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Moderate of audit committee on components of the fraud hexagon theory and fraudulent financial statements

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Abstract

This study aims to analyze the effect of each component of the fraud hexagon theory on fraudulent financial statements with the audit committee as a moderator. This research was conducted at banking sector companies listed on the IDX in 2019-2022, totaling 47 companies. The sampling method uses purposive sampling which results in 44 companies with 176 financial data used as samples. Data analysis was carried out on secondary data with SEM-PLS analysis techniques. The results of this study indicate that independent commissioners who hold concurrent positions, the ratio of total accruals to total assets (TATA) and ineffective monitoring have no effect on fraudulent financial statements. External pressure has a negative effect on fraudulent financial statements, while changes in directors and managerial ownership have a positive effect on fraudulent financial statements. The audit committee is able to moderate the effect of external pressure, change of directors, managerial ownership and ineffective monitoring on fraudulent financial statements. The audit committee is unable to moderate the effect of independent commissioners who hold concurrent positions, the ratio of total accruals to total assets (TATA) on fraudulent financial statements.

Keywords: Fraudulent financial statement; Fraud hexagon theory; Audit committee

1. Introduction

Fraud hexagon theory explains several factors that can cause someone to commit fraud, the first is the presence of stimulus, namely encouragement from financial needs that cannot be expressed, which causes someone to commit fraud (Ghaisani et al., 2022). Apart from stimulus, capability is also one of the factors that can encourage fraud. Capability is the ability that a person has, with his ability, information and opportunities to commit fraud will also emerge (Elkotby, 2022). Opportunity is one aspect that can trigger fraud because the opportunity gives rise to the intention to commit fraud (Sukmadilaga et al., 2022). Rationalization is the attitude a person has to normalize their fraudulent practices because they do not see themselves as committing wrong actions (Achmad et al., 2023). Ego, namely an attitude that is reflected in a person's lack of conscience so that committing acts of fraud is a natural thing and is deliberately done for one's own interests and profits (Lubur & Hambali, 2023). Lastly is collusion, namely cooperation between two or more parties in a company to jointly commit acts of fraud so that the matter is covered up and not revealed (Apsari & Suhartini, 2021).

Results of previous research conducted by Pranyanita et al., (2021); Apsari & Suhartini (2021); Khamainy et al., (2022); and Chantia et al., (2021) show that there is an inconsistency in the effect of the fraud hexagon theory proxy on fraudulent financial statements. The inconsistency of the results of this research creates a gap for researchers to add a moderating variable to test this effect in more depth. The audit committee is used as a moderating variable in this research, this is based on the fact that the existence of an audit committee is one that is indicated to be able to suppress the occurrence of fraud.

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The audit committee functions as an independent oversight body tasked with ensuring the integrity of financial reports and the effectiveness of the internal control system. The existence of an audit committee can increase the level of supervision and control over the company's financial activities, which can help prevent or detect potential fraud. The use of the audit committee as a moderator on the effect of fraud hexagon theory on fraudulent financial statements helps create a better control environment, improves the fairness of financial reporting, and minimizes the potential risk of fraud. In theory, although the existence of an audit committee on the IDX is expected to minimize the occurrence of fraud, in reality there are still cases of fraud that occur in the banking sector, this is important to pay more serious attention to. Shareholders or investors will not want to invest in companies that are suspected of fraud, therefore the role of the audit committee is very important to examine whether its existence can strengthen or weaken the effect of stimulus, capability, collusion, opportunity, rationalization and ego on fraudulent financial statements. Based on consideration of data and results from previous research, the researcher wants to re-examine the effect of the fraud hexagon theory component on fraudulent financial statements with the audit committee as a moderating variable in banking companies listed on the IDX for the 2019-2022 period.

2. Literature Review and Hypothesis Development

External pressure shows the state of management in facing pressure to meet the expectations of third parties or parties external to the company. These expectations may take the form of ambitious financial performance targets, strict regulatory requirements, or demands from customers or business partners that may encourage management to take unethical steps, including manipulating financial reports, withholding information, or engaging in other practices. dubious business (Chantia et al., 2021). Research conducted by Achmad et al., (2023), Purnama et al., (2022), and Khamainy et al., (2022) proves that external pressure influences fraudulent financial statements. The results of other research conducted by Rahma & Sari (2023), Sari & Herawaty (2022), and Chantia et al., (2021) show that external pressure has an effect on fraudulent financial statements. The results of research by Handayani et al., (2022), Agustin et al., (2022), Aviantara (2021), and Meidijati & Amin (2022) show the influence of external pressure (stimulus) on fraudulent financial statements.

The implication of the results of previous research is that companies that have a high debt ratio (leverage) certainly indicate that the company uses debt to finance company activities. This condition certainly puts pressure on management because management must show investors that the company is able to pay the debt it has, this ability can of course be shown in good financial reports. Therefore, management will try to show good financial reports so that there is an opportunity for manipulation of financial reports.

H_1: External pressure has a positive effect on fraudulent financial statements

Change of directors is a replacement or change in the composition of the previous members of the board of directors with new directors in order to improve the performance of the directors or face the challenges faced by the company. A change of directors can be a crucial moment to measure and evaluate the capabilities of directors and prospective directors who will fill new positions (Sagala & Siagian, 2021). Research conducted by Lauwrens & Yanti (2022); Rizkiawan & Subagio (2023) and Septiningrum & Mutmainah (2022), prove that changing directors has an effect on fraudulent financial statements. The results of research conducted by Meidijati & Amin (2022), Nadziliyah & Primasari (2022), and Aviantara (2021) show that changing directors has an effect on fraudulent financial statements. The results of research conducted by Jannah et al., (2021), Maryani et al., (2022), Purnaningsih (2022) and Sari et al., (2022) explain that changing directors (capability) has an effect on fraudulent financial statements.

