Educational Administration: Theory and Practice
2024, 30(6), 969-978
ISSN: 2148-2403
https://kuey.net/

Research Article

The Role Of Good Corporate Governance And Audit Committee In Reducing Fraud With Hexagon Fraud Analysis

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Citation: Wuryan Andayani et al. (2024) The Role Of Good Corporate Governance And Audit Committee In Reducing Fraud With Hexagon Fraud Analysis, *Educational Administration: Theory And Practice*, *30* (6), 969-978
Doi: 10.53555/kuey.v30i6.5430

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ABSTRACT

The study investigates the role of Good Corporate Governance (GCG) and the Audit Committee in reducing fraud, using Hexagon Fraud Analysis. The sample consists of 22 agricultural sector companies selected through purposive sampling from www.idx.co.id and the companies' websites. Research sampling using purposive sampling. Dependent variable is Fraud variable. Independent variables are pressure, opportunity, razionalization, competence, arrogance, collusion, good corporate governance, audit committee. The study finds that pressure, opportunity, and collusion have a positive effect on fraud, while competence (change of directors) has a negative effect on fraud. GCG and Audit Committee do not moderate the relationship of pressure, opportunity, and collusion to fraud. However, GCG and Audit Committee, along with improving competence, can reduce the occurrence of fraud. The study implies that companies must reduce pressure, opportunities, and collusion, improve competence, and establish good corporate governance and audit committees to reduce fraud. The implications of practice, companies must reduce the presence of pressure, opportunities and collusion to reduce the occurrence of fraud. Companies must also improve competence to reduce the occurrence of fraud. The study also contributes to the development of the theory of hexagon cheating.

Key Words: audit committee, good corporate governance, hexagon fraud

1. Introduction

The idea of Good Corporate Governance (GCG) has been known in Indonesia since 1998. The United Nations Development Programmes (UNDP) states that the principle of the Good Governanance concept include accountability, fairness, legal certainty, effectiveness efficiency. The GCG system is designed to professionally help the management of the company professionally based on the principles of transparency, accountability, independence, responsibility, fairness and equality (idx.co, 2022).

The implementation of the Code of Conduct is an important part of efforts to improve the impelementation of good and healthy corporate governance and support the values and culture of the company to create a healthy and conducive work environment. GCG will be a guidline for employees and company management in running the company and building healthy, harmonious and professional working relationships. This code of conduct includes honesty, integrity, teamwork, professionalism, independence, responsibility and ethics.

Agency problems between principals and agents can be overcome with GCG. Companies in Indonesia in developing competitive strategies, tend to look for and take advantage of business environment opportunities, one of which is through political connections (Leuz and Gee, 2006). In the realm of corporate dynamics, it is stipulated that a firm is deemed to possess political affiliations when it boasts at least a single prominent stakeholder with governmental ties (a person who owns 10% of the voting rights based on the shares owned) or someone from the leadership (CEO, president director, vice president director, section chief or secretary) Is affiliated with a parliamentary body, holds a ministerial position, or maintains proximate ties with a political personality or faction (Faccio, 2006). These political connections may give the company access to special treatment, such as loans and taxation audits (Faccio, 2006).

2. Literature Review

2.1 Fraud Theory

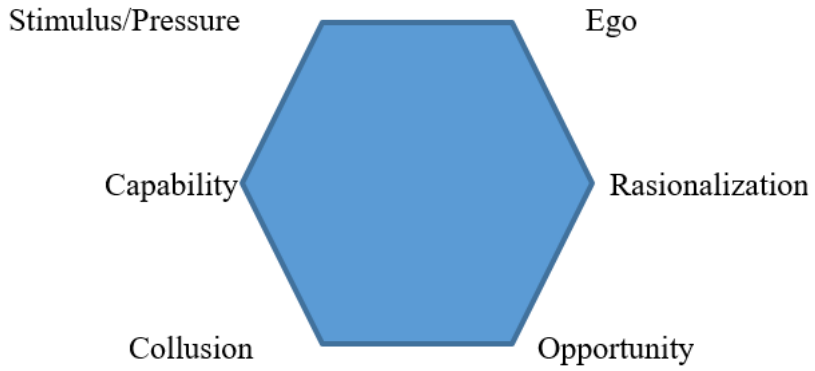
Cressey (1953) developed the theory of Fraud Triangle. This theory includes 3 (three) elements, namely pressure, opportunity and rationalization. The motive to cmmit and hide fraud is an element of pressure, cheating due to weak control is an element of opportunity, and justification for fraud that is being planned or fraud that has occoured is an element of rationalization. Wolfe dan Hermanson (2004) developed the Theory of Fraud Diamond. Diamond Fraud represents an evolution and enhancement of the Fraud Triangle Theory. This Fraud Triangle adds an element of capability, namely the ability to recognize opportunities and opportunities for fraud to occur.

