 9.138 < 10 and a tolerance value of 0.109 > 0.1 so that there is no multicollinearity; KOL\_KA has a VIF value of 41.643 and a tolerance value of 0.024 so that there is no multicollinearity..

Table 2 Multiple Linear Regression Test Results

Variable	Equation 1			Equation 2		
	Beta	t	Sig	Beta	t	Sig
Constant	-2.463	-10.143	.000	-2.198	-5.770	.000
Stimulus (AGROW)	1.903	15.292	.000	.771	1.422	.161
Capability (DE)	.004	.819	.416	.054	4.150	.000
Opportunity (BIG4)	.225	.950	.346	.239	.698	.488
Rationalization (TATA)	6.362	3.877	.000	12.070	4.549	.000
Arrogance (ARRO)	.082	.438	.663	1.376	3.432	.001
Collusion (KOL)	.017	1.510	.137	.040	1.958	.056
Audit Committee (KA)	-.005	-.421	.676	-.004	-.070	.945
AGROW_KA				.059	1.885	.065
DE_KA				-.011	-4.051	.000
BIG4_KA				-.085	-1.987	.052
TATA_KA				-.623	-2.464	.017
ARRO_KA				-.230	-4.165	.000
KOL_KA				.003	.914	.365
Adjusted R <sup>2</sup>		0.799			0.858	
F		36.712			30.303	
Sig		0.000			0.000	

Source: Data processed by SPSS, 2022

Based on the results of the F statistical test in table 2 above, it shows the magnitude of the F value in equation 1 is 36,712 with a significance value of 0.000. This means that financial statement fraud can simultaneously be explained by Stimulus (AGROW), Capability (DE), Opportunity (BIG4), Rationalization (TATA), Arrogance (ARRO), Collusion (KOL), Audit Committee (KA). Equation 2 shows the F value of 30.303 with a significance value of 0.000. This means that financial statement fraud can simultaneously be explained by Stimulus (AGROW), Capability (DE), Opportunity (BIG4), Rationalization (TATA), Arrogance (ARRO), Collusion (KOL), Audit Committee (KA), Stimulus moderated by the Audit Committee (AGROW\_KA), Capability moderated by the Audit Committee (DE\_KA), Opportunity moderated by the Audit Committee (BIG4\_KA), Rationalization moderated by the Audit Committee (TATA\_KA), Arrogance moderated by the Audit Committee (ARROG\_KA), Collusion which moderated by the Audit Committee (KOL\_KA).

Based on table 2, the results of the adjusted R square test in equation 1 are 0.799 which means that 79.9% of the variation of financial statement fraud can be explained through the independent variables used in the study, namely Stimulus (AGROW), Capability (DE), Opportunity (BIG4), Rationalization (TATA), Arrogance (ARRO), Collusion (KOL), Audit Committee (KA), while the remaining 20.1% is influenced or explained by other variables outside this study. Then for equation 2 has an adjusted R square value of 0.858 which means that 85.8% of the variation of financial statement fraud can be explained through the independent variables used in the study.

Based on the results of multiple linear regression in table 2 above, the following equation is obtained:

Equation 1

$$\text{FRAUD} = -2,463 + 1,903 \text{ AGROW} + 0,004 \text{ DE} + 0,225 \text{ BIG4} + 6,362 \text{ TATA} + 0,082 \text{ ARRO} + 0,017 \text{ KOL} - 0,005 \text{ KA} + e$$

Equation 2

$$\text{FRAUD} = -2,198 + 0,771 \text{ AGROW} + 0,054 \text{ DE} + 0,239 \text{ BIG4} + 12,070 \text{ TATA} + 1,376 \text{ ARRO} + 0,040 \text{ KOL} - 0,004 \text{ KA} + 0,059 \text{ AGROW\_KA} - 0,011 \text{ DE\_KA} - 0,085 \text{ BIG4\_KA} - 0,623 \text{ TATA\_KA} - 0,230 \text{ ARRO\_KA} + 0,003 \text{ KOL\_KA} + e$$

The test results for the stimulus variable (AGROW) are 1,903 with a significance value of 0,000 < 0,05 so that H1 is accepted. This study states that the stimulus proxied by financial stability (AGROW) has an effect on fraudulent financial statements (FRAUD). This can be interpreted as the greater the desire for a stable firm condition, the greater the opportunity for misleading financial statements to be committed in the company, particularly the high ratio of changes in a company's total assets. When the total asset value is high, it offers a significant return to investors, which stimulates businesses to strive to improve their financial status. The findings of this study are consistent with those of Fathmaningrum and Budgeti (2021), Tarmizi Achmad, Imam Ghozali, and Imang Dapit Pamungkas (2022), Sari et al (2020), and Omukaga (2020), all of which show that financial stability, as a proxy for stimulus, affects fraudulent financial reporting.

