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The Role of the Fraud Hexagon in Detecting Financial Restatements with Audit Quality as a Moderator in Indonesia's Healthcare Sector (2020–2022)

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Abstract. Financial restatements, often indicative of financial reporting fraud, remain a critical concern globally, particularly in emerging economies like Indonesia. The healthcare sector, recently marred by high-profile scandals such as the PT Indofarma case, underscores the urgency of understanding the drivers of restatements. This study aims to analyze the effects of pressure, opportunity, rationalization, capability, arrogance, dan collusion on restatement, with audit quality as the moderating variable. The study was conducted on healthcare sector companies listed on the Indonesian Stock Exchange in 2020–2022. The sample was selected using purposive sampling, and the data that passed the selection process consisted of 13 companies. The results show that pressure, opportunity, rationalization, capability, arrogance, and collusion have no significant effects on restatement. