

Examining Financial Statement Fraud Through The Lens Of The Fraud Hexagon Empirical Evidence Using M-Score And F-Score Models

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ABSTRACT

This study aims to analyze the influence of factors within the Fraud Hexagon on financial statement fraud using two measurement approaches: the F-Score and the M-Score. The factors examined include leverage as a proxy for pressure, ineffective monitoring as a proxy for opportunity, total accruals to total assets as a proxy for rationalization, change of directors as a proxy for capability, the CEO's profile as a proxy for arrogance, and political connections as a proxy for collusion. This study employs a quantitative method with an associative approach and uses secondary data obtained from companies' financial statements and annual reports. The number of observations used in this study is 85. Data analysis was conducted using descriptive statistics, classical assumption tests, regression analysis, hypothesis testing, and the coefficient of determination with the aid of the EViews 10 software. The results indicate that, based on the F-Score measurement, leverage, ineffective monitoring, and changes in directors have a significant effect on financial statement fraud, whereas total accruals to total assets, the CEO's profile, and political connections do not. In the M-Score analysis, leverage, changes in directors, and the CEO's profile had a significant effect on financial statement fraud, whereas ineffective monitoring, total accruals to total assets, and political connections had no effect. These findings indicate that there is a difference in sensitivity between the F-Score and M-Score models in identifying factors related to indications of financial statement fraud. However, leverage is a factor that consistently has a significant effect in both measurement models.

Keywords: Financial Statement Fraud, Fraud Hexagon, F-Score, M-Score, Leverage

INTRODUCTION

The rise in cases of financial statement manipulation involving major companies such as Enron, WorldCom, Toshiba, and the Jiwasraya case in Indonesia demonstrates that existing

oversight and audit systems are not yet fully effective in detecting signs of fraud. In this context, it is important for accounting scholars and practitioners to understand the root causes of fraud from various perspectives both behavioral and financial in order to develop more effective detection and prevention systems.

The theoretical framework for understanding fraudulent behavior has evolved over time. Initially, Donald Cressey (1953) introduced the concept of the Fraud Triangle, which consists of three main elements: pressure, opportunity, and rationalization. This model is widely used by auditors and researchers to explain individuals' motivations for committing fraud. However, this model is considered insufficient to fully capture the modern dynamics within organizations that are becoming increasingly complex and digitally connected.

As the field evolved, Wolfe and Hermanson (2004) expanded the model into the Fraud Diamond by adding the element of capability—that is, an individual's ability to commit fraud in a given situation. Subsequently, Yousef (2010) and several other researchers introduced a more comprehensive model, the Fraud Hexagon, which added two new elements: collusion and arrogance. This model assumes that fraud is caused not only by economic pressure and opportunity but also by collaboration among individuals and an arrogant attitude stemming from power or position within an organization (Achmad et al., 2022).

Empirical research based on the Fraud Hexagon has demonstrated the model's relevance in explaining fraudulent financial reporting. For example, a study by Achmad, Ghozali, and Pamungkas (2022) on the banking sector in Indonesia found that the elements of opportunity and arrogance have a significant influence on the likelihood of financial statement fraud (Econstor, 2022). These results confirm that the Fraud Hexagon provides a more holistic understanding of the factors that trigger fraud compared to previous models.

Several previous studies have shown inconsistent results regarding the effectiveness of the M-Score and F-Score in detecting fraud. These differences may be due to variations in industry, study period, and company characteristics. Therefore, empirical research is needed that combines the Fraud Hexagon with these two quantitative detection models to gain a more comprehensive understanding of the causes and indicators of financial statement fraud.

METODE PENELITIAN

This study is an associative quantitative study, which aims to identify the relationship between two or more variables (Sugiyono, 2017). This study examines the relationship between the components of fraud as the independent variable and financial statement fraud as the dependent variable.

RESULTS AND DISCUSSION

Descriptive Statistics

The research variables used in this study consist of Financial Statement Fraud as the dependent variable, measured using the F-Score and M-Score, and the Fraud Hexagon factors as independent variables. These independent variables include Leverage (LEV), Ineffective Monitoring (INM), Total Accruals to Total Assets (TATA), Change of Directors (COD), CEO

Profile (CEOPIC), and Political Connections (POC). Descriptive statistical analysis was conducted to provide an overview of the characteristics of each research variable based on the mean, median, maximum value, minimum value, and standard deviation. The results of the descriptive statistical analysis of the research variables are presented in the following table.