Marks (2014) added these two element of competence and arrogace grave rise to a new model and a new way of thinking that became known as crowe fraud pentagon. Each of these elements is as follows: (1) rationalization, (2) competence, (3) pressure, (4) opportunity or skill and (5) arrogance. Arrogance is a greedy attitude and feels always superior that internal control does not apply to the person to act fraudulenly. Competence is the attitude of ignoring internal control in order to obtain an advantage.

2.2 Fraud Hexagon Theory

Hexagon fraud theory is a theory that explains why a company or certain parties commit fraud. This theory originated from the Fraud Triangle called Cressey's Theory by Donald R Cressey in 1953. Wolve and Hermanson (2004) developed the Fourth element, namely ability and is known as Fraud Diamond. Crowe (2011) re-developed this theory by adding an element of arrogance and was called of arrogance and was called the Fraud Pentagon. The latest theory for detecting fraud is the Hexagon Fraud theory, developed by Vousinas (2019) by adding elements of Collusion. Vousinas (2019) stated that if there is collusion between employees or employees and external parties, fraud will be difficult to stop.

Hexagon Fraud Model



Source: Vousinas (2019)

2.3 Pressure

The financial targets that have been set by the company can be a pressure for management in achieving company targets and company performance as measured by profitability. Return on Asset (ROA) is to measure efficiency in converting money used to buy assets into net profit. ROA becomes the right business benchmark and is a measure of accounting returns (Ross, Westerfield, Jordan, Lim dan Tan, 2015). The Return on Assets (ROA) metric serves as a crucial gauge of operational efficiency, signifying the effective utilization of assets. ROA finds utility in evaluating managerial prowess when considering factors such as bonus allocation and wage enhancements. (Skousen, 2008). The research hypothesis is as follows:

H1: *Pressure has a positive relationship to fraud*

2.4 Opportunity

Opprotunities arise due to weak internal control and confidence in the risk of being caught cheating (Dormieny et al, 2012)

H2: *Opportunity has a positive relationship with fraud*

2.5 Rationalization

Rationalization is the justification of the victim who is comfortable with his behavior. Research shows that audit and litigation failures increase after auditor turnover (Skousen, 2008; Stice, 1991; Loebekke dkk, 1998).

H3: *Rationalization has a positive relationship with fraud*

2.6 Competence

Competence refers to the tendency of employees to ignore internal controls, look for opportunities to hide lies and manipulate social situations for personal gain (Howarth, 2011).

H4: *Competence has a positive relationship with fraud*

2.7 Arrogance

Arrogance is an individual who has a large ego, has autocratic leadership, is afraid of losing status and often intimidates other (Howarth, 2011).

H5: *Arrogance has a positive relationship with fraud*

2.8 Collusion

Vousinas (2019) stated that fraud and crime occur due to collusion. Collusion can be reviewed by the existence of political connections to obtain assistance from the government.
H6: *Collusion has a positive relationship with fraud*

2.9 Good Corporate Governance, Audit Committee, Pressure, Opportunity, Rationalization, Competence, Arrogance, and Collusion

Good Corporate Governance (GCG) is a good company management practice by considering the interests of all stakeholders. GCG management is the managemenet of company resources efficiently, effectively, economically and productively by being oriented towards company goals. The OJK has articulated that within the realm of a Public Company, Governance, Compliance, and Control (GCG) encompass a quintet of essential facets, which are as follows: (1) Ensuring the safeguarding of shareholder rights within the context of the Public Company's association with its shareholders, (2) Delving into the duties and responsibilities vested in the Board of Commissioners, (3) Exploring the remit and responsibilities bestowed upon the Board of Directors, (4) Embracing the involvement of stakeholders, and (5) Unveiling the transparency in information disclosure (ojk.go.id).