The implication of the results of previous research is that changing directors often means a new composition of board members with different views and approaches to supervision and company policy. This creates a gap for fraud in financial reports, because supervision carried out in a short period of time causes the directors' role in supervising financial reports to be less than optimal.

H_2: Change of directors has a positive effect on fraudulent financial statements

Independent commissioners have the duties and functions to supervise and audit the company's financial performance and financial reports. Therefore, independent commissioners are parties who play an important role in supervising company management so that they do not commit fraudulent acts (Hermitasari & Purwanto, 2016). Research conducted by Vousinas (2019); Oktaviany & Reskino (2023) and Apsari & Suhartini (2021) prove that collusion has an influence on fraudulent financial statements. Research conducted by Sukmadilaga et al., (2022), Wulandari & Ali (2023) and Winatasari (2023) shows that collusion factors influence fraudulent financial statements. The results of other research by Iswantari & Sasongko (2023), Handayani et al., (2022), Aviantara (2021), Purnaningsih (2022) and Nadziliyah & Primasari (2022) show that collusion has an effect on fraudulent financial statements.

The implications of the results of previous research explain that independent commissioners who have more than one position or hold concurrent positions indicate that there is an opportunity for a conflict of interest, so that there is an opportunity for independent commissioners not to carry out their supervisory and audit duties optimally or allow company management to manipulate financial transactions which can cause fraudulent financial statements.

H_3: Independent commissioners who hold concurrent positions have a positive effect on fraudulent financial statements

Ownership of company shares by management certainly gives management more power. This power and excess certainly causes the emergence of ego traits in management so that it is not impossible for management to commit fraud. This condition indicates that the higher the managerial share ownership compared to institutional shares, the higher the opportunity for fraud to occur (Fouziah et al., 2022). Research conducted by Meidijati & Amin (2022), Fouziah et al., (2022), Lubur & Hambali (2023) and Ramadhaniyah et al., (2023) proves that share ownership by managerial parties influences fraudulent financial statements. The results of research conducted by Tarjo et al., (2021), Rahma & Sari (2023), Nurbaiti & Triani (2023) and Purnaningsih (2022) show that ego or arrogance influences fraudulent financial statements. The results of other research conducted by Setiawan & Achyani (2022), Iswantari & Sasongko (2023) and Sukmadilaga et al., (2022) show that ego or arrogance influences fraudulent financial statements.

The implication of the results of previous research is that management who are the highest shareholders in the company have a tendency to be arrogant, where they will try to use various methods to increase share prices for personal interests but by manipulating financial reports to show investors that the company has good performance. This condition causes indications and opportunities for fraudulent financial statements to occur.

H_4: Managerial Ownership has a positive effect on fraudulent financial statements

The ratio of total accruals to total assets is a financial ratio used to evaluate the extent to which a company uses accrual accounting in its financial reports compared to the total assets it owns. Research conducted by Putri & Suhartono (2023); Apsari & Suhartini (2021); Ghaisani et al., (2022) and Nugroho & Diyanty (2022) prove that rationalization or the ratio of Total Accruals to Total Assets (TATA) has an effect on fraudulent financial statements. The results of research conducted by Agustin et al., (2022), Purnaningsih (2022), and Hadi et al., (2021) show that TATA has an effect on fraudulent financial statements. The results of research conducted by Jannah et al., (2021), Meidijati & Amin (2022) and Aviantara (2021) show that rationalization has an effect on fraudulent financial statements.

The implication of the results of previous research is that the TATA ratio describes how large a portion of a company's total assets is recognized based on the accrual method in its financial statements. The TATA ratio can reflect the company's accounting policies, including the extent to which the company uses accrual accounting in its financial reporting, so that a TATA that is too high can create opportunities for management or related parties to manipulate financial reports. Accrual accounting is an accounting method in which receipts and expenditures are recognized or recorded when transactions occur, not when cash for these transactions is received or paid, meaning that records of transactions already exist even though the money has not yet fully entered cash. This is what has the potential to cause fraud within the company.

H_5: The ratio of total accruals to total assets (TATA) has a positive effect on fraudulent financial statements

Ineffective supervision certainly creates opportunities for fraud to occur. In accordance with the fraud hexagon theory, it is explained that opportunities will arise if the supervision provided is not effective. Research conducted by Riyanti & Trisanti (2021); Sukmadilaga et al., (2022); Preicilia et al., (2022) and Rizkiawan & Subagio (2023) prove that opportunity influences fraudulent financial statements. The results of other research conducted by Aviantara (2021), Meidijati & Amin (2022) and Sumbari et al., (2023) show that opportunity has an influence on fraudulent financial statements. The results of research conducted by Mukaromah & Budiwitjaksono (2021), Nurbaiti & Putri (2023), Maryani et al., (2022) and Wulandari & Ali (2023) show that opportunity has an influence on fraudulent financial statements.

The implication of the results of previous research is that when there are few independent commissioners in a company, objectivity in supervision is indicated to decrease, this causes ineffective supervision. Ultimately, this condition will create opportunities for fraud to occur.

H_6: Ineffective monitoring has a positive effect on fraudulent financial statements

The audit committee is responsible for providing independent monitoring of the company's financial reporting. They must work independently of management to critically evaluate the accounting and reporting practices implemented by management. By having an independent perspective, the audit committee can help reduce the possibility of management manipulating financial reports in response to external pressure, such as pressure from creditors or financial analysts.

Research conducted by Ghaisani et al., (2022); Oktaviany & Reskino (2023); and Kamila & Parinduri (2023) prove that audit committees are able to moderate the influence of external pressure on indications of fraudulent financial statements. The results of other research by Lauwrens & Yanti (2022), Handayani & Evana (2022), and Riyanti & Trisanti (2021) show that audit committees can strengthen the factors that influence fraudulent financial statements. The results of other research conducted by Sari et al., (2022), Sari & Herawaty (2022), Nurhasanah et al., (2022) and Lastanti (2020) show that the audit committee can be a moderator in fraud detection.

Good performance from the audit committee is very important in maintaining the integrity of the company's financial reports and preventing fraud. The audit committee has the main responsibility for overseeing the financial reporting process, internal control system, and compliance with laws and regulations, including fraud prevention measures. The audit committee can help mitigate the influence of the fraud hexagon theory on fraudulent financial statements more effectively because it plays a role in maintaining the integrity of the company's financial reports and ensuring that financial information is presented honestly and accurately to shareholders. Understanding of fraud hexagon theory in relation to fraudulent financial statements can be strengthened through the active and comprehensive role of the audit committee which carries out appropriate supervision, evaluation, and preventive measures.

H_7: An audit committee that performs well will weaken the effect of external pressure on fraudulent financial statements

A stable audit committee consisting of experienced members can help maintain continuity in supervision of the company's financial reporting. Thus, excessive, or irregular changes in directors can disrupt stability and consistency in monitoring, increasing the risk of financial report manipulation. The audit committee has the responsibility to monitor management performance and ensure that the accounting practices implemented comply with relevant standards. By closely monitoring management performance, audit committees can help identify suspicious changes or unethical behavior that may be related to board changes.

Research conducted by Ghaisani et al., (2022); Oktaviany & Reskino (2023); and Kamila & Parinduri (2023) prove that the audit committee can moderate the influence of changes in directors on indications of fraudulent financial statements. The results of other research by Lauwrens & Yanti (2022), Handayani & Evana (2022), and Riyanti & Trisanti (2021) show that audit committees can strengthen the factors that influence fraudulent financial statements. The results of other research conducted by Sari et al., (2022), Sari & Herawaty (2022), Nurhasanah et al., (2022) and Lastanti (2020) show that the audit committee can be a moderator in fraud detection.

The audit committee has a vital role in monitoring the company and its components. Based on the fraud hexagon theory, it is explained that supervision and audit are forms of detecting whether or not there is fraud in a company's financial reports. Therefore, changing directors will certainly have an impact on the supervision of the management of the company's financial reports, this creates indications of opportunities to commit fraud when there is a change of directors with high intensity. Based on theory and the results of previous research, the hypothesis formulated in this research is as follows:

H_8: An audit committee that performs well will weaken the effect of changing directors on fraudulent financial statements

The audit committee must operate independently from independent commissioners who hold concurrent positions and management. By having an independent perspective, the audit committee can carry out objective monitoring of the accounting and reporting practices implemented by management, including detecting and preventing fraud. This helps reduce the potential influence of independent commissioners who hold concurrent positions in influencing or disrupting the integrity of financial reports.

Research conducted by Ghaisani et al., (2022); Oktaviany & Reskino (2023); and Kamila & Parinduri (2023) prove that the audit committee is able to moderate the influence of collusion on indications of fraudulent financial statements. The results of other research by Lauwrens & Yanti (2022), Handayani & Evana (2022), and Riyanti & Trisanti (2021) show that audit committees can strengthen the factors that influence fraudulent financial statements. The results of other research conducted by Sari et al., (2022), Sari & Herawaty (2022), Nurhasanah et al., (2022) and Lastanti (2020) show that the audit committee can be a moderator in fraud detection.

Collusion is a form of cooperation that can lead to fraud in the preparation of company financial reports. An independent commissioner is someone who holds a supervisory function, so holding multiple positions will result in the possibility of collaboration between independent commissioners and management to achieve certain benefits. This is where good performance from the audio committee is needed to minimize collusion factors that can encourage fraud.

H_9: An audit committee that performs well will weaken the influence of independent commissioners who hold concurrent positions in fraudulent financial statements

High management shares make the management vulnerable to an attitude of arrogance, causing them to feel safe and untouchable because they have power above the law, so that with confidence they can commit acts of fraud without worry. Research conducted by Ghaisani et al., (2022); Oktaviany & Reskino (2023); Fouziah et al., (2022) and Kamila & Parinduri (2023) prove that the audit committee is able to moderate the effect of Managerial Ownership on indications of fraudulent financial statements. The results of other research by Lauwrens & Yanti (2022), Handayani & Evana (2022), and Riyanti & Trisanti (2021) show that audit committees can strengthen the factors that effect fraudulent financial statements. The results of other research conducted by Sari et al., (2022), Sari & Herawaty (2022), Nurhasanah et al., (2022) and Lastanti (2020) show that the audit committee can be a moderator in fraud detection.

The audit committee is responsible for ensuring that the internal and external audit processes are carried out thoroughly. They should strengthen oversight of management's accounting and reporting practices, including checking whether there are potential conflicts of interest associated with high managerial ownership. By conducting a thorough examination, the audit committee can help minimize the risk of financial statement manipulation that may be associated with managerial ownership.

H_{10}: Audit committees weaken the effect of Managerial Ownership on fraudulent financial statements of banking sector companies listed on the IDX in 2019-2022.

The audit committee is responsible for providing independent monitoring of the accounting and reporting practices implemented by management. They should critically evaluate the use of the total accrual ratio (TATA) in financial statements and ensure that its use is in accordance with relevant accounting standards. By having an independent perspective, the audit committee can detect and prevent potential manipulation of TATA ratios which could indicate fraudulent financial reports.

Research conducted by Ghaisani et al., (2022); Oktaviany & Reskino (2023); and Kamila & Parinduri (2023) prove that the audit committee is able to moderate the influence of rationalization on indications of fraudulent financial statements. The results of other research by Lauwrens & Yanti (2022), Handayani & Evana (2022), and Riyanti & Trisanti (2021) show that audit committees can strengthen the factors that influence fraudulent financial statements. The results of other research conducted by Sari et al., (2022), Sari & Herawaty (2022), Nurhasanah et al., (2022) and Lastanti (2020) show that the audit committee can be a moderator in fraud detection.

The audit committee is an assessor of the company's management performance, therefore if the company's management normalizes things that smell like fraud in its management practices, then the audit committee's job is to provide an evaluation and prevent the impact from becoming further. This is indicated to be able to moderate the influence of rationalization on the occurrence of fraud. Based on theory and the results of previous research, the hypothesis formulated in this research is as follows:

H_{11}: An audit committee that performs well will weaken the effect of the Total Accruals to Total Assets (TATA) ratio on fraudulent financial statements

The audit committee is responsible for providing independent monitoring of the accounting and reporting practices implemented by management. By having an independent perspective, the audit committee can evaluate the effectiveness of the internal control system and management oversight of financial reports. If ineffective monitoring is found, the audit committee can recommend necessary improvements and ensure that corrective actions are taken.

The existence of ineffective monitoring in a company can of course be weakened by maximum performance from the audit committee, because the existence of an audit committee will result in better supervision. Research conducted by

Ghaisani et al., (2022); Oktaviany & Reskino (2023); and Kamila & Parinduri (2023) prove that the audit committee is able to moderate the influence of opportunity on indications of fraudulent financial statements. The results of other research by Lauwrens & Yanti (2022), Handayani & Evana (2022), and Riyanti & Trisanti (2021) show that audit committees can strengthen the factors that influence fraudulent financial statements. The results of other research conducted by Sari et al., (2022), Sari & Herawaty (2022), Nurhasanah et al., (2022) and Lastanti (2020) show that the audit committee can be a moderator in fraud detection.

The audit committee should critically evaluate existing internal control procedures to ensure that they are well designed and implemented effectively. This includes evaluation of segregation of duties, transaction verification, performance monitoring, and other procedures related to financial reporting controls. By carrying out this evaluation, the audit committee can help minimize gaps that allow manipulation or fraud in financial reports.

H_{12}: An audit committee that performs well will weaken the effect of ineffective monitoring on fraudulent financial statements

3. Methods

This research was conducted at the Indonesian Stock Exchange, especially banking sector companies as the research location, the research period itself was determined, namely 2019 to 2022. The selection of this location was based on the phenomenon found related to the level of fraud in banking sector companies on the IDX, which has a high percentage. So that the study of the occurrence of fraud and the factors that effect it becomes interesting to research.

The scope that will be discussed in this research is the effect of the fraud hexagon theory which consists of external pressure variables (X1), change of directors (X2), independent commissioners who hold concurrent positions (X3), Managerial Ownership (X4), total accrual ratio on total assets (X5), and whistleblowing system (X6) on fraudulent financial statements (Y) with the audit committee (Z) as the moderating variable. This research is also limited to only banking institutions listed on the Indonesia Stock Exchange (BEI) with a time span of 2019-2022 so that later researchers can focus more on the problems that occur so that the results obtained are more consistent and better and not does not expand in an unclear direction or is not in accordance with the main problem discussed in the research.

The population in this research is all banking companies listed on the Indonesia Stock Exchange for the 2019-2022 period, namely 47 companies. The sampling technique in this research is to use purposive sampling, namely determining samples based on certain criteria. The sample selection criteria used by researchers are:

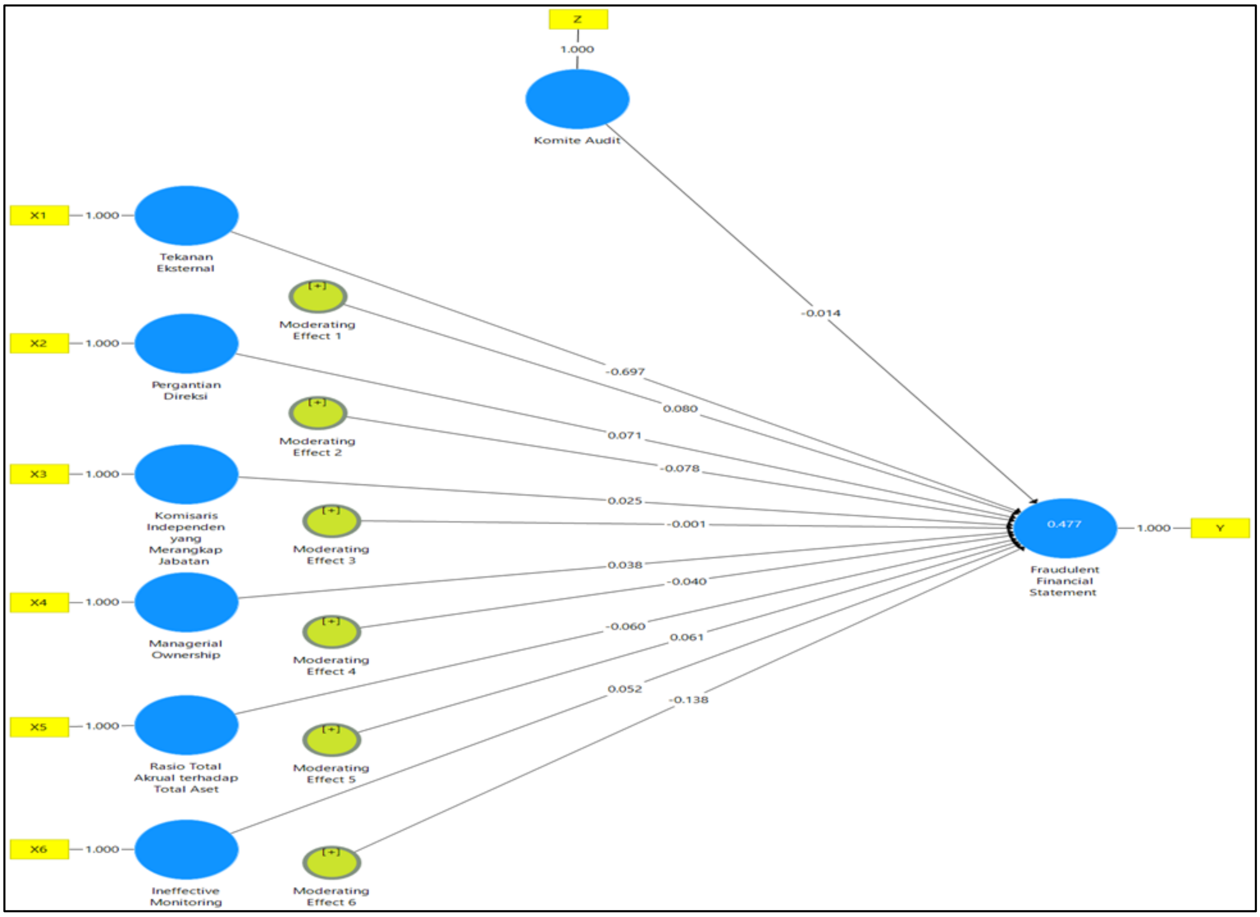
- Banking sector companies listed on the Indonesian stock exchange in 2019-2022.
- Companies that publish complete financial reports for the 2019-2022 period.

Data were analyzed using the Partial Least Squares (PLS) technique. This technique was chosen because the estimation of a model resulting from SEM-PLS basically shows a higher level of statistical power and shows similar results in the estimation of path coefficients and statistical significance (Filho et al., 2020).

4. Result and Discussion

4.1. Evaluation Results of the Measurement Model (Outer Model)

In measuring the outer model, convergent validity, discriminant validity and uni-dimensionality tests were carried out. Convergent validity consists of outer loading and Average Variance Extracted (AVE). Discriminant Validity consists of comparing the outer loading value with the cross loading value and the root of the AVE is greater than the correlation between variables. For the reliability test, composite reliability, rho-A and Cronbach's Alpha are used (Cohen et al., 2010; Henceler et al., 2015; Utama, 2018:237). The statistical validity of the instruments used in this study was assessed using convergent and discriminant validity (Adelekan et al., 2018). The results of the outer model evaluation are presented in Figure 1.

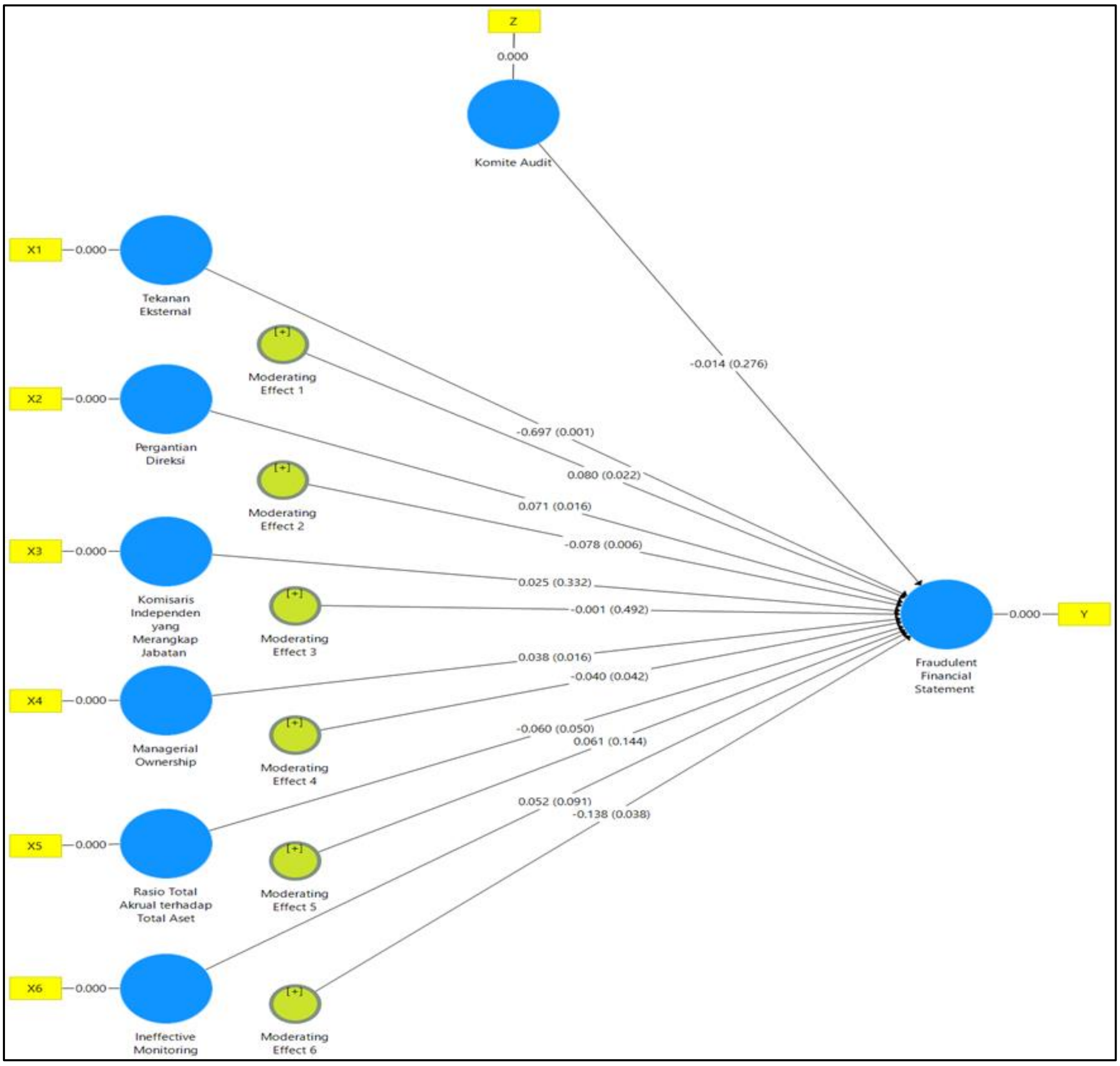


Secondary Data, 2024

Figure 1 Outer Model

4.2. Evaluation Results of the Measurement Model (Inner model)

In measuring the inner model, a direct effect test and an indirect effect test were carried out as well as testing the size of the effect by analyzing the coefficient of determination (R-Square), analyzing F-Square and Q-square (Cohen et al., 2010; Henseler et al., 2015; Sarwono, 2018:237). The structural model or inner model is evaluated by looking at the percentage of variance explained, namely by looking at R2 (R-Square of exogenous variables) for the dependent latent construct using the Stone-Geisser Q Square test measure and also looking at the magnitude of the structural path coefficient. Potential mediation will be confirmed after further mediation analysis using the bootstrap method (Adelekan et al., 2018). The results of the inner model evaluation are presented in Figure 1.



Secondary Data, 2024

Figure 2 Inner Model

4.2.1. R-Square

The R square value of the endogenous construct is seen as the main criterion for assessing the quality of a structural model (Henseler et al., 2015; Jena, 2020). However, due to the unavailability of agreed R square values, this study followed Cohen's guidelines. The Godness of Fit value is symbolized by the R square value with a range of 0.10, 0.25, and 0.36 defined as small, medium, and large (Cohen et al., 2010; Jena, 2020). The R-square test results are presented in Table 1.

Table 1 R-square

	R Square	***R Square Adjusted***
Fraudulent financial statement	0.477	0.435

Secondary Data, 2024

Based on Table 1, the R-square value for external pressure variables, change of directors, independent commissioners who hold concurrent positions, managerial ownership, ratio of actual total to total assets, ineffective monitoring and audit committee against fraudulent financial statements is 0.477. This value is quite large, indicating that there is effect of 0.477 x 100% = 47.7%. This result means that 47.7 percent of the variation in the fraudulent financial statement variable can be explained by external pressure variables, change of directors, independent commissioners who hold concurrent positions, managerial ownership, ratio of actual total to total assets, ineffective monitoring, audit committee and interaction moderation effect 1 to interaction moderation effect 6.

4.2.2. F-Square

F-square analysis is used to determine the strength and weakness (effect size) of the effect of exogenous substantives on endogenous constructs. Determining the magnitude of the substantive effect on latent endogenous is classified into 3 categories, namely 0.02 small effect, 0.15 medium effect, and 0.35 large effect. Less than 0.02 indicates no effect (no effect). The results of the F square test can be seen from Table 2.

Table 2 F-square

	Fraudulent Financial Statement
Fraudulent Financial Statements	
Ineffective Monitoring	0.005
Independent Commissioner who holds concurrent positions	0.001
Audit Committee	0.000
Managerial Ownership	0.002
Moderating Effect 1	0.006
Moderating Effect 2	0.011
Moderating Effect 3	0.000
Moderating Effect 4	0.002
Moderating Effect 5	0.004
Moderating Effect 6	0.021
Change of Directors	0.009
Ratio of Total Actual to Total Assets	0.006
External Pressure	0.802

Secondary Data, 2024

4.2.3. Q-square

Q-square analysis is carried out to find out whether the observed values have been reconstructed properly and to find out whether the model has predictive relevance or not. The way to find the size of the Q-square is done by manual calculation, which is guided by the R-square value. A Q-square (Q2) value > 0 indicates that the observed values have been reconstructed well, whereas a Q-square (Q2) value < 0 indicates that there is no predictive relevance (Sarwono, 2018:347). The Q-square calculation can be seen in Table 3.

Table 3 Q-square

	SSO	**SSE**	**Q^2 (=1-SSE/SSO)**
Fraudulent financial statement	176.000	108.462	0.384

Secondary Data, 2024

Based on Table 3, the SSO value is 176. The SSO value is the sum squared observation, namely the value that shows the total observation data examined in this research. Furthermore, an SSE value of 108.462 was obtained. The SSE value is the sum square prediction error, which shows the total value of predicted errors or errors that occur. Based on the SSO and SSE values, a Q-square result of 0.384 is more than 0, so it can be concluded that the model has an accurate predictive relevance value or the model deserves to be said to have a relevant predictive value.

Furthermore, the value of the effect size Q2 shows the natural predictive value of the observed contribution to the formation of endogenous variables. According to Setiaman (2023), if the Q2 value has a value of 0.02 then it is said that the model has a small effect, then if the Q2 value has a value of 0.15 then it is said that the model has a medium effect, and if the Q2 value has a value of 0.35 means the model has a large effect. From the results obtained, the Q2 value is 0.384, which is more than 0.35, which means that the research model has a large effect.

4.3. Hypothesis Testing

Hypothesis testing aims to test the significance of the constants and independent variables contained in the equation individually, whether there is an effect on the value of the dependent variable (Sofha and Utomo, 2018). Hypothesis testing using PLS can be seen from the results of booth strapping in the t-statistic table to see whether there is an effect of the independent variable on the dependent variable with a significance level of 5%. One-tailed testing for a 5 percent level of significance for an exogenous variable is considered to have an effect on the endogenous variable if it has a p-value of less than 0.05. The test results are presented in Table 4.

Table 4 Direct Effect

Hypothesis	Variable	Original Sampel	T Statistics (|O/STDEV|)	P Values	Result
H_1	External Pressure -> Fraudulent financial statements	-0.697	21.157	0.001	Negative effect
H_2	Change of Directors -> Fraudulent financial statements	0.071	5.474	0.016	(H1 rejected)
H_3	Independent Commissioner who holds concurrent positions -> Fraudulent financial statements	0.025	0.504	0.332	Positive effect
H_4	Managerial Ownership -> Fraudulent financial statements	0.038	5.528	0.016	(H2 accepted)
H_5	Ratio of Total Accruals to Total Assets -> Fraudulent financial statement	-0.060	2.928	0.050	No effect (H3 rejected)
H_6	Ineffective Monitoring -> Fraudulent financial statement	0.052	2.009	0.091	Positive effect
H_7	Moderating Effect 1 -> Fraudulent financial statement	0.080	4.565	0.022	(H4 accepted)
H_8	Moderating Effect 2 -> Fraudulent financial statement	-0.078	8.801	0.006	No effect
H_9	Moderating Effect 3 -> Fraudulent financial statement	-0.001	0.022	0.492	(H5 rejected)
H_{10}	Moderating Effect 4 -> Fraudulent financial statement	-0.040	3.225	0.042	No effect
H_{11}	Moderating Effect 5 -> Fraudulent financial statement	0.061	1.434	0.144	(H6 rejected)
H_{12}	Moderating Effect 6 -> Fraudulent financial statement	-0.138	3.416	0.038	Positive effect

Primary Data, 2024

Based on table 4, the p-value and t statistics are obtained for each variable which is explained as follows.

Hypothesis testing on the effect of external pressure on fraudulent financial statements produces a correlation coefficient (Original Sample) of -0.697. This means there is a negative correlation between variables. The t statistics value was obtained at 21.157 > t-critical 1.96 and obtained a p value of 0.001 <0.05, which means there is a significant effect. This result means that the effect of external pressure on fraudulent financial statements is significantly negative. Thus, hypothesis 1 (H1) which states that external pressure has a positive effect on fraudulent financial statements in banking sector companies listed on the IDX in 2019-2022 is rejected.

Hypothesis testing on the effect of changing directors on fraudulent financial statements produces a correlation coefficient (Original Sample) of 0.071. This means there is a positive correlation between variables. The t statistics value was obtained at 5.474 > t-critical 1.96 and obtained a p value of 0.016 <0.050, which means there is a significant effect. This result means that the effect of changing directors on fraudulent financial statements is significantly positive. Thus, hypothesis 2 (H2) which states that changing directors has a positive effect on fraudulent financial statements in banking sector companies listed on the IDX in 2019-2022 is accepted.

Hypothesis testing on the effect of Independent Commissioners holding concurrent positions on fraudulent financial statements produces a correlation coefficient (Original Sample) of 0.025. This means there is a positive correlation between variables. The t statistics value was obtained at 0.504 < t-critical 1.96 and obtained a p value of 0.332> 0.05, which means there is no significant effect. This result means that the effect of Independent Commissioners who hold concurrent positions on fraudulent financial statements is positive and insignificant. Thus, hypothesis 3 (H3) which states that Independent Commissioners who hold concurrent positions has a positive effect on fraudulent financial statements in banking sector companies registered on the IDX in 2019-2022 is rejected.

Hypothesis testing on the effect of Managerial Ownership on fraudulent financial statements produces a correlation coefficient (Original Sample) of 0.038. This means there is a positive correlation between variables. The t statistics value was obtained at 5.528 > t-critical 1.96 and obtained a p value of 0.016 <0.050, which means there is a significant effect. These results mean that the effect of Managerial Ownership on fraudulent financial statements is significantly positive. Thus, hypothesis 4 (H4) which states that Managerial Ownership has a positive effect on fraudulent financial statements in banking sector companies registered on the IDX in 2019-2022 is accepted.

Hypothesis testing on the effect of the Total Accruals to Total Assets Ratio on fraudulent financial statements produces a correlation coefficient (Original Sample) of -0.060. This means there is a negative correlation between variables. The t statistics value was obtained at 2.928 > t-critical 1.96 and obtained a p value of 0.050, which is the same as a real level of 0.05, which means there is no significant effect. This result means that the effect of the Total Accruals to Total Assets Ratio on fraudulent financial statements is negative and not significant. Thus, hypothesis 5 (H5) which states that the ratio of Total Accruals to Total Assets has a positive effect on fraudulent financial statements in banking sector companies listed on the IDX in 2019-2022 is rejected.

Hypothesis testing on the effect of Ineffective Monitoring on fraudulent financial statements produces a correlation coefficient (Original Sample) of 0.052. This means there is a positive correlation between variables. The t statistics value was obtained at 2.009 > t-critical 1.96 and obtained a p value of 0.091> 0.05, which means there is no significant effect. This result means that the effect of Ineffective Monitoring on fraudulent financial statements is positive and insignificant. Thus, hypothesis 6 (H6) which states that Ineffective Monitoring has a positive effect on fraudulent financial statements in banking sector companies registered on the IDX in 2019-2022 is rejected.

Testing the Moderating Effect hypothesis 1, namely that the audit committee weakens the influence of external pressure on fraudulent financial statements, resulting in a correlation coefficient (Original Sample) of 0.080. This means there is a positive correlation between variables. The t statistics value obtained was 4.565> t-critical 1.96 and obtained a p value of 0.022 <0.050, which means there is a significant influence. This result means that the influence of Moderating Effect 1 on fraudulent financial statements is significantly positive. Thus, hypothesis 7 (H7) which states that the audit committee weakens the influence of external pressure on fraudulent financial statements in banking sector companies listed on the IDX in 2019-2022 is rejected.

Testing the Moderating Effect 2 hypothesis, namely that the audit committee weakens the effect of changing directors on fraudulent financial statements, resulting in a correlation coefficient (Original Sample) value of -0.078. This means there is a negative correlation between variables. The t statistics value obtained was 8.801> t-critical 1.96 and obtained a p value of 0.006 <0.050, which means there is a significant effect. This result means that the effect of Moderating Effect 2 on fraudulent financial statements is significantly negative. Thus, hypothesis 8 (H8) which states that the audit committee weakens the effect of changing directors on fraudulent financial statements in banking sector companies listed on the IDX in 2019-2022 is accepted.

Testing the Moderating Effect hypothesis 3, namely that the audit committee weakens the effect of independent commissioners who hold concurrent positions on fraudulent financial statements, resulting in a correlation coefficient (Original Sample) value of -0.001. This means there is a negative correlation between variables. The t statistics value was obtained at 0.022<t-critical 1.96 and obtained a p value of 0.492>0.050, which means there is no significant effect. This result means that the effect of Moderating Effect 3 on fraudulent financial statements is negative and not significant. Thus, hypothesis 9 (H9) which states that the audit committee weakens the effect of independent commissioners who hold concurrent positions in fraudulent financial statements in banking sector companies listed on the IDX in 2019-2022 is rejected.

Testing the Moderating Effect hypothesis 4, namely that the audit committee weakens the effect of managerial ownership on fraudulent financial statements, resulting in a correlation coefficient (Original Sample) value of -0.040. This means there is a negative correlation between variables. The t statistics value obtained was 3.325> t-critical 1.96 and obtained a p value of 0.042 <0.050, which means there is a significant effect. This result means that the effect of Moderating Effect 4 on fraudulent financial statements is significantly negative. Thus, hypothesis 10 (H10) which states that the audit committee weakens the effect of Managerial Ownership on fraudulent financial statements in banking sector companies listed on the IDX in 2019-2022 is accepted.

Testing the Moderating Effect hypothesis 5, namely that the audit committee weakens the effect of the TATA ratio on fraudulent financial statements, resulting in a correlation coefficient (Original Sample) of 0.061. This means there is a positive correlation between variables. The t statistics value was obtained at 1.434 < t-critical 1.96 and obtained a p value of 0.144> 0.050, which means there is no significant effect. This result means that the effect of Moderating Effect 5 on fraudulent financial statements is positive and insignificant. Thus, hypothesis 11 (H11) which states that the audit committee moderates the effect of the ratio of Total Accruals to Total Assets (TATA) on fraudulent financial statements in banking sector companies listed on the BEI in 2019-2022 is rejected.

Testing the Moderating Effect hypothesis 6, namely that the audit committee weakens the effect of ineffective monitoring on fraudulent financial statements, produces a correlation coefficient (Original Sample) value of -0.138. This means there is a negative correlation between variables. The t statistics value obtained was 3.416> t-critical 1.96 and obtained a p value of 0.038 <0.050, which means there is a significant effect. This result means that the effect of Moderating Effect 6 on fraudulent financial statements is significantly negative. Thus, hypothesis 12 (H12) which states that the audit committee weakens the effect of ineffective monitoring on fraudulent financial statements in banking sector companies listed on the IDX in 2019-2022 is accepted.

5. Conclusion

The research results support several components/models contained in the fraud hexagon theory, where the capability component which is proxied by change of directors and the arrogance component which is proxied by managerial ownership have a significant influence on fraudulent financial statements. For the moderating variable, the audit committee can be a moderator, namely strengthening the influence of external pressure (stimulus) on indications of fraudulent financial statements, in addition, the audit committee can be a moderating variable by weakening the influence of change of directors (capability), managerial ownership (arrogance), and ineffectiveness. monitoring (opportunity) for indications of fraudulent financial statements. This research provides implications for banking sector companies listed on the IDX regarding things that need to be paid attention to to minimize fraudulent financial statements. The things that must be considered are external pressure, change of directors, independent commissioners who hold concurrent positions, managerial ownership ratio total accrual of total assets (TATA), and ineffective monitoring. Companies, especially in the banking sector, must also encourage the role and responsibility of audit committees as supervisors and evaluations of company operational activities so that they can become an element that mitigates and prevents fraudulent financial statements in banking sector companies listed on the IDX.

Compliance with ethical standards

Disclosure of conflict of interest

No conflict of interest to be disclosed.

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