Tabel 4.1 Table of Descriptive Statistical Analysis

	FSCORE	LEV	INM	TATA	COD	CEOPIC	POC
Mean	1.479620	0.513296	0.418688	-0.037150	0.247059	2.552941	0.355882
Median	1.514318	0.531412	0.400000	-0.028712	0.000000	2.000000	0.250000
Maximum	7.219500	0.858204	0.666667	0.153946	1.000000	8.000000	1.000000
Minimum	-4.167433	0.037371	0.200000	-0.200427	0.000000	1.000000	0.000000
Std. Dev.	1.125246	0.209606	0.086251	0.061749	0.433861	0.957500	0.321308
Skewness	-0.034979	-0.478284	0.257078	-0.287431	1.172921	2.222003	0.695207
Kurtosis	16.67742	2.427486	2.951850	3.640626	2.375744	13.95249	2.530433
Jarque-Bera	662.5631	4.401559	0.944477	2.623908	20.86988	494.7925	7.627837
Probability	0.000000	0.110717	0.623605	0.269293	0.000029	0.000000	0.022062
Sum	125.7677	43.63015	35.58849	-3.157753	21.00000	217.0000	30.25000
Sum Sq. Dev.	106.3589	3.690529	0.624900	0.320284	15.81176	77.01176	8.672059
Observations	85	85	85	85	85	85	85

Source: Data processed using Eviews 10, 2025

Based on Table 4.3, the number of observations used in this study was 85. The F-Score variable had a mean of 1.479620 with a standard deviation of 1.125246. The maximum value of 7.219500 was recorded by PT Bukaka Teknik Utama Tbk. (BUKK), while the minimum value of -4.167433 was recorded by PT Tower Bersama Infrastructure Tbk. (TBIG). The fact that the mean is greater than the standard deviation ($1.479620 > 1.125246$) indicates that the F-Score data tends to be homogeneous. This suggests that the data dispersion is relatively small, so the F-Score values across companies do not show excessive variation.

The Leverage (LEV) variable has a mean of 0.513296 with a standard deviation of 0.209606. The maximum value of 0.858204 is held by PT Adhi Karya (Persero) Tbk. (ADHI), while the minimum value of 0.037371 is held by PT LCK Global Kedaton Tbk. (LCKM). The fact that the mean is greater than the standard deviation ($0.513296 > 0.209606$) indicates that the LEV data is homogeneous. Thus, the leverage ratios of the sample companies exhibit relatively low dispersion and tend to cluster around their mean.

The Ineffective Monitoring (INM) variable has a mean value of 0.418688 with a standard deviation of 0.086251. The maximum value is 0.666667, while the minimum value is 0.200000. The fact that the mean is greater than the standard deviation ($0.418688 >$

0.086251) indicates that the INM data is homogeneous. This means that the data dispersion is relatively narrow, so the levels of ineffective monitoring among companies tend not to differ significantly.

The Total Accrual to Total Assets (TATA) variable has a mean of -0.037150 with a standard deviation of 0.061749. The maximum value is 0.153946, while the minimum value is -0.200427. A standard deviation greater than the mean indicates that the TATA data tends to be heterogeneous. This condition indicates that TATA values exhibit fairly high variation and a relatively wide distribution of data across the sample companies.

The Change of Directors (COD) variable has a mean of 0.247059 with a standard deviation of 0.433861. A maximum value of 1 indicates a change in directors, while a minimum value of 0 indicates no change in directors. The fact that the standard deviation is greater than the mean ($0.433861 > 0.247059$) indicates that the COD data is heterogeneous. Thus, the spread of the COD data is quite wide, indicating differences in the conditions of board changes among the sample companies.

The CEO Picture (CEOPIC) variable has a mean of 2.552941 with a standard deviation of 0.957500. The maximum value is 8, while the minimum value is 1. The mean value is greater than the standard deviation ($2.552941 > 0.957500$), indicating that the CEOPIC data is homogeneous. This suggests that the number of CEO photos in the annual reports of the sample companies exhibits relatively low variation and tends to cluster around the mean.

The Political Connection (POC) variable has a mean of 0.355882 with a standard deviation of 0.321308. The maximum value is 1, while the minimum value is 0. The fact that the mean is greater than the standard deviation ($0.355882 > 0.321308$) indicates that the POC data is homogeneous. Thus, the distribution of political connection data among the sample companies is relatively uniform and tends to be concentrated around the mean.

Test of Classical Assumptions

The purpose of testing the classical assumptions is to determine and assess the validity of the regression model used in this study. The classical assumption tests include the normality test, the multicollinearity test, the heteroscedasticity test, and the autocorrelation test.

Normality Test

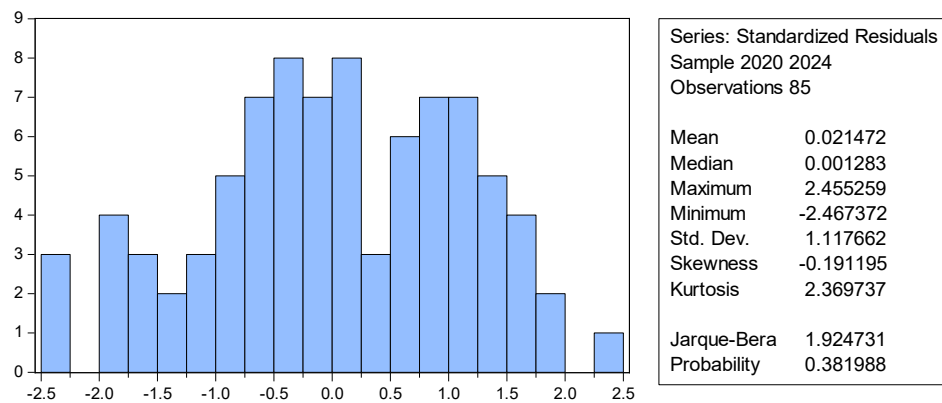


Figure 4.1 F-Score Normality Test

The figure above shows that the probability value of 0.381988 is greater than 0.05, which means that the data are normally distributed—that is, the classical assumptions of the normality test are met.

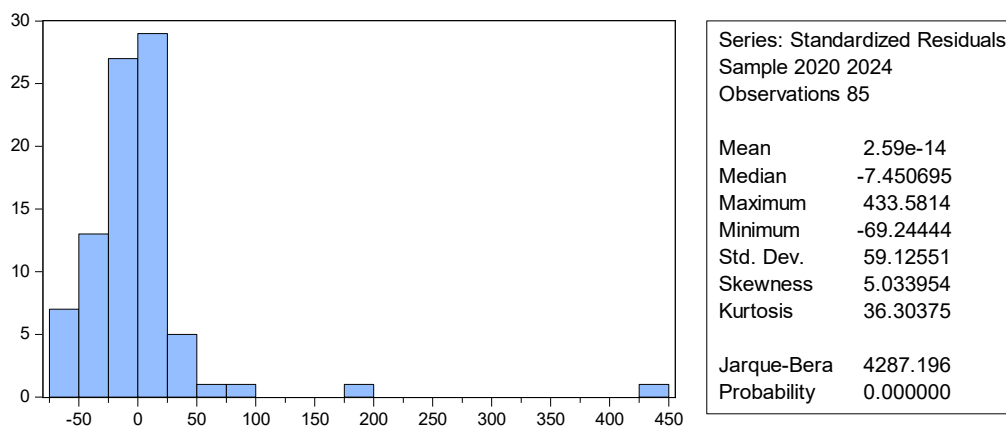


Figure 4.2 M-score Normality Test

The figure above shows that the probability value of 0.000000 is less than 0.05, which means that the data are not normally distributed—that is, the classical assumptions of the normality test are not met, since data above 30 are considered normally distributed.