In the realm of corporate governance, bolstering the entities linked to GCG execution involves a multifaceted ensemble. This ensemble encompasses the Audit Committee, entrusted with aiding the Board of Commissioners in their duties and obligations, alongside the Claims Audit Committee and the Risk and Investment Management Committee. Additionally, it involves internal and compliance overseers, who play a pivotal role in supporting the duties and responsibilities of the Board of Directors (P3IEI, 2021). The Audit Committee plays as a role in assisting the Board of Commissioners in terms of conducting independent monitoring and evaluation. The duties and responsibilities of the Audit Committee are monitoring and evaluating the implementation of Corporate Governance, internal control, risk management, financial reporting and the implementation of audits both internally and externally. The research hypothesis is as follows:

H7a: *GCG moderates the relationship between pressure and the potential for fraud*
H7b: *GCG moderates the relationship between opportunities and potential fraud*
H7c: *GCG moderates the relationship between Rationalization and the potential for fraud*
H7d: *GCG moderates the relationship between Competence and the potential for fraud to occur*
H7e: *GCG moderates the relationship between Arrogance and the potential for fraud*
H7f: *GCG moderates the relationship between Collusion and the potential for fraud*
H8a: *The Audit Committee moderates the relationship between Pressure and the potential for fraud to occur*
H8b: *The Audit Committee moderates the relationship between the Opportunity and the potential for fraud to occur*
H8c: *The Audit Committee moderates the relationship between Rationalization and the potential occurrence of fraud*
H8d: *The Audit Committee moderates the relationship between Comptetence and potential fraud.*
H8e: *The Audit Committee moderates the relationship between Arrogance and potential fraud.*
H8f: *The Audit Committee moderates the relationship between Collusion and potential fraud*

3. Research Methods

The research sample used agricultural sector companies around 22 companies from 2019 to 2020, 2021 data is still not available on the www.idx.co.id and on the company's website. Research sampling using purposive sampling.
List of Agricultural Sector Companies (soure:idx.co.id and cekdollarmu.eu.org, 2021).

1. Cisadane Sawit Raya Tbk. (CSRA).
2. Provident Agro Tbk (PALM).
3. Jaya Agra Wattie Tbk (JAWA).
4. Mahkota Group Tbk. (MGRO).
5. Bakrie Sumatra Plantations Tbk (UNSP).
6. Eagle High Plantations Tbk. (BWPT).
7. Pradiksi Gunatama Tbk (PGUN).
8. Pinago Utama Tbk (PNGO).

9. Multi Agro Gemilang Plantation Tbk (MAGP).
10. Palma Serasih Tbk (PSGO).
11. Astra Agro Lestari Tbk. (AALI).
12. Golden Plantation Tbk (GOLL).
13. Sampoerna Agro Tbk (SGRO).
14. PT FAP Agri Tbk (FAPA).
15. Salim Ivomas Pratama Tbk (SIMP).
16. Dharma Satya Nusantara Tbk. (DSNG).
17. Austindo Nusantara Jaya Tbk. (ANJT).
18. Smart Tbk (SMAR).
19. Gozco Plantations Tbk (GZC).
20. Sawit Sumbermas Sarana Tbk (SSMS).
21. PP London Sumatra Indonesia Tbk (LSIP).
22. Andira Agro Tbk. (ANDI)

3.1 Variable Definition

Table 1. Variable Definition

Variable	Measurement Indicators	Measurement
Dependent Variables: Fraud	Dummy variable, value 1 if the company exposes internal fraud, and value 0 (zero) if there is no internal fraud	Internal fraud disclosure is regulated by OJK
Independent Variables		
Pressure (TEK)	Financial target calculated with ROA = Profit after Tax/Total Assets	Skousen et al (2008)
Opportunity (PEL)	Quality of Public Accounting Firms, value 1 if the company is audited by Public Accounting Firms by The Big 4 and value 0 if not	Skousen et al (2008)
Rationalization (RAS)	Change of Public Accounting Firms, value 1 if there is a change in Public Accounting Firms and value 0 if not.	Skousen et al (2008)
Competence (KOM)	Change of Directors, value 1 if there is a change of Directors and value 0 if not	Skousen et al (2008); Wolfe dan Hermanson (2004)
Arrogance/Ego (AR)	Number of photos of the CEO in the annual report	Howarth (2011)
Collusion (KOL)	There is a Political Connection, a dummy variable, a value of 1 if it has a political connection, and a value of 0 if it doesn't. A Political Connection is an independent commissioner or commissioner having a concurrent office or as a former official of a politician associated with a political party, government or military (Fan et al, 2007).	Fan et al (2007)
GCG	GCG assessment rating.	OJK
Audit Committee	The existence of an Audit Committee is given a value of 1 and if there is no audit committee, it is given a value of 0.	