The test results for the capability variable (DE) are 0,004 with a significance value of  $0,416 > 0,05$  so that H2 is rejected. This study states that the capability as proxied by director experience (DE) has no effect on fraudulent financial statements (FRAUD). The board of directors' experience will increase loyalty to the company, as the board of directors is responsible for running the company's operations, and all actions of the board of directors will be monitored by the company's board of commissioners, reducing the possibility of fraudulent financial statements. Additionally, the board of directors' experience will make it easier to solve numerous difficulties that develop within the organization. This study's findings are consistent with those of Dewi and Anisykurlillah (2021), Oh and Misangyi (2021), and Lastanti et al (2022), namely that director experience has no effect on financial statement fraud.

The test results for the opportunity variable (BIG4) are 0,225 with a significance value of  $0,346 > 0,05$  so H3 is rejected. This study states that the opportunity proxied by the quality of external auditor (BIG4) has no effect on fraudulent financial statements (FRAUD). The use of external auditor services, both from BIG4 and non-BIG4 companies, has the same task, namely auditing the company's financial statements and providing audit results if findings are found that can cause misstatements in the financial statements. If the external auditor's services are functioning properly, the probability of fraudulent financial statements occurring is very low, hence using external auditor services, both BIG4 and non-Big4, has no effect on fraudulent financial statements. This study is in line with research from Tarjo, Anggono, and Sakti (2021) [32] and research from (Utama and Yuniasih (2021) [33] which state that the quality of external auditors has no effect on financial statement fraud.

The result of testing the rationalization variable (TATA) is 6.362 with a significance value of  $0.000 < 0.05$  so H4 is accepted. This study states that rationalization proxied by total accrual to total assets (TATA) has an effect on financial statement fraud (FRAUD). Manipulation or fraud can be done with TATA where when the total accruals as part of the company's total assets increase. Total accruals can represent management in decision making and provide insight into rationalization in financial statements. An increase in revenue and a decrease in costs in the context of accruals can indicate that there are indications of fraudulent financial statements. The results of this study are in line with research from Popa (2021) and Situngkir and Triyanto (2020), namely rationalization proxied by total accruals (TATA) has an influence on financial statement fraud.

The test results for the arrogance variable (ARRO) of 0.082 with a significance value of  $0.663 > 0.05$  so H5 is rejected. This study states that arrogance proxied by family firms (ARRO) has no effect on financial statement fraud (FRAUD). Arrogance in this study is proxied by family firms, family ownership or the presence of family relationships in the company will increase more optimal supervision of management performance and implementation of maximum corporate governance because they want the company to run well, thus family firms are not associated with fraudulent reports. The results of this study are in line with research from The, Ong, and Ying (2017), namely family involvement has no effect on financial statement fraud.

The result of the collusion variable test (KOL) is 0,017 with a significance value of  $0,137 > 0,05$  so H6 is rejected. This study states that collusion proxied by audit fees (KOL) has no effect on fraudulent financial statements (FRAUD). Audit fees are fees charged in the audit process where the determination of audit fees can be based on an agreement between the auditor and the auditee based on the time required and the type of audit to be carried out, resulting in differences in audit fees. The amount of audit fees has been regulated in regulations issued by IAI in 2008, thus the possibility of collusion in the form of audit fees does not affect financial statement fraud. The results of this study are in line with research from Prasetia and Dewayanto (2021) [26] which proves that audit fees have no effect on fraudulent financial statements.

The result of testing the stimulus variable moderated by the audit committee (AGROW\_KA) is 0,059 with a significance value of  $0,065 > 0,05$  so H8 is rejected. This study states that the stimulus variable moderated by the audit committee (AGROW\_KA) has no effect on financial statement fraud (FRAUD). Financial stability is an assessment of the performance of a good company, it becomes a separate pressure for the company by making various efforts to produce a stable financial condition, one of which is through changes in the growth of a company's assets. The existence of an audit committee in a company can oversee the company's business activities, if the company is experiencing an increase or decrease in assets with various activities and methods used running correctly and in accordance, the audit committee cannot disclose its findings that are considered inappropriate in the audit meeting, thus the audit committee cannot moderate the relationship between the stimulus (financial stability) and fraudulent financial statements. The results of this study are in accordance with research from Larasati et al (2020) which states that financial stability moderated by the audit committee has no effect on financial statement fraud.

The results of testing the capability variable moderated by the audit committee (DE\_KA) of -0,011 and a significance value of  $0,000 < 0,05$  so H9 is accepted. This study states that the capability variable moderated by the audit committee (DE\_KA) has an effect on financial statement fraud (FRAUD). The audit committee will oversee all forms of business activities related to financial reporting, so the audit committee will also ensure whether the board of directors



runs the business properly and can produce good financial reports. The more experience the board of directors has, the easier it is for the board of directors to solve problems that arise in the company's business activities, and the existence of an audit committee overseeing these business acts. This can weaken the possibility of fraudulent financial statements committed by the board of directors against the company. The results of this study are in line with the research of Dewi and Anisykurlillah (2021), namely the experience of directors moderated by the audit committee has an influence on financial statement fraud.