Multicollinearity Test

Table 4.2 Results of the Multicollinearity Test: F-Score and M-Score

	LEV	INM	TATA	COD	CEOPIC	POC
LEV	1	0.02606	-0.2362	-0.0201	-0.1331	0.0396
INM	0.02606	1	-0.0375	-0.1312	-0.0674	-0.0269
TATA	-0.2362	-0.0375	1	-0.0637	0.16231	0.11848
COD	-0.0201	-0.1312	-0.0637	1	-0.0748	0.10901

CEOPIC	-0.1331	-0.0674	0.16231	-0.0748	1	0.27178
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Source: Data processed using Eviews 10

The results of the correlation analysis show values less than 1, indicating that there is no multicollinearity among the independent variables because the results are less than 1.

Heteroscedasticity Test

Table 4.3 F-Score Heteroscedasticity Test Results

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.963706	Prob. F(6,78)	0.4554
Obs*R-squared	5.866282	Prob. Chi-Square(6)	0.4383
Scaled explained SS	34.45583	Prob. Chi-Square(6)	0.0000

Based on the table above, the probability value for obs*R-squared is $0.4383 > 0.05$; therefore, H_0 is rejected, meaning there is no issue of heteroscedasticity.

Table 4.4 Results of the M-score Heteroscedasticity Test

Heteroskedasticity Test: ARCH

F-statistic	0.816885	Prob. F(1,66)	0.3694
Obs*R-squared	0.831349	Prob. Chi-Square(1)	0.3619

Source: Data processed using Eviews 10

Based on the table above, the probability value of the F-statistic is $0.3694 > 0.05$; therefore, H_0 is rejected, meaning there is no issue of heteroscedasticity.

Autocorrelation Test

Table 4.5 F-Score Autocorrelation Test Results

R-squared	0.333762	Mean dependent var	4.497258
Adjusted R-squared	0.282513	S.D. dependent var	4.358037
S.E. of regression	1.160069	Akaike info criterion	1.816158
Sum squared resid	104.9693	Schwarz criterion	2.017317
Log likelihood	-70.18671	Hannan-Quinn criter.	1.897070
F-statistic	6.512554	Durbin-Watson stat	1.951288
Prob(F-statistic)	0.000013		

Source: Data processed using Eviews 10

Table 4.6 MScore Autocorrelation Test Results

R-squared	0.230782	Mean dependent var	8.146395
Adjusted R-squared	0.171611	S.D. dependent var	67.41401
S.E. of regression	61.35744	Akaike info criterion	11.15007
Sum squared resid	293649.3	Schwarz criterion	11.35123
Log likelihood	-466.8781	Hannan-Quinn criter.	11.23099
F-statistic	3.900281	Durbin-Watson stat	1.527143
Prob(F-statistic)	0.001854		

Based on the table and the calculation using the formula -2+2 above, it can be seen that the Durbin-Watson value is 1.527143, which falls between -2 and +2. Therefore, there is no autocorrelation issue in this study.

Hypothesis Testing (t-Test)

Table 4.7 t-Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.538870	0.391214	3.933578	0.0002
LEV	-0.912731	0.255601	-3.570926	0.0006
INM	0.354221	0.126568	2.798659	0.0065
TATA	0.773899	0.890934	0.868638	0.3877
COD	-0.177131	0.040743	-4.347525	0.0000
CEOPIC	0.117200	0.080975	1.447359	0.1518
POC	0.124838	0.123284	1.012600	0.3144

Source: Data processed using Eviews 10

Based on the results of the t-test, the following conclusions can be drawn:

- 1) Leverage terhadap F-Score
Leverage has a significant value of 0.0006, where $0.0006 < 0.05$. This implies, in part, that Leverage influences the F-Score; therefore, H1 is accepted and H0 is rejected.
- 2) Ineffective Monitoring terhadap F-Score
Ineffective Monitoring has a significance value of 0.0065, where $0.0065 > 0.05$. This implies, in part, that Ineffective Monitoring influences the F-Score; therefore, H1 is rejected and H0 is accepted.
- 3) Total Accrual To Total Asset terhadap F-Score
Total Accrual to Total Assets has a significance value of 0.3877, where $0.3877 > 0.05$. This implies, in part, that Total Accrual to Total Assets does not affect the F-Score; therefore, H0 is accepted and H1 is rejected.
- 4) Change of Director terhadap F-Score
Change of Director has a significant value of 0.0000, where $0.0000 < 0.05$. This implies, in part, that Change of Director has an effect on the F-Score; therefore, H_a is accepted and H₀ is rejected.