3.2 Research Model

The Research Model is as follows:
First Research Model:

$$Fraud = \alpha + \beta_1 TEK + \beta_2 PEL + \beta_3 RAS + \beta_4 KOM + \beta_5 ARR + \beta_6 KOL + e \quad \text{.....(1)}$$

Where:
Fraud = Dependent variables, namely dummy variables, 1 if fraud occurs and 0 if fraud does not occur.

TEK = Pressure variable measured by the ROA value, i.e. profit after tax divided by total assets.

PEL = Opportunity variabel measured by Quality of Public Accounting Firms, value 1 if the company is audited by Public Accounting Firms by The Big 4 and value 0 if not

RAS = Rationalization variabel, which is measured by a dummy variable, the value 1 if there is a change in Public Accounting Firms and 0 if there is no change.

KOM = Competency variable, which is measured by the dummy variable, the value 1 if there is a change of Directores and 0 if there is none.

AR = The arrogance variable, which is measured by the number of photos in the annual report.

KOL = The Political Connection variable, which is measured by the dummy variable, the value of 1 if it has a political connection and 0 if it has no political connection.

Second Research Model

$$Fraud = \alpha + \beta_1 TEK + \beta_2 PEL + \beta_3 RAS + \beta_4 KOM + \beta_5 ARR + \beta_6 KOL + (\beta_1 TEK*GCG) + (\beta_2 PEL*GCG) + (\beta_3 RAS*GCG) + (\beta_4 KOM*GCG) + (\beta_5 ARR*GCG) + (\beta_6 KOL*GCG + e \quad \text{.....(2)}$$

Where:
Fraud = Dependent variables, namely dummy variables, 1 if fraud occurs and 0 if fraud does not occur.

TEK = Pressure variable measured by the ROA value, i.e. profit after tax divided by total assets.

PEL = Opportunity variabel measured by Quality of Public Accounting Firms, value 1 if the company is audited by Public Accounting Firms by The Big 4 and value 0 if not
RAS = Rationalization variabel, which is measured by a dummy variable, the value 1 if there is a change in Public Accounting Firms and 0 if there is no change.

KOM = Competency variable, which is measured by the dummy variable, the value 1 if there is a change of Directores and 0 if there is none.

AR = The arrogance variable, which is measured by the number of photos in the annual report.

KOL = The Political Connection variable, which is measured by the dummy variable, the value of 1 if it has a political connection and 0 if it has no political connection.

GCG = Good Corporate Governance variable, dummy variable, value 1 if it gets a GCG rating from the OJK (Financial Services Authority) and 0 if not.
TEK*GCG = X1Z1 is the interaction between Pressure and GCG variables.
PEL*GCG = X2Z1 is the interaction between the Opportunity variables and GCG.
RAS*GCG = X3Z1 is the interaction between Rationalization and GCG variables.
KOM*GCG = X4Z1 is the interaction between Competency and GCG variables.
ARR*GCG = X5Z1 is the interaction between Arrogance and GCG.
KOL*GCG = X6Z1 is the interaction between Political Connections and GCG.

Third Research Model

$$Fraud = \alpha + \beta_1 TEK + \beta_2 PEL + \beta_3 RAS + \beta_4 KOM + \beta_5 ARR + \beta_6 KOL + (\beta_1 TEK*KA) + (\beta_2 PEL*KA) + (\beta_3 RAS*KA) + (\beta_4 KOM*KA) + (\beta_5 ARR*KA) + (\beta_6 KOL*KA + e \quad \ldots\ldots(3)$$

Where:
Fraud = Dependent variables, namely dummy variables, 1 if fraud occurs and 0 if fraud does not occur.

TEK = Pressure variable measured by the ROA value, i.e. profit after tax divided by total assets.

PEL = Opportunity variabel measured by Quality of Public Accounting Firms, value 1 if the company is audited by Public Accounting Firms by The Big 4 and value 0 if not

RAS = Rationalization variabel, which is measured by a dummy variable, the value 1 if there is a change in Public Accounting Firms and 0 if there is no change.

KOM = Competency variable, which is measured by the dummy variable, the value 1 if there is a change of Directores and 0 if there is none.

