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Indonesia's accounting fraud practices: A literature study

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ABSTRACT

This study aims to review a number of theoretical frameworks regarding the reasons why someone commits fraud by involving the fraud triangle theory, the fraud diamond theory, the fraud pentagon theory, and the fraud hexagon theory. This research is a qualitative research with a literature study approach. The data used in this study is secondary data derived from articles with the topic of "fraud" in Indonesia for the 2015-2022 research year period. The results of this study indicate that the factors of pressure, opportunity and rationalization have an important role in encouraging someone to commit fraud. Meanwhile, the factors of capability, arrogance, and collu-sion have not been proven to play a role in encouraging someone to commit fraud. This study is expected to contribute to the accounting literature and can be used in the public sector and organizations. The practical implication of this study is that the public sector and organizations will have a better understanding of the root causes of rampant fraud.

ABSTRAK

Penelitian ini bertujuan untuk meninjau sejumlah kerangka teoritis mengenai alasan mengapa seseorang melakukan kecurangan dengan melibatkan fraud triangle theory, fraud diamond theory, fraud pentagon theory, and fraud hexagon theory. Penelitian ini merupakan penelitian kualitatif dengan pendekatan studi literatur. Data yang digunakan dalam penelitian ini adalah data sekunder berupa artikel dengan tema kecurangan di Indonesia tahun penelitian 2015-2022. Hasil pegannelitian ini menunjukkan bahwa faktor pressure, opportunity dan rationalization memiliki peran penting yang mendorong seseorang melakukan kecurangan. Sementara itu, faktor kapabilitas, arogansi, dan kolusi belum terbukti memiliki peran dalam mendorong seseorang melakukan kecurangan. Penelitian ini diharapkan dapat berkontribusi pada literatur akuntansi dan dapat digunakan di sektor publik dan organisasi. Implikasi praktis dari penelitian ini adalah sektor publik dan organisasi akan memiliki pemahaman yang lebih baik tentang akar penyebab penipuan yang merajalela.

1. INTRODUCTION

Financial statement is the output of the accounting process. Financial statement can influence stakeholders in the decision-making process by knowing the description of the company's financial and operational conditions in a certain period. According to Ratmono et al. (2017), financial statement is a means of communication used by management to inform stakeholders about the company's activities during a certain period. Realizing the important role of financial statement for its users, as a basis for decision-making process, companies are trying to make financial statement more attractive. The desire to be able to present attractive financial statement encourages company management to manipulate certain parts and present information that is not in accordance with actual conditions. They have not realized the importance of clean and fraud-free financial statements (Ulfah et al., 2017; Yesiariani & R, 2017).

Based on the results of a survey conducted by the Association of Certified Fraud Examiners (ACFE) in 2022, fraud is the most expensive and common type of financial crime

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in the world. There are two main reasons for explaining why someone commits fraud: first, because the organization entrusts and gives a lot of access and control over its assets to its employees, including bookkeeping, bank account management, inventory management, and so on; and secondly, because many people are capable of committing this crime. In general, fraud will occur if there is no effective prevention and detection (Ulfah et al., 2017). Early detection of fraud is very important as the first step in minimizing losses (Putra & Dinarjito, 2021). Due to the prevalence of this fraudulent behavior, the public is demanding more ethical business practices to avoid the consequences of unethical behavior. (Vousinas, 2019).

This study aims to review a number of existing theoretical frameworks regarding the reasons why someone commits fraud. As previously explained, fraud is a critical issue that can affect all aspects of a company's activities. There are several research conceptual frameworks developed in examining the causes of fraud. Cressey (1953) explains that there are three causes of fraud, referred to as the fraud triangle theory, consisting of pressure, opportunity, and rationalization. Pressure and opportunity are common causes of fraud (Rustiarini et al., 2019), while the rationalization is an important antecedent in an act of fraud. Wolfe & Hermanson (2004) argue that capability is also a cause of fraud. Someone will not be able to commit fraud without having the capability to do so. Thus, there are four causes of fraud, often referred to as the fraud diamond theory. When someone has an important position in the organization, he sometimes becomes arrogant. He thinks that internal control does not apply to him and he can do anything in the organization. Therefore, Horwarth (2011) adds arrogance as one of the causes of fraud. Thus there are five causes of fraud, or often referred to as the fraud pentagon theory. Next, Vousinas (2019) explains that collusion is also a cause of fraud. Thus there are six causes of fraud, or referred to as the fraud hexagon theory.

This study is expected to contribute to the accounting literature and can be used in the public sector and organizations. This study supports the theories of fraud triangle, fraud diamond, fraud pentagon, and fraud hexagon in explaining the cognitive processes of individuals involved in fraud. The practical implication of this study is that the public sector and organizations will have a better understanding of the root causes of rampant fraud.

2. THEORITICAL FRAMEWORK AND HYPOTHESIS

Fraud and the Types of Fraud

Fraud, in accounting and auditing literacy proposed by Priantara (2013), is a fraudulent practice that is often interpreted as irregularity or deviation. Fraud can be defined as an act of intentionally using company resources unreasonably and presenting false facts for personal gain. According to Priantara (2013), fraud has elements that must exist, otherwise it cannot be categorized as fraud.

The Association of Certified Fraud Examiners (ACFE, 2022) classifies fraud into three. The first is corruption. Corruption is the most difficult type of fraud to detect because corruption is generally not carried out by one person. It can can involve other parties (collusion). The cooperation with other parties can be in the form of abuse of authority, bribery, illegal gratuities, and economic extortion. The second is asset embezzlement. This type of fraud is easy to detect because it is tangible or can be calculated. The asset embezzlement may include misuse of assets or embezzlement of company property. The third is fraudulent misstatements. This type of fraud consists of: (1) timing difference, recording the time of the transaction or earlier than the actual transaction; (2) fictitious revenues, the existence of income that has never occurred or is fictitious; (3) concealed liabilities and expenses, company liabilities that are hidden so that the report looks good; (4) improper disclosures, disclosure of financial statements is not carried out sufficiently with the intention to hide fraud that occurs; and (5) improper asset valuation, unreasonable judgments in accordance with generally accepted accounting principles on company assets with the intention of lowering costs and increasing revenue.

Fraud Triangle

The fraud triangle theory was first initiated by Cressey (1953). ISA (International Standards of Auditing) used this theory to find out the causes of someone committing fraud. According to Cressey, the three factors that cause people to commit fraud are pressure, opportunity, and rationalization. Both personal financial pressure and pressure from superiors can encourage someone to commit fraud. A weak control system is also an opportunity for someone to commit fraud. Most fraud perpetrators do not see themselves as criminals. They think that what they do is normal, because other people also do the same thing (rationalization).

Fraud Diamond

The fraud diamond theory introduced by Wolfe and Hermanson (2004) is the development of the fraud triangle theory by adding capability factor. Someone will not be able to commit fraud without having sufficient capabilities. Fraud worth billions will not occur without the right people with the right abilities. A person must have the ability to be able to recognize a profitable opportunity for fraud.

According to Wolfe and Hermanson (2004), the characteristics of individual who has capabilities are: (1) having position in an organization or company that enables him to commit fraud and no one else can do; (2) intelligent in exploiting the weaknesses of internal control and turning them into access to profit; (3) having a strong ego and a great belief that his actions will not be detected; (4) having ability to force others to commit and hide fraudulent acts; (5) being able to lie consistently and effectively; and (6) having good stress control.

Fraud Pentagon

Horwarth (2011) suggests that the fraud pentagon theory is the development of the fraud triangle theory (Cressey, 1953) and fraud diamond theory (Wolfe & Hermanson, 2004) by adding the arrogance factor. Arrogance is the superior or greedy nature of a CEO or managing director who thinks that internal control does not apply to him. There are several conditions related to a person's arrogance in committing fraud, including: (1) frequent number of CEO's photo appearing in annual reports, (2) political connection, and (3) dualism of position. The fraud pentagon theory is expected to explain in more depth the factors triggering fraud (Ulfah et al., 2017).

Fraud Hexagon or the Extended S.C.O.R.E Model

To improve the understanding of the main factors leading to the act of fraud, Vousinas (2019) expands the theoretical foundation and introduces the S.C.O.R.E Model or fraud hexagon theory by adding collusion factor. S.C.O.R.E stands for stimulus, capability, opportunity, rationalization, and ego. The four elements of the model, consisting of stimulus, capability, opportunity, and rationalization, are derived from the fraud diamond theory, which is an extension of the fraud triangle theory. Meanwhile, the fifth factor, **ego**, is introduced to expand the understanding of the determinants of fraud actions.

Collusion, as the sixth factor of fraud hexagon, is defined as a deceptive agreement or agreement between two or more persons that allows one party to take action against another party for some nefarious purposes (Vousinas, 2019). Employees in an organization, a group of individuals covering several organizations and jurisdictions, or members of an organization may engage in collusion. Fraud will be much more difficult to stop if there is collusion between employees or between employees and outside parties. Once fraud begins, honest employees can be withdrawn, allowing a dishonest culture to emerge within the scope of work.

That collusion is also a key factor in fraud actions is also supported by the ACFE's Report to the Nations on Occupational Fraud 2022 which reveals that almost half of the fraud cases investigated involve many perpetrators who collude with each other to commit fraud. If more fraudsters are involved, it will cause a higher level of loss for the organization.

3. RESEARCH METHOD

This research is qualitative research with a literature study approach. Literature study, commonly known as synthesis research, is a way for researchers to collect data related to research topics and combine research results, analyze and draw conclusions from the execution of the analysis. This literature review research is based on 21 publications, both international and national journals, Scopus Q2 indexes for the international journals and SINTA 2 indexes for the national journals. This research uses secondary data derived from articles with the topic of "fraud" in Indonesia for the 2015-2022 research year period. Data were collected by searching articles in SINTA and EBSCO databases for the keywords *fraud, fraud triangle, fraud diamond, fraud pentagon, fraud hexagon, S.C.O.R.E Model, and accounting fraud*.

4. DATA ANALYSIS AND DISCUSSION

Fraud Triangle

An effective method for detecting someone's intention to commit fraud is still under research to date. The fraud triangle model is the most widely accepted model to explain why people commit fraud (Cressey, 1953). The first element of the fraud triangle represents a perceived non-shareable financial need. The second element represents opportunity, and the last element is rationalization (Vousinas, 2019). Pressure, according to Cressey (1953), is a non-shareable financial problem or motive that drives someone to commit fraud. The second element of the fraud triangle is an opportunity perceived by the fraud perpetrator. According to the fraud triangle theory, the existence of non-shareable financial needs automatically causes an employee to commit fraud (Vousinas, 2019). All elements of fraud (pressure, opportunity, rationalization) must be present in individual attempts to commit fraud in order for a breach of trust to occur. In other words, the employee must believe that he or she can commit a crime without being caught. According to Vousinas (2019), rationalization allows the fraudster to understand his illegal behavior and maintain his perception that he is a trustworthy person. Rationalization can be defined as an important component that must occur before committing a crime where rationalization is the driving force behind the crime.

The results of research conducted by Rustiarini et al., (2019) show that individuals who get high pressure and have high opportunities are more susceptible to fraudulent behavior. In this case, individual's cognitive processes are examined when he or she is under pressure from superiors and has a higher chance of cheating. These fraudsters have a greater negative impact than people who are under pressure and have few options. Furthermore, according to Rustiarini et al. (2019), the majority of people who have a high negative influence are involved in the category of rationalization, "replacing responsibility".

Internal pressure can motivate individual to commit fraud. The internal pressure includes lifestyle, economic demands, and other financial and non-financial things (Skousen et al., 2009). According to SAS No. 99, there are four types of pressure: financial stability, financial target, external pressure, and personal financial needs. Based on several previous studies, financial stability has an influence on a person's intention to commit fraud (Fitri et al., 2019; Rustiarini et al., 2019). When the company growth is below the average, management will tend to carry out manipulation in financial statements with the aim of improving the prospects of the company (Inayanti & Sukirman, 2016; Murtanto & Sandra, 2019; Yendrawati et al., 2019).

Financial stability can be defined as a situation where company managers are faced with pressure to commit financial statement fraud when the company's financial stability is being threatened by economic developments, industry, and the operating conditions of the entity. Financial targets, as measured by return on assets (ROA), have no significant effect on an individual intention to commit fraud (Arfiyadi & Anisykurlillah, 2016; Khamainy & Setiawan, 2022; Ratmono et al., 2017; Tiffani & Marfuah, 2015). Ineffective ROA is likely caused by managers who think that the company's ROA target is still of fair value and can be achieved, so that ROA does not trigger managers to commit fraud. However, according to Fitri et al., (2019), ROA has an effect on individual's intention to commit fraud. This can be caused by the high ROA which has an impact on the high pressure faced by managers to achieve targets so that it can increase the intention to commit fraud. According to Murtanto & Sandra (2019) in accounting fraud, target pressure can be defined as an increase in the amount of profit that must be earned on company operations. Target pressure can influence management to commit fraudulent acts by presenting inappropriate or non-transparent information on financial statements, resulting in information asymmetry.

External pressure, as measured by Leverage, has an influence on an individual intention to commit fraud (Fitri et al., 2019; Tiffani & Marfuah, 2015; Yesiariani & Rahayu, 2017). This could be due to the high leverage associated with the magnitude of potential credit agreement violations and the limited ability to obtain additional capital through loans. Meanwhile, personal financial need has no influence on an individual's intention to commit fraud (Tiffani & Marfuah, 2015; Inayanti & Sukirman, 2016). This is due to the existence of low managerial ownership which indicates a clear separation between shareholders, as principals who control the company, and managers, as the agent who manages the company. The existence of separation reduces the manager's ability to commit fraud. The results of this study are contrary to the results of research conducted by by Skousen et al., (2009) that the existence of share ownership by insiders can affect a person's intention to commit fraud. In addition, when the executives face the pressure of financial needs, they will act to pursue their personal interests (Khamainy & Setiawan, 2022; Murtanto & Sandra, 2019).

Opportunity is a situation that can cause someone to commit fraud. The perpetrator assumes that the fraud he committed will not be detected. The opportunity, as measured by the nature of industry, has proven to have no effect on an individual intention to commit fraud (Tiffani & Marfuah, 2015). Large ratio of changes in accounts receivable in the company does not trigger management to commit fraud. However, Arfiyadi & Anisykurlillah (2016); Inayanti & Sukirman (2016); Khamainy & Setiawan (2022); Murtanto & Sandra (2019); and Yendrawati et al., (2019) argue that the nature of industry is an opportunity to commit fraud. This is reflected in certain accounts in financial statements, such as inventory accounts, where the balance size is determined by manager estimates. The nature of inventory that is easily converted into cash indicates that management is creating an opportunity to commit fraud.

Meanwhile, effective monitoring is said to have a significant negative effect on an individual's intention to commit fraud. Effective company supervision reduces the possibility of management to commit fraud. Supervision by the audit committee is believed to be able to increase the effectiveness of company supervision, especially in supervising and checking the financial statements prepared by the management (Ratmono et al., 2017; Tiffani & Marfuah, 2015). According to Akbar et al., (2021); Hidajat (2020) and Murtanto & Sandra (2019), weak and ineffective supervision can provide more opportunities for managers and employees to commit accounting fraud, such as financial data manipulation. Supervision becomes ineffective when the commissioner, as the supervisor, does not act independently, does not have sufficient knowledge about supervision, and commits crimes.

Rationalization is a self-justification of wrong behavior. This mindset to do self-justification is based on a low attitude of integrity so that a person will consider himself right when committing fraud. This justification is needed by fraudster in order to digest his unlawful behavior to maintain his identity as someone who can be trusted (Fitri et al., 2019). Auditor change is used to measure a proxy for rationalization. Auditor change can result in a period of transition and stress in the company (Skousen et al., 2009). The results of research conducted by Fitri et al., (2019) show that rationalization has an effect on an individual's intention to commit fraud because fraud tends to occur when there is an auditor change because management tries to reduce the possibility of detecting financial statement fraud by old auditors. However, the results are different from the results of research conducted by Murtanto & Sandra (2019); Tiffani & Marfuah (2015); Yendrawati et al. (2019) that auditor change has no effect on the intention to commit fraud. However, based on the Regulation of the Minister of Finance of the Republic of Indonesia Number 17/PMK.01/2008 article 3, paragraph 1, the provision of a general audit of financial statements by the audit firms is no later than 6 (six) consecutive financial years and 3 (three) consecutive years by the same auditor to one client.

Rationalization is used as justification that the assets are their own, do not harm anyone, are needed urgently, no immaterial impact, and the financial statements will be corrected after the problem is resolved. This rationalization is typically in the form of income recording activities even though cash has not been received, and it is related to the accrual principle, which requires management policies to justify management's modification of the financial statements to generate the desired amount of profit (Akbar et al., 2021; Arfiyadi & Anisykurlillah, 2016; Hidajat, 2020; Inayanti & Sukirman, 2016; Yendrawati et al., 2019; Yesiariani & Rahayu, 2017).

Fraud Diamond

Fraud diamond is the development of fraud triangle by adding capability factor (Wolfe and Hermanson, 2004). Capability can be defined as an individual ability to override internal control and turn it into personal gain. Some studies have not found an exact description of capability as a reason for committing fraud. The results of research conducted by Akbar et al. (2021); Arfiyadi & Anisykurlillah (2016); Inayanti & Sukirman (2016); Khamainy & Setiawan (2022); Murtanto & Sandra (2019); Yendrawati et al. (2019); and Yesiariani & Rahayu (2017) show that the change of directors is an attempt to commit fraud. However, in fact when the company's highest stakeholders recruit new directors who are considered more competent in order to improve the company's performance, the previous directors will be given the opportunity to maintain their performance and competence until the end of their term of office to avoid problems.

The change of director can also be an indication of the occurrence of fraud if it is carried out to cover up the fraud committed by the previous director (Yendrawati et al., 2019; Yesiariani & Rahayu, 2017). According to Hidajat (2020), the main cause of fraud due to capabilities is a lack of human resources and multiple positions held by the same person (the shareholders also act as company directors). The supervisory function will not work properly when a commissioner also acts as a director of the relevant company. Multiple positions held by the same person have the potential to create conflicts of interest. Therefore, fraud will not occur without the presence of the right individuals with the right ability to commit fraud.

Fraud Pentagon

Fraud pentagon is the modification of fraud diamond by adding arrogance factor. Fraud pentagon is intended to detect and prevent fraud (Putra & Dinarjito, 2021; Ulfah et al., 2017). An arrogant person is more likely to commit fraud because he thinks he is superior to others and that the company's policies do not apply to him (Kusumawati et al., 2021). This is supported by company conditions that are increasingly developing and complex, as well as fraudsters who are increasingly cunning and able to access various company information.

Table 1
Empirical Research Related to Fraud Diamond

Author(s)	Year	Pub	Factor	Finding
Vousinas	2019	JFC	Capability	Fraudulent actions are based on the ability of individual to commit fraud
Akbar et al.	2021	JRAK	Capability	Change of directors has no significant effect on financial statement fraud
Arfiyadi & Anisykurlillah	2016	AAC	Capability	Change of directors has no significant effect on financial fraud
Arfiyadi & Anisykurlillah	2016	AAJ	Capability	Change of directors has insignificant effect on financial fraud
Khamainy et al.	2022	JFC	Capability	Auditor change has no effect on company capability to commit financial statement fraud
Murtanto & Sandra	2019	MRAAI	Capability	There is no significant relation between change of director and accounting irregularities
Yendrawati	2019	APMAJ	Capability	Financial fraud is not influenced by director change
Yesiariani & Rahayu	2017	JAAI	Capability	Director change has no significant effect on financial fraud
Hidajat	2020	JFC	Capability	Financial fraud can occur due to lack of human resources and duality roles of directors (shareholders and directors)
Hidajat	2020	JFC	Capability	Individuals who have the ability and knowledge to commit fraud will tend to commit fraud

Source: Processed Data

Arrogance in fraud pentagon is measured using the frequency of CEO's photo appearing in the company's annual report. The frequency of CEO's photo appearing in financial statements can reveal signs of fraud because the greater the number of CEO's photos appearing in financial statements, the greater the arrogance of the CEO within the company. The CEO who thinks and believes that internal control does not apply to him shows his high level of arrogance and can lead to the possibility of fraud (Apriliana & Agustina, 2017). A CEO will do anything to maintain his status. According to Apriliana and Agustina (2017), the level of arrogance, as proxied by the frequency of CEO's photo appearing in annual statements, has an effect on a person's intention to commit fraud.

However, this finding contradicts other studies that claim that the frequency of the CEO's photo appearing on annual statements has no effect on a person's intent to commit fraud because the purpose of including the CEO's photo in the annual report is to introduce the public and stakeholders to who the CEO of the company is (Lestari & Henny, 2019; Sasongko & Wijayantika, 2019; Ulfah et al., 2017). The inclusion of the CEO's photo in the annual report in the form of the results of activities can demonstrate that the CEO participates in every activity of the company, allowing the community to assess the CEO's seriousness, tenacity, and responsibility in leading the company (Ulfah et al., 2017). The large number of CEO's photos may also indicate that he is attempting to be recognized by the larger community, and that this will generate confidence based on merit, life skills, principles, and also norms that are upheld (Kusumawati et al., 2021).

Fraud Hexagon or the Extended S.C.O.R.E Model

Many companies currently face various kinds of risks, such as financial risks, supply chain risks, fraud risks, and so on, including regulatory issues. Fraud risk is a risk that continues to develop and affects government and private organizations in all countries (Vousinas, 2019). Fraud is a complex, dynamic process that continues to adapt to the current environment, making it difficult to detect and even more difficult to prove in court. Because fraud has a very diverse nature, the fraud hexagon model or S.C.O.R.E Model was developed to explain why this incident occurred. The S.C.O.R.E model is based on the fraud diamond, an extension of the fraud triangle that identifies ego element that is proven to play an important role in persuading individual to commit fraud (Vousinas, 2019). The fraud pentagon graphically illustrates that the S.C.O.R.E Model can be adapted to the addition of collusion factors to be applied more in financial crime cases.