5) CEO Picture terhadap F-Score

The “CEO Picture” variable has a significance value of 0.1518, where $0.1518 < 0.05$. This implies, in part, that the “CEO Picture” has no effect on the F-Score; therefore, H1 is accepted and H0 is rejected.

6) Political Connection terhadap F-Score

Political Connection has a significant value of 0.3144, where $0.3144 > 0.05$. This implies, in part, that Political Connection has no effect on the F-Score; therefore, H1 is rejected and H0 is accepted.

Table 4.8 Result t Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	138.5626	44.17259	3.136847	0.0024
LEV	-105.2720	33.25125	-3.165957	0.0022
INM	-98.54991	78.58798	-1.254007	0.2136
TATA	47.16360	113.5555	0.415335	0.6790
COD	35.54186	15.82675	2.245682	0.0276
CEOPIC	-16.38317	7.449115	-2.199345	0.0308
POC	-0.905924	22.05881	-0.041069	0.9673

Source: Data processed using Eviews 10

Based on the results of the t-test, the following conclusions can be drawn:

1) Leverage terhadap M-Score

Leverage has a significant value of 0.0022, where $0.0022 < 0.05$. This implies, in part, that leverage affects the M-Score; therefore, H1 is accepted and H0 is rejected.

2) Ineffective Monitoring terhadap M-Score

Ineffective Monitoring has a significant value of 0.2136, where $0.2136 > 0.05$. This implies, in part, that Ineffective Monitoring does not influence the M-Score; therefore, H_a is rejected and H₀ is accepted.

3) Total Accrual To Total Asset terhadap M-Score

Total Accrual to Total Assets has a significance value of 0.6790, where $0.6790 > 0.05$. This implies, in part, that Total Accrual to Total Assets does not affect the firm's value; therefore, H_a is rejected and H₀ is accepted.

4) Change of Director terhadap M-Score

Change of Director has a significant value of 0.0276, where $0.0276 < 0.05$. This implies, in part, that Change of Director affects the F-Score; therefore, H1 is accepted and H0 is rejected.

5) CEO Picture terhadap M-Score

The CEO's Image has a significance value of 0.0308, where $0.0308 < 0.05$. This implies, in part, that the CEO's Image affects the F-Score; therefore, H_a is accepted and H_0 is rejected.

6) Political Connection terhadap M-Score

Political Connection has a significant value of 0.9673, where $0.9673 > 0.05$. This implies, in part, that Political Connection has no effect on the F-Score; therefore, H_1 is rejected and H_0 is accepted.

Coefficient of Determination

The coefficient of determination test aims to measure the extent to which the variation in the independent variable can explain the variation in the dependent variable. An R^2 value equal to or close to 0 indicates that the independent variable has very limited ability to explain the variation in the dependent variable. Conversely, an R^2 value close to 1 indicates that the independent variable can explain the variation in the dependent variable.

Table 4.20 Coefficient of Determination F-Score

R-squared	0.333762
Adjusted R-squared	0.282513

Source: Data processed using Eviews 10

The test results, based on the adjusted R-squared coefficient, yielded a value of 0.282513. This means that 28.25% of the F-Score is influenced by LEV, INM, TATA, COD, CEOPIC, and POC, while the remaining 71.75% is influenced by other variables not examined in this study.

Table 4.21 Coefficient of Determination M-Score

R-squared	0.230782
Adjusted R-squared	0.171611

Source: Data processed using Eviews 10

The test results, using the adjusted R-squared coefficient, showed a value of 0.171611. This means that 17.16% of the M-Score is influenced by LEV, INM, TATA, COD, CEOPIC, and POC, while the remaining 82.84% is influenced by other variables not examined in this study.

Discussion

The Effect of Leverage on Financial Statement Fraud (F-Score)

Based on the results of the regression analysis, leverage has an effect on financial statement fraud as measured by the F-Score. Leverage has a significant value of 0.0006, where $0.0006 < 0.05$. Based on the Fraud Pentagon theory, leverage can be linked to the element of “pressure.” A company’s high level of debt can create pressure on management to maintain the company’s performance in order to retain the trust of creditors and investors. Under certain conditions, this pressure can drive management to manipulate financial statements to present a financial condition that is better than the actual situation.