AR = The arrogance variable, which is measured by the number of photos in the annual report.

KOL = The Political Connection variable, which is measured by the dummy variable, the value of 1 if it has a political connection and 0 if it has no political connection.

KA = Audit Committee variable, dummy variable, value 1 if there is an Audit Committee and 0 if not.
TEK*KA= X1Z2 is the interaction between Pressure and Audit Committee.
PEL* KA = X2Z2 is the interaction between the Opportunity variables and Audit Committee.
RAS* KA = X3Z2 is the interaction between Rationalization and Audit Committee.
KOM* KA = X4Z2 is the interaction between Competency and Audit Committee.
ARR* KA = X5Z2 is the interaction between Arrogance and Audit Committee.
KOL* KA = X6Z2 is the interaction between Political Connections and Audit Committee.

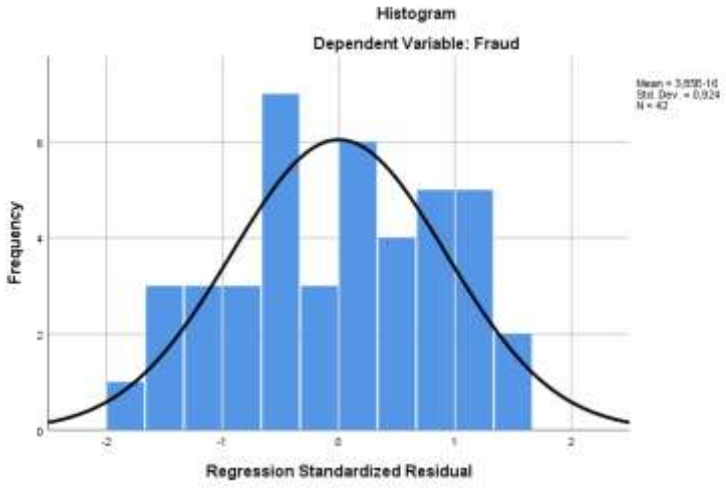
4. Result and Discussion

4.1 Test of Claasical Assumptions

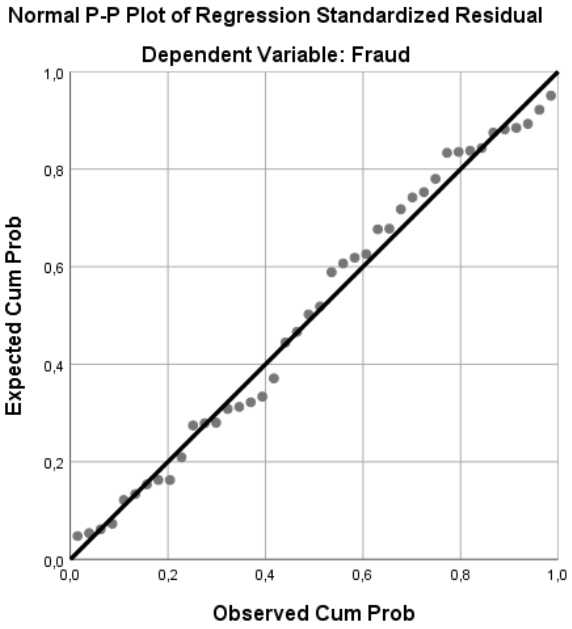
Before hypothesis testing, classical assumption test were carried out, namely normality tests, Kolmogorov-Smirnov tests, multicollinearity tests, heteroscedasticity tests, and autocorrelation test.

4.1.1 Normality Test

a. Histogram Charts and P. Plot



Based on the histogram chart above, it can be seen that the observation distribution forms a normal curve (two valleys and peaks in the middle), so this regression model passes the results of the normalitiy test.



Based on the graph, it ca be seen that the direction of the diagonal line point indicates that the data is normally distributed. From the two graphs above, it can be concluded that the data of this study have passed the normality test.

4.1.2 Kolmogorov-Smirnov Test

Table 2. Test One Sample Kolmogorov-Smirnov

		Unstandardized Residual
N		42
Normal Paremeters[a,b]	Mean	,0000000
	Std. Deviation	,31738976
Most Extreme Differences	Absolut	,091
	Positive	,084
	Negative	-,091
Test Statistic		,091
Asymp.Sig (2 tailed)		,200[cd]

a. Test distribution is Normal.
b. Calculated from data.
c. Liliefors Significance Correction.
d. This is a lower bound of the true significance.