The results of research conducted by Lastanti et al., (2022) and Tarjo et al., (2021) show that collusion has no effect on a person's intention to commit fraud. Marginal costs are used to assess collusion. Collusion is defined as a conspiracy between parties who have reached an agreement to harm third parties (Tarjo et al., 2021). According to Tarjo et al., (2021), the existence of perfect competition prevents collusion between companies, resulting in collusion proxied with marginal costs, which cannot indicate individual intentions to commit fraud.

The number of directors or commissioners on boards with political ties, such as government officials, political party officials, former or current ministers, cabinet members, ambassadors or parliamentarians, or military elements, is used to calculate the level of collusion (Lastanti et al., 2022). The results of research conducted by Lastanti et al., (2022) show that collusion, as measured by political connections, has no effect on a person's intention to commit fraud. This is because political connections do not always have a negative impact that can lead to fraud. On the other hand, political connections can benefit businesses by providing political forces with easier access to capital, loan, and market power.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATION

Business practices cannot be separated from fraud. This unethical behavior is reflected in the company's desire to always be able to present financial statements that look good, thus encouraging companies to manipulate or commit fraud in certain parts of the financial statements. Based on the results of lierature analysis using the fraud triangle, fraud diamond, fraud pentagon and fraud hexagon or the S.C.O.R.E model, it can be concluded that pressure factor, as proxied by financial stability, personal financial needs, external pressures and financial targets, can be a reason for individuals to commit fraud. Opportunity factor can be the reason for the occurrence of fraud. This opportunity is created due to the nature of industry and the ineffective supervision and control of the board of commissioners. Rationalization or justification factor is generally reflected through the change of auditors and the accrual principle. Management seeks to reduce the possibility of fraud being detected by the old auditor by changing auditors and making policies related to accrual principles so that it can be justification for management to modify financial statements.

The capability factor refers to an individual's ability to commit fraud. Several studies have not found any indication that capability is a determining factor for fraudulent behavior. However, a change of directors can be an indication of disrespect when the aim is to cover up the fraud committed by the previous director. The arrogance factor is reflected in the frequency of CEO's photo appearing in the annual report. The arrogance of the CEO within the company increases as the CEO's photo frequently appears in the financial reports. The collusion factor, which is included in the fraud hexagon model or S.C.O.R.E model, is a development from the previous fraud models, in which collusion can be a reason for someone to commit fraud. However, the results of the literature analysis have not found a statement that collusion, as measured by political connections, can increase individual motivation to commit fraud.

This study contributes to providing insight into the reasons for individuals committing fraud through the fraud triangle model, the fraud diamond model, the fraud pentagon model, and the fraud hexagon model. In addition, the results of this study are expected to contribute to companies to improve supervision and control as an effort to minimize fraud. The scope of this research is limited to articles that discuss the fraud hexagon model or S.C.O.R.E model developed by Vousinas. It is suggested that the next research can further analyze the reasons for individuals committing acts of fraud through the fraud hexagon model.

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Appendix 1. Empirical research related to fraud triangle

Author(s)	Year	Pub	Factor	Finding
Vousinas	2019	JFC	Pressure	Pressure to meet the business objective, such as financial target or frustration related to work environment, is potential for fraud
Vousinas	2019	JFC	Opportunity	Opportunity to commit fraud can occur due to the position and authority of individuals within the organization
Vousinas	2019	JFC	Rationalization	With several reasons, committing fraudulent acts is acceptable to them
Rustiarini et al.	2019	JFC	Pressure	Individuals with high obedience pressure have higher fraudulent behavior
Rustiarini et al.	2019	JFC	Opportunity	Individuals with high opportunities have higher fraudulent behavior
Rustiarini et al.	2019	JFC	Pressure	Individuals with high obedience pressure have higher negative effect
Rustiarini et al.	2019	JFC	Opportunity	Individuals with high opportunities have higher negative effect
Rustiarini et al.	2019	JFC	Rationalization	Fraud behavior and rationalization are mediated by negative effect
Rustiarini et al.	2019	JFC	Rationalization	Individuals who feel negative effect have more rationalization to commit fraud
Fitri et al.	2019	AABFJ	Pressure	Companies with more stable finances tend to commit fraud
Fitri et al.	2019	AABFJ	Pressure	Companies with more leverage tend to commit fraud
Fitri et al.	2019	AABFJ	Pressure	Companies with higher financial target tend to commit fraud
Fitri et al.	2019	AABFJ	Opportunity	Companies with less supervision tend to commit fraud
Fitri et al.	2019	AABFJ	Opportunity	Companies with more transaction with special parties tend to commit fraud
Fitri et al.	2019	AABFJ	Rationalization	Companies that frequently change external auditors tend to commit fraud
Inayati and Sukirman	2016	AAJ	Pressure	Financial fraud tends to be committed to cover up poor financial stability
Inayati & Sukirman	2016	AAJ	Pressure	Personal financial need has insignificant effect on financial fraud
Inayati & Sukirman	2016	AAJ	Opportunity	Nature of industry has a significant effect on financial fraud
Inayati & Sukirman	2016	AAJ	Opportunity	Directors with multiple roles are less likely to commit financial fraud
Inayati & Sukirman	2016	AAJ	Rationalization	Auditor change has no significant effect on financial fraud