A negative coefficient indicates that as a company’s leverage ratio increases, the incidence of financial statement fraud tends to decrease. These results suggest that companies with high debt levels tend to be subject to stricter oversight by creditors, thereby reducing management’s opportunities to commit financial statement fraud.

According to agency theory, the presence of creditors as external parties can enhance the monitoring function over management. Strict oversight by creditors causes management to be more cautious in preparing financial statements, thereby minimizing the likelihood of financial statement manipulation.

The results of this study are consistent with research conducted by Skousen, which states that external pressure can influence management’s behavior in the preparation of financial statements. However, these results differ from several studies that found that high leverage actually increases the risk of fraud because management strives to meet debt obligations and maintain the company’s reputation in the eyes of creditors.

The Effect of Leverage on Financial Statement Fraud (M-Score)

Based on the results of the regression test, the Leverage (LEV) variable has a coefficient of -105.2720 with a significance level of 0.0022. This significance level is less than 0.05 ($0.0022 < 0.05$), so it can be concluded that Leverage has a significant effect on Financial Statement Fraud as measured by the M-Score. The negative coefficient indicates that the higher a company’s leverage, the lower its M-Score tends to be. This suggests that companies with high debt levels are less likely to engage in financial statement manipulation.

According to Agency Theory, companies with high debt levels are subject to stricter oversight by creditors. This oversight encourages management to present financial statements in a more transparent manner that accurately reflects actual conditions, thereby reducing the potential for financial statement fraud. The results of this study indicate that the presence of creditors serves as an external oversight mechanism capable of reducing financial statement fraud.

The Effect of Ineffective Monitoring (INM) on Financial Statement Fraud (F-Score)

Based on the regression test results, the Ineffective Monitoring (INM) variable has a coefficient value of 0.354221 with a significance level of 0.0065. This value is less than 0.05 ($0.0065 < 0.05$), so it can be concluded that Ineffective Monitoring has a significant effect on Financial Statement Fraud. A positive coefficient indicates that the higher the level of

ineffective monitoring, the greater the likelihood of financial statement fraud. This suggests that weak oversight functions within a company can provide management with opportunities to manipulate financial statements.

From the perspective of the Fraud Triangle Theory proposed by Donald Cressey, weak oversight is one form of opportunity that enables an individual to commit fraud. When internal control systems do not function effectively, the risk of fraud increases. The results of this study support various previous studies that indicate that the effectiveness of corporate oversight plays a crucial role in preventing financial statement fraud.

The Effect of Ineffective Monitoring (INM) on Financial Statement Fraud (M-Score)

Based on the results of the regression test, the Ineffective Monitoring (INM) variable has a coefficient of -98.54991 with a significance level of 0.2136. This significance value is greater than 0.05 ($0.2136 > 0.05$), so it can be concluded that Ineffective Monitoring has no effect on Financial Statement Fraud as measured using the M-Score. Although the coefficient indicates a negative direction, the effect is not statistically significant. These results indicate that the effectiveness or ineffectiveness of oversight, as proxied in this study, has not been able to explain the occurrence of financial statement fraud.

This situation may arise because the presence of independent directors—as a measure of ineffective monitoring—does not necessarily reflect the actual quality of oversight. Independent directors may serve merely to comply with regulatory requirements, meaning their role in preventing fraud is not yet optimal.

The results of this study indicate that opportunity—proxied by ineffective monitoring—has not been a major factor influencing financial statement fraud in the companies studied.

The Effect of Total Accruals to Total Assets (TATA) on Financial Statement Fraud (F-Score)

Based on the results of the regression test, the Total Accrual to Total Assets (TATA) variable has a coefficient of 0.773899 with a significance level of 0.3877. This significance level is greater than 0.05 ($0.3877 > 0.05$), so it can be concluded that TATA has no effect on financial statement fraud. Although the coefficient indicates a positive direction, the effect is not statistically significant. This suggests that the amount of accruals a company holds does not necessarily reflect manipulation in its financial statements.