The result of testing the opportunity variable which is moderated by the audit committee (BIG4\_KA) is -0.085 and a significance value of  $0.052 > 0.05$  so H10 is rejected. This study states that the opportunity variable moderated by the audit committee (BIG4\_KA) has no effect on financial statement fraud (FRAUD). The use of an external auditor is expected to be able to conduct an audit and report its findings if misstatements are identified in the financial statements, allowing users of financial statements to make the best decisions possible. The audit committee has the authority to provide recommendations for external auditor services to be used in the company, but the decision to use external auditor services remains in the hands of the commissioners and an agreement in the GMS whether to use the services of an external auditor from a BIG4 company or not, so the audit committee cannot moderate the effect of external auditor quality on financial statement fraud. The results of this study are in line with research from Luhri et al (2021) which states that the audit committee is not able to moderate the relationship between the opportunities for fraud through external auditors to fraudulent financial statement.

The result of testing the rationalization variable moderated by the audit committee (TATA\_KA) is -0.623 and the significance value is  $0.017 < 0.05$ , so H11 is accepted. This study states that the rationalization variable moderated by the audit committee (TATA\_KA) has an effect on financial statement fraud (FRAUD). The use of total accruals to total assets is a reason used by firms to manipulate financial statements; if total accruals are high, it indicates that the company has significant accrual profits, which can indicate the possibility of misleading financial statements. The results of this study are in line with research from Lauwrens and Yanti (2022) [29] that the existence of an audit committee can minimize fraud and the existence of an audit committee can ensure that the company's management has made the right decisions and the audit committee can moderate the effect of rationalization on financial statement fraud.

The results of testing the arrogance variable moderated by the audit committee (ARRO\_KA) of -0.230 and a significance value of  $0.000 < 0.05$  so H12 is accepted. This study states that the arrogance variable moderated by the audit committee (ARRO\_KA) has an effect on financial statement fraud (FRAUD). Arrogance in this study is proxied by family firms, where companies owned by families or there is a family relationship between the board of commissioners and the board of directors tend to be arrogant in making decisions that will benefit the company, but the existence of an audit committee will ensure that the company's internal control system will run properly and maximum supervision from the audit committee will reduce the possibility of fraudulent financial statements. This study is in line with research from Gautama et al (2017) that the existence of an audit committee will strengthen the relationship between family ownership and financial reporting quality, namely the audit committee will increase the integrity and credibility of the company's financial statements so that the supervision carried out will reduce financial statement fraud.

The result of testing the collusion variable moderated by the audit committee (KOL\_KA) is 0,003 and a significance value of  $0,365 > 0,05$  so that H13 is rejected. This study states that the collusion variable moderated by the audit committee (KOL\_KA) has no effect on financial statement fraud (FRAUD). Collusion in this study can be seen from audit fees or changes in audit fees. The external auditor will work professionally and will offer a fee or fee that is estimated according to the level of risk and the type of audit to be carried out so that there are differences in audit fees between each year. The existence of an audit committee cannot moderate the relationship between collusion and fraud in financial statements because audit fees or audit fees can occur as a result of negotiations between management and auditors. The results of this study are in line with research from [31], namely the audit committee cannot moderate the relationship between audit fees and audit quality, namely the results of audit reports regarding the findings of whether there is financial statement fraud in the company or not.

## **V. CONCLUSION**

Based on the results of the tests that have been carried out, it can be concluded that the stimulus proxied by financial stability and rationalization proxied by total accruals to total assets (TATA) has a significant effect on financial statement fraud (fraud). Meanwhile, capability is proxied by director experience, opportunity is proxied by the quality of external auditors, arrogance is proxied by family firms, and collusion is proxied by audit fees which have no significant effect on financial statement fraud (fraud). The audit committee can moderate the relationship between capability, rationalization and arrogance with financial statement fraud.

The limitations of this study, as research objects, this study only uses businesses registered on the Indonesia Stock Exchange (IDX) in the property, real estate, and building construction sectors from 2017 to 2020. Further research should

increase the population, for example, by adding other sector companies or all manufacturing companies listed on the Indonesia Stock Exchange, so that the sample used covers a broader area and can represent the object of study. This study only uses secondary data, namely property, real estate, and building construction sector companies listed on the Indonesia Stock Exchange (IDX) in 2017-2020. Subsequent research can use other research objects or can use questionnaire data to find out and reflect real phenomena or actual conditions in the company being studied. This study only uses measurements for the dependent variable, namely the Beneish M-score method in determining fraud companies. Further research can use measurement methods other than the benefit M-Score in measuring the dependent variable (fraud). This study has multicollinearity test results on the moderating variable, namely multicollinearity occurs because of moderation which is contrary to the concept of multicollinearity test. Further research can use other testing methods so that the data results do not have multicollinearity.

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