Author(s)	Year	Pub	Factor	Finding
Inayati & Sukirman	2016	AAJ	Rationalization	Through accruals, management has rationalization to commit financial fraud
Murtanto & Sandra	2019	MRAAI	Pressure	Accounting irregularities can be influenced by financial stability
Murtanto & Sandra	2019	MRAAI	Pressure	Companies with higher personal financial need by management have a tendency to commit accounting irregularities
Murtanto & Sandra	2019	MRAAI	Pressure	High financial target makes companies tend to do accounting irregularities
Murtanto & Sandra	2019	MRAAI	Pressure	No significant relation between external pressure on accounting irregularities
Murtanto & Sandra	2019	MRAAI	Opportunity	Nature of industry has a significant effect on accounting irregularities
Murtanto & Sandra	2019	MRAAI	Opportunity	Companies with ineffective monitoring have a high tendency to commit accounting irregularities
Murtanto & Sandra	2019	MRAAI	Rationalization	Change in auditor has no effect on accounting irregularities
Arfiyadi & Anisykurlillah	2016	AAC	Pressure	Financial stability has an insignificant relation with financial statement fraud
Arfiyadi & Anisykurlillah	2016	AAC	Pressure	There is no significant effect between external pressure and financial statement fraud
Arfiyadi & Anisykurlillah	2016	AAC	Pressure	There is no significant effect between financial target and financial statement fraud
Arfiyadi & Anisykurlillah	2016	AAC	Opportunity	Financial statement fraud can be caused by nature of industry
Arfiyadi & Anisykurlillah	2016	AAC	Opportunity	Ineffective monitoring has no significant effect on financial statement fraud
Arfiyadi & Anisykurlillah	2016	AAC	Rationalization	Accrual principles can provide insight to management to commit financial statement fraud
Khamainy et al.	2022	JFC	Pressure	There is no significant relation between financial stability and financial statement fraud
Khamainy et al.	2022	JFC	Pressure	External pressure has no effect on financial statement fraud.
Khamainy et al.	2022	JFC	Pressure	Individuals with higher personal financial need tend to commit financial statement fraud
Khamainy et al.	2022	JFC	Pressure	Financial statement fraud is not influenced by external pressure
Khamainy et al.	2022	JFC	Opportunity	Financial statement fraud is influenced by nature of industry

Author(s)	Year	Pub	Factor	Finding
Khamainy et al.	2022	JFC	Opportunity	Effective monitoring will reduce opportunity to commit fraudulent financial statement
Khamainy et al.	2022	JFC	Rationalization	Earning management does not influence financial statement fraud
Khamainy et al.	2022	JFC	Rationalization	History of sales has an effect on financial statement fraud
Khamainy et al.	2022	JFC	Rationalization	Financial statement fraud is not influenced by earnings growth
Ratmono et al.	2018	JAA	Pressure	The low ratio of sales to total assets (SALTA) as a proxy for pressure indicates a high tendency for companies to commit fraud
Ratmono et al.	2018	JAA	Opportunity	Low financial expertise of the audit committee will reduce the level of supervision that will increase the tendency to commit fraud
Tiffani & Marfuah	2015	JAAI	Pressure	Financial stability has a significant role in committing accounting fraud
Tiffani & Marfuah	2015	JAAI	Pressure	External pressure has a significant role for company management to commit accounting fraud
Tiffani & Marfuah	2015	JAAI	Pressure	There is no significant relation between personal financial need and pressure to commit fraud
Tiffani & Marfuah	2015	JAAI	Opportunity	There is no significant relation between financial target and pressure to commit fraud
Tiffani & Marfuah	2015	JAAI	Opportunity	There is no significant relation between nature of industry and management opportunity to commit fraud
Tiffani & Marfuah	2015	JAAI	Opportunity	Effective monitoring has a significant role for management to reduce opportunity to commit fraud
Tiffani & Marfuah	2015	JAAI	Rationalization	Auditor change has no significant relation with fraud rationalization
Akbar et al.	2021	JRAK	Pressure	Pressure proxied by financial stability has no significant effect on fraudulent financial statement
Akbar et al.	2021	JRAK	Opportunity	Ineffective supervision as a proxy of opportunity has an effect on higher fraudulent financial statement
Akbar et al.	2021	JRAK	Rationalization	Companies have a higher rationalization to commit fraudulent financial statement through financial activities
Yesiariani & Rahayu	2017	JAAI	Pressure	Companies with stable finances will reduce financial fraudulent

Author(s)	Year	Pub	Factor	Finding
Yesiariani & Rahayu	2017	JAAI	Pressure	Higher level of leverage can make a higher tendency to commit financial fraud
Yesiariani & Rahayu	2017	JAAI	Pressure	Personal financial need has no significant relation with financial fraud
Yesiariani & Rahayu	2017	JAAI	Pressure	Financial targets proxied by ROA can reduce the tendency of financial fraud
Yesiariani & Rahayu	2017	JAAI	Opportunity	Nature of industry has no significant effect on financial fraud
Yesiariani & Rahayu	2017	JAAI	Opportunity	Ineffective monitoring has no significant effect on financial fraud
Yesiariani & Rahayu	2017	JAAI	Rationalization	Auditor change has no effect on financial fraud
Yesiariani & Rahayu	2017	JAAI	Rationalization	Rationalization proxied by TATA increases financial fraud risk
Hidajat	2020	JFC	Pressure	Greed of personal financial need can motivate the shareholders, director and commissioner to commit financial fraud
Hidajat	2020	JFC	Pressure	The pressure perceived by employees due to low salaries will motivate them to commit fraud
Hidajat	2020	JFC	Opportunity	A lack of oversight and regulation can create incentives for employee to commit fraud
Hidajat	2020	JFC	Rationalization	Fraud can be caused by owner intervention in company management
Skousen	2016	CGFM	Pressure	Company pressures, such as financial stability, external pressure, personal financial need, are significant reason for committing fraud
Skousen et al.	2016	CGFM	Opportunity	Ineffective monitoring and organizational structure are significant reason for committing fraud
Skousen et al.	2016	CGFM	Rationalization	Auditor change has no significant effect on fraud
Yendrawati et al.	2019	APMAJ	Pressure	companies with stable finance have a low probability of committing financial fraud
Yendrawati et al.	2019	APMAJ	Pressure	There is no significant effect between external pressure and financial fraud
Yendrawati et al.	2019	APMAJ	Pressure	Financial target has insignificant effect on financial fraud
Yendrawati et al.	2019	APMAJ	Opportunity	Higher probability of financial statement fraud occurs when the company has a high total inventory turnover ratio.

Author(s)	Year	Pub	Factor	Finding
Yendrawati et al.	2019	APMAJ	Opportunity	Effective monitoring can reduce probability of committing financial fraud
Yendrawati et al.	2019	APMAJ	Rationalization	Rationalization has no significant effect on financial fraud

Source: Processed Data

Appendix 2. Empirical Research Related to Fraud Pentagon

Author(s)	Year	Publisher	Factor	Finding
Vousinas	2019	JFC	Ego	Ego is a crucial factor in deciding why people feel obliged to commit fraud. All of the conditions must be present for fraud to occur, including the CEO's inflated ego, an urgent cash need, and so on.
Apriliana & Agustina	2017	JDA	Pressure	ROA, as proxied by financial targets, has a little effect on financial statement fraud.
Apriliana & Agustina	2017	JDA	Pressure	Asset change has a substantial effect on the company's tendency for financial statement fraud.
Apriliana & Agustina	2017	JDA	Pressure	Low liquidity has no effect on financial statement fraud.
Apriliana & Agustina	2017	JDA	Pressure	It is not proven that institutional ownership has an effect on financial statement fraud.
Apriliana & Agustina	2017	JDA	Opportunity	The proportion of independent commissioners has a little effect on identifying false financial reporting.
Apriliana & Agustina	2017	JDA	Opportunity	Companies that work with the BIG4 Accounting Firms services are less likely to commit fraud in the following year.
Apriliana & Agustina	2017	JDA	Rationalization	Auditor change has a little influence on financial statement fraud.
Apriliana & Agustina	2017	JDA	Capability/ Competence	The frequency of CEO photo appearing in annual report has an influence on the prediction of financial statement fraud.
Apriliana & Agustina	2017	JDA	Arrogance	Frequent number of CEO photo appearing has an effect on the prediction of financial statement fraud.

Author(s)	Year	Publisher	Factor	Finding
Putra & Dinarjito	2021	JIAB	Pressure	The financial target that informs about ROE and external pressure in the form of leverage ratio have a major impact on identifying financial statement fraud in Indonesia.
Putra & Dinarjito	2021	JIAB	Opportunity	Opportunity in the fraud pentagon, as represented by the nature of industry in the form of an inventory turnover ratio, has a significant impact on detecting financial statement fraud in Indonesia.
Putra & Dinarjito	2021	JIAB	Rationalization	Rationalization, as shown by the change of auditors, has an impact on financial statement fraud in Indonesia.
Putra & Dinarjito	2021	JIAB	Competence	Competence, as proxied by change of director in the fraud pentagon, has no effect in detecting financial statement fraud in Indonesia
Putra & Dinarjito	2021	JIAB	Arrogance	The frequent number of CEO photo appearing, as in the fraud pentagon, has no effect on identifying financial statement fraud in Indonesia.
Lestari & Henny	2019	JAT	Pressure	financial target has no effect on financial statement fraud
Lestari & Henny	2019	JAT	Pressure	Financial stability has no effect on financial statement fraud.
Lestari & Henny	2019	JAT	Opportunity	Ineffective monitoring has a significant positive effect on financial statement fraud.
Lestari & Henny	2019	JAT	Rationalization	Change of auditor has no effect on financial statement fraud.
Lestari & Henny	2019	JAT	Capability	CEO’s education has no positive significant effect on financial statement fraud.
Lestari & Henny	2019	JAT	Arrogance	Frequent number of CEO photo appearing has no significant negative effect on financial statement fraud.
Ulfah et al.,	2017	FIPA	Pressure	Financial target, as proxied by ROA, has no significant effect on financial statement fraud.
Ulfah et al.,	2017	FIPA	Pressure	Financial stability has no significant effect on financial statement fraud.

Author(s)	Year	Publisher	Factor	Finding
Ulfah et al.,	2017	FIPA	Pressure	Leverage has no significant effect on financial statement fraud.
Ulfah et al.,	2017	FIPA	Pressure	Institutional share ownership has no significant effect on financial statement fraud.
Ulfah et al.,	2017	FIPA	Opportunity	Ineffective monitoring has no significant effect on financial statement fraud.
Ulfah et al.,	2017	FIPA	Opportunity	The quality of external auditor has no significant effect on financial statement fraud.
Ulfah et al.,	2017	FIPA	Rationalization	Auditor change has a significant effect on financial statement fraud.
Ulfah et al.,	2017	FIPA	Rationalization	Modified unqualified opinion has a significant effect on financial statement fraud.
Ulfah et al.,	2017	FIPA	Capability	Change of directors has no significant effect on financial statement fraud.
Ulfah et al.,	2017	FIPA	Arrogance	The frequency of CEO photo appearing has no significant effect on financial statement fraud.
Kusumawati et al.,	2021	REAKSI	Pressure	The ratio of changes in assets, a measure of financial stability, has no effect on financial statement fraud.
Kusumawati et al.,	2021	REAKSI	Pressure	Financial target, as proxied by ROA ratio, has an effect on identifying financial statement fraud.
Kusumawati et al.,	2021	REAKSI	Pressure	The likelihood of financial statement fraud increases with the amount of debt of the firm (and consequent external pressure).
Kusumawati et al.,	2021	REAKSI	Pressure	The higher the institution's ownership, the more likely the firm may feel pressurized and commit financial statement fraud.
Kusumawati et al.,	2021	REAKSI	Opportunity	The proportion of independent commissioners in a corporation has little impact on the level of potential for financial statement fraud.
Kusumawati et al.,	2021	REAKSI	Rationalization	The change of auditor, as measured by rationalization, has no influence on identifying financial statement fraud

Author(s)	Year	Publisher	Factor	Finding
Kusumawati et al.,	2021	REAKSI	Capability	The change of board of directors may affect the competency level and increase the likelihood of financial statement fraud.
Kusumawati et al.,	2021	REAKSI	Arrogance	The frequency of CEO photo appearing cannot affect his arrogance, which increases the possibility of financial statement fraud.
Sasongko & Wijayantika	2019	REAKSI	Pressure	Financial stability has no effect on financial statement fraud.
Sasongko & Wijayantika	2019	REAKSI	Pressure	Financial Target has no effect on financial statement fraud.
Sasongko & Wijayantika	2019	REAKSI	Pressure	External Pressure has no effect on financial statement fraud.
Sasongko & Wijayantika	2019	REAKSI	Opportunity	Nature of Industry has no effect on financial statement fraud.
Sasongko & Wijayantika	2019	REAKSI	Rationalization	Auditor change has no effect on financial statement fraud.
Sasongko & Wijayantika	2019	REAKSI	Capability	Change of CEO has an effect on financial statement fraud.
Sasongko & Wijayantika	2019	REAKSI	Arrogance	Frequent number of CEO emages has no effect on financial statement fraud.
Sasongko & Wijayantika	2019	REAKSI	Arrogance	The dual position of CEO has no effect on financial statement fraud.

Source: Processed Data

Appendix 3. Empirical Research Related to Fraud Hexagon

Author(s)	Year	Publisher	Factor	Finding
Vousinas	2019	JFC	Collusion	Nearly half of the cases reviewed show that criminals work together to commit fraud, so the more fraudsters involved, the more damage done.
Tarjo et al.,	2021	AKRUAL	Pressure	Management who always attemps to maintain financial stability in any form can be a sign of financial statement fraud.
Tarjo et al.,	2021	AKRUAL	Pressure	The higher the ROA ratio, the greater the likelihood of financial statement fraud.
Tarjo et al.,	2021	AKRUAL	Pressure	A low share count does not always indicate financial statement fraud.
Tarjo et al.,	2021	AKRUAL	Pressure	External pressure, as represented by leverage, might imply financial statement fraud.
Tarjo et al.,	2021	AKRUAL	Opportunity	Ineffective monitoring could indicate financial statement fraud.

Author(s)	Year	Publisher	Factor	Finding
Tarjo et al.,	2021	AKRUAL	Opportunity	The quality of external auditors (Big4) cannot predict the likelihood of financial statement fraud.
Tarjo et al.,	2021	AKRUAL	Opportunity	The nature of industry may imply financial statement fraud.
Tarjo et al.,	2021	AKRUAL	Rationalization	A change in auditor is unable to indicate financial statement fraud.
Tarjo et al.,	2021	AKRUAL	Capability	A change in directors does not indicate financial statement fraud.
Tarjo et al.,	2021	AKRUAL	Ego	CEO's dual positions may indicate financial statement fraud.
Tarjo et al.,	2021	AKRUAL	Collusion	Results indicate that collusion cannot be a current indicator of financial statement fraud.
Lastanti et al.,	2022	MRAAI	Stimulus/ Pressure	Financial stability, as measured by asset growth, has no effect on financial statement fraud since management is not pushed to falsify asset growth financial statements in order to avoid pressure to deliver significant amounts.
Lastanti et al.,	2022	MRAAI	Opportunity	The percentage of independent commissioners to the total number of commissioners has an effect on financial statement fraud.
Lastanti et al.,	2022	MRAAI	Rationalization	The total accrual to total asset ratio has a little effect on financial statement fraud becaruse the firm has a big operational cash flow and a modest accrual profit, therefore profit management is normal.
Lastanti et al.,	2022	MRAAI	Capability	The tenure of the board of directors has no effect on financial statement fraud since the longer the board of directors works, the more the devotion to the firm and the lower the likelihood of fraud.
Lastanti et al.,	2022	MRAAI	Ego/ Arrogance	A high ego in the form of the frequency of CEO's photos appearing in the annual report does not indicate the magnitude of the incentive to commit financial statement fraud, so that ego has no effect on claims of financial statement fraud.
Lastanti et al.,	2022	MRAAI	Collusion	Political connections have no effect on financial statement fraud because companies with political connections have easier access to finance, loans, and market power.

Author(s)	Year	Publisher	Factor	Finding
Lastanti et al.,	2022	MRAAI	Collusion	Moderated and unmoderated collusion with governance and cultural factors has no beneficial effect on financial statement fraud.

Source: Processed Data