This situation may arise because accrual-based accounting policies are still applied within the limits of applicable accounting standards, and therefore do not necessarily indicate the presence of financial statement fraud. The results of this study indicate that accrual components have not yet proven to be a strong indicator for detecting financial statement fraud in the study sample.

The Effect of Total Accruals to Total Assets (TATA) on Financial Statement Fraud (M-Score)

Based on the results of the regression test, the Total Accrual to Total Assets (TATA) variable has a coefficient of 47.16360 with a significance level of 0.6790. This significance value is greater than 0.05 ($0.6790 > 0.05$), so it can be concluded that TATA has no effect on financial statement fraud as measured by the M-Score. The positive coefficient indicates that an increase in accruals tends to increase financial statement fraud; however, this relationship is not statistically significant. This means that a company's use of the accrual method is not always associated with the practice of financial statement manipulation.

The application of the accrual basis in the preparation of financial statements is part of applicable accounting standards; therefore, the amount of accruals cannot be directly used as an indicator of fraud. Consequently, the rationalization proxied by TATA has not been able to explain the occurrence of financial statement fraud in the research sample.

The Effect of a Change in Directors (COD) on Financial Statement Fraud (F-Score)

Based on the regression test results, the Change of Director (COD) variable has a coefficient value of -0.177131 with a significance level of 0.0000. This significance value is less than 0.05 ($0.0000 < 0.05$), so it can be concluded that Change of Director has a significant effect on Financial Statement Fraud. A negative coefficient indicates that a change in directors tends to reduce the level of financial statement fraud. A change in directors may be a company's effort to improve corporate governance and enhance the quality of oversight over management activities. From the perspective of the Fraud Pentagon Theory developed by Jonathan Marks, a change in directors serves as a proxy for capability. A change in leadership can alter decision-making patterns and strengthen internal control systems, thereby reducing the likelihood of fraud. The results of this study indicate that leadership changes within a company can have a positive impact on improving the transparency and accountability of financial reporting.

The Effect of a Change in Directors (COD) on Financial Statement Fraud (M-Score)

Based on the results of the regression test, the Change of Director (COD) variable has a coefficient of 35.54186 with a significance level of 0.0276. This significance level is less than 0.05 ($0.0276 < 0.05$), so it can be concluded that Change of Director has a significant effect on Financial Statement Fraud as measured using the M-Score. A positive coefficient indicates that companies that undergo a change in directors tend to have a higher M-Score than companies that do not undergo such a change. This suggests that a change in directors may increase the likelihood of financial statement manipulation. According to the Fraud Pentagon Theory developed by Jonathan Marks, a change in directors serves as a proxy for the "capability" element. Such a change can create a transitional period that opens opportunities for certain individuals to exploit weaknesses in the internal control system or adjust financial reporting strategies to achieve specific targets. In addition, new directors often face pressure to demonstrate good performance in a short period of time, which can encourage financial statement manipulation.

The Effect of the CEO's Image (CEOPIC) on Financial Statement Fraud (F-Score)

Based on the regression test results, the CEO Picture (CEOPIC) variable has a coefficient value of 0.117200 with a significance level of 0.1518. This significance level is greater than 0.05 ($0.1518 > 0.05$), so it can be concluded that the CEO Picture has no effect on financial statement fraud. These results indicate that the number of CEO photos featured in annual reports cannot serve as a strong indicator for detecting financial statement fraud. The inclusion of CEO photos in annual reports is primarily used as a means of corporate communication with shareholders and the public. Thus, the element of arrogance proxied by the CEO Picture has not been able to explain the occurrence of financial statement fraud in the companies studied.

The Effect of the CEO's Image (CEOPIC) on Financial Statement Fraud (M-Score)

Based on the results of the regression analysis, the CEO Image (CEOPIC) variable has a coefficient of -16.38317 with a significance level of 0.0308. This significance level is less than 0.05 ($0.0308 < 0.05$), so it can be concluded that the CEO Picture has a significant effect on financial statement fraud as measured by the M-Score. The negative coefficient indicates that the more CEO photos displayed in the annual report, the lower the M-Score tends to be. This suggests that the presence of CEO photos is actually associated with a lower likelihood of financial statement manipulation. These results differ from the Fraud Pentagon concept, which posits that a large number of CEO photos may reflect a leader's arrogance. In this study, the number of CEO photos likely reflects the company's transparency and communication strategy toward shareholders and the public rather than a form of arrogance. Thus, the element of arrogance proxied by CEO photos shows a significant relationship with financial statement fraud, but the direction of the relationship is negative.