In the context of the Kolmogorov-Smirnov Test, a dataset is considered to exhibit a normal distribution when the obtained significance level exceeds 0.05. Conversely, if the significance level is less than 0.05, it indicates a departure from normality. With reference to the provided table, it is evident that the calculated significance value of 0.200 demonstrates that the data under investigation conforms to a normal distribution.

4.2 Multicollinearity Test

Table 3. Multicolinierity Test

Coefficients[a]
Collinearity Statistics

Model	B	Tolerance	VIF
(Constant)	,620		
TEK	,083	,654	1,529
PEL	,351	,581	1,722
RAS	-,029	,966	1,035
KOM	-,200	,946	1,057
AR	,004	,878	1,139
KOL	,148	,922	1,085

a. Dependent Variable: Fraud

From the table above, it can be seen that the data did not occur multicollinearity because the Tolerance < 0.1 and the VIF < 10.

4.3 Heteroskedasticity Test (Glejser Test)

Table 4. Heteroskedasticity Test (Glejser Test)
Cofficients[a]

	Untandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	T	Sig
(Constant)	,008	,246		,035	,973
TEK	,410	,303	,260	1,353	,185
PEL	-,033	,060	-,111	-,545	,589
RAS	,094	,081	,182	1,149	,258
KOM	-,056	,092	-,097	-,606	,548
AR	,003	,004	,120	,727	,472
KOL	-,040	,085	-,077	-,474	,638

a. Dependent Variable: Abs_Res

From the table above, it can be seen that the significance result is greater than 0.05 on all the variables tested. With these results, there is no indication of heteroscedasticity.

4.4 Autocorrelation Test (Run Test)

Table 5. Autocorrelation Test (Run Tes)

	Unstandardized
Test Value[a]	,00890
Cases < Test Value	21
Cases >= Test Value	21
Total Cases	42
Number of Runs	19
Z	-,781
Asymp.Sig. (2 tailed)	,435

a. Mean

The decision-making framework employed in this approach centers on assessing the Asymp value's calculated outcomes with respect to significance. If the significance value falls below 0.05, it indicates the presence of non-randomness and autocorrelation in the residual data; conversely, if the significance value exceeds 0.05, it signifies that the residual data is characterized by randomness and lacks autocorrelation. The examination of the research data proceeds as follows: based on the data presented in the aforementioned table, it becomes evident that the Asymp.Significance value stands at 0.435, signifying a value greater than 0.05. Consequently, one can deduce that the study data exhibit randomness and are devoid of autocorrelation.

4.5 Descriptive Statistics

Table 6. Descriptive Statistics

	Fraud	TEK	PEL	RAS	KOM	AR	KOL	GCG	KA
MIN	0	-0,58253	0	0	0	0	0	0	1
MAX	0	0,493021	1	0	0	28	1	1	1
MEAN	0	-0,01719	0,380952	0	0	12,2619	0,190476	0,071429	1
STD.DEV	0	0,134269	0,491507	0	0	7,574217	0,397437	0,260662	0
N	42	42	42	42	42	42	42	42	42

From the results of descriptive statistics shows that enterprises in the agricultural sector the average value of 0 (zero) is that there is no cheating internally. The TEK variable is a financial target calculated with ROA or profit after tax has an average of -1,72%. This also means that the company has average profitability and efficiency of -1,72%. The PEL variable is a variable that indicates that the value of 1 if the company is audited by a quality KAP and 0 if not. From the table above shows that the average company is audited by a qualified Public Accounting Company. The RAS variable is a variable if there is an auditor change given a value 1 and a value of 0 if there is no auditor change. From the table above shows that its average value is 0, indicating that there is no turnover of auditor.

From the table above shows that the average company is audited by a qualified Public Accounting Firmas. The RAS variable is a variable if there is an auditor change given a value 1 and a value of 0 if there is no auditor change. From the table above shows that its average value is 0, indicating that there is no turnover of auditors. The GCG variable is to show the GCG assessment rating by the OJK, the value of 1 if it gets the GCG assessment rating and the value of 0 if not. From the data above, it shows that the average GCG rating is 7,14% to get a GCG assessment rating from the OJK. In accordance with the Scopus scholarly discourse, it is evident from the provided data table that each of the observed companies possesses an Audit Committee, as denoted by a KA variable with a value of 1, signifying the presence of an Audit Committee, while a value of 0 is assigned in the absence thereof.

4.6 Multiple Regression Analysis

Table 7. Test t Table

	Untandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	,620	,530		1,170	,250
TEK	,083	,653	,026	2,127	,009
PEL	,351	,130	,006	2,027	,008
RAS	-,029	,175	-,028	-,164	,871
KOM	-,200	,197	-,172	-1,914	,032
AR	,004	,008	,093	,525	,603
KOL	,148	,184	,014	2,080	,036

a. Dependent Variable: Fraud

From the table above, it can be concluded that the variables TEK, PEL and KOl have a positive effect on fraud. This is because the significance level of the variable is less than 0.05. the KOM variable negatively affects fraud, indicating that the change of Directors reduces the occurrence of fraud. RAS and AR variables have an insignificant influence with fraud because they have a signification rate of more than 0.05.

4.7 Moderation Regression Analysis

Table 8. Moderation Regression Test with GCG Variable as Moderation Variable

	Untandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	,658	,549		1,199	,240
TEK	,598	1,134	,187	,527	,019
PEL	,283	,359	,473	,789	,037
RAS	-,118	,488	-,113	-,241	,811
KOM	-,172	,692	-,148	2,249	,005
AR	,003	,038	,071	,081	,936
KOL	1,001	,581	,936	2,722	,010
TEK*GCG	,924	1,236	,545	2,747	,046
PEL*GCG	,419	,523	,645	1,980	,043
RAS*GCG	,096	,617	,078	,156	,877
KOM*GCG	-,712	,995	-,485	-2,172	,048
AR*GCG	-,002	,047	-,044	-,051	,960
KOL*GCG	1,557	,785	1,449	1,984	,050

a. Dependent Variable: Fraud

From the table above, it can be seen that the variables TEK, PEL, KOM and KOL have a positive effect on fraud. GCG variable can reduce the occurrence of Competency, but can not reduce the occurrence of Pressure, Opportunity and Collusion against fraud.

Table 9. Moderation Regression Test with Audit Committee Variable as Moderation Variable

	Untandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	,476	,631		,756	,456
TEK	,600	2,132	,188	2,281	,008
PEL	,609	,636	1,018	1,957	,035
RAS	-,089	,933	-,085	-,095	,925
KOM	-,612	,991	,527	2,174	,042
AR	,003	,038	-,661	-,573	,571
KOL	,131	1,000	,123	2,131	,019
TEK*KA	,333	1,222	,288	,273	,028
PEL*KA	,424	,431	1,150	1,984	,033
RAS*KA	,015	,645	,022	,023	,982
KOM*KA	-,557	,690	-,739	-1,981	,043
AR*KA	-024	,033	,814	,717	,479
KOL*KA	,794	,685	,114	2,116	,008

a. Dependent Variable: Fraud

from the table above, it can be seen that the variables TEK, PEL, KOM and KOL affect fraud. Audit Committee variable can reduce the occurrence of Competency, but can not reduce the occurrence of Pressure, Opportunity and Collusion against fraud.

5. Conclusion

The results showed that the variables TEK, PEL and KOL had a positive effect on fraud. The KOM variable is related to the negative occurrence of fraud, meaning that the change of directors reduces the occurrence of fraud. GCG and Audit Committee variables do not moderate the relationship of Pressure, Opportunity and Collusion to fraud. With the existence of GCG and the Audit Committee, Pressure, Opportunity and Collusion do not reducethe occurrence of fraud. This shows that GCG and the Audit Committee have not been able to reduce the occurrence of fraud. With the existence of GCG and the Audit Committee, competence (change of directors) against fraud can be reduced.

Implications of the theory, the results of this study develop the theory of hexagon cheating. The results showed that the variables of pressure, opportunity, and collusion had a positive effect on cheating. These results show that the higher the pressure, opportunity and collusion, the higher the occurrence of fraud. Competency variables are negatively related to cheating, there is high competence, the lower the occurrence of fraud. Good Corporate Governance and Audit Committee variables do not moderate the relationship of pressure, opportunity and collusion do not reduce the occurrence of fraud. The implications of practice, companies must reduce the presence of pressure, opportunities and collusion to reduce the occurrence of fraud. Companies must also improve competence to reduce the occurrence of fraud. Companies also need to create a good corporate governance division and an audit committee to reduce the occurrence of fraud.

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