ABSTRACT

A good financial statement is a financial statement that is not engineered or in other words in accordance with the actual situation. Financial statement fraud is a deliberate or omission in the financial statements presented not in accordance with accounting principles in general, these gaps and omissions are material so that they can affect decisions to be taken by interested parties.

This study aims to determine the partial and simultaneous influence between fraud hexagon, which involves the element of pressure represented by financial stability, capability represented by ineffective supervision, opportunity represented by CEO quality, rationalization represented by auditor turnover, arrogance represented by CEO duality, and collusion represented by project cooperation government, against fraudulent acts in financial statements. This research was conducted on manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2021 period.

The method in this study uses quantitative methods and the data collection method uses purposive sampling techniques. The data used is secondary data in the form of annual financial statements belonging to manufacturing companies. This study had 183 observational data obtained from 61 companies. The analysis method used in this study is logistic regression analysis using SPSS 24.

The results showed that fraud hexagon, which involves the element of pressure represented by financial stability, capability represented by ineffective supervision, opportunity represented by CEO quality, rationalization represented by auditor turnover, arrogance represented by CEO duality, and collusion represented by government project cooperation simultaneously affects fraud financial statements. Partially, the pressure represented by financial stability has a positive effect on financial fraud. Capability represented by ineffective supervision, opportunity represented by CEO quality, rationalization represented by auditor turnover, arrogance represented by CEO duality, and collusion represented by government project cooperation have no effect to fraudulent financial statement.

Further researchers are advised to be able to add and expand other variables besides financial stability, CEO quality, ineffective monitoring, change in auditor, CEO duality, and government projects as well as conduct research with objects other than manufacturing companies listed on the Indonesia Stock Exchange. Furthermore, for investors, it is expected to be one of the considerations in terms of making investment decisions.

Keywords: CEO Quality, Change in Auditor, Duality CEO, Financial Stability, Financial Statement Fraud, Ineffective Monitoring, Government Project