The Effect of Political Connections (POC) on Financial Statement Fraud (F-Score)

Based on the regression test results, the Political Connection (POC) variable has a coefficient value of 0.124838 with a significance level of 0.3144. This significance value is greater than 0.05 ($0.3144 > 0.05$), so it can be concluded that Political Connection does not have an effect on Financial Statement Fraud. Although the coefficient indicates a positive direction, the relationship is not statistically significant. This suggests that the presence of political connections within a company does not necessarily encourage or reduce financial statement fraud. Political connections may provide advantages in the form of easier access to resources and government policies, but they do not directly influence management's decisions to manipulate financial statements. The results of this study indicate that political connections are not a major factor influencing the occurrence of financial statement fraud in the companies studied.

The Effect of Political Connections (POC) on Financial Statement Fraud (M-Score)

Based on the results of the regression test, the Political Connection (POC) variable has a coefficient of -0.905924 with a significance level of 0.9673. This significance value is greater than 0.05 ($0.9673 > 0.05$), so it can be concluded that Political Connection has no effect on Financial Statement Fraud as measured using the M-Score. The negative coefficient indicates an inverse relationship, but this effect is not statistically significant. This suggests that the presence of political connections within a company cannot explain the extent of financial statement manipulation. Companies with political connections and those without are both subject to oversight by regulators, external auditors, and shareholders; thus, political connections are not a determining factor in the occurrence of financial statement fraud. These results indicate that the political connections variable is not a dominant factor influencing financial statement manipulation practices in the companies studied.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of a study using two models for measuring financial statement fraud the F-Score and the M-Score the findings indicate differences in the effects of several independent variables on financial statement fraud. In the F-Score measurement, the variables leverage (LEV), ineffective monitoring (INM), and change of director (COD) were found to have a significant effect on financial statement fraud. Leverage and Change of Director have a negative effect, while Ineffective Monitoring has a positive effect. Meanwhile, the variables Total Accruals to Total Assets (TATA), CEO Profile (CEOPIC), and Political Connections (POC) were not found to have an effect on financial statement fraud. On the other hand, in the M-Score measurement, the variables Leverage (LEV), Change of Directors (COD), and CEO Profile (CEOPIC) were found to have a significant effect on financial statement fraud. Leverage and CEO Picture showed a negative effect, while Change of Director showed a positive effect. The variables Ineffective Monitoring (INM), Total Accrual to Total Assets (TATA), and Political Connection (POC) were not found to have an effect on financial statement fraud. When comparing the two measurement models, several consistent findings emerged. The Leverage (LEV) variable was found to have a significant effect in both models, with a negative relationship. These results indicate that the higher a company's leverage, the lower the likelihood of financial statement fraud due to stricter oversight by creditors. In addition, the Change of Director (COD) variable was also found to have a significant effect in both models, although the direction of the effect differed. In the F-Score model, Change of Director had a negative effect, whereas in the M-Score model, it had a positive effect. This difference suggests that a change in the board of directors can have varying impacts depending on the fraud measurement approach used. Differences in results were also found for the variables "Ineffective Monitoring" (INM) and "CEO Picture" (CEOPIC). The "Ineffective Monitoring" variable had a significant effect only in the F-Score model, while "CEO Picture" had a significant effect only in the M-Score model. This indicates that the sensitivity of each model in detecting indications of financial statement fraud varies. Meanwhile, the Total Accrual to Total Assets (TATA) and Political Connection (POC) variables consistently had no effect on

financial statement fraud in either the F-Score or M-Score measurements. Overall, the research findings indicate that leverage is the variable that most consistently influences financial statement fraud in both measurement models. In addition, a change in directors is also an important factor to consider, as it has been shown to have a significant effect in both models. These findings indicate that factors related to financial pressure and changes in corporate leadership play a greater role in explaining the occurrence of financial statement fraud than factors such as rationalization, political connections, or some of the indicators of arrogance used in this study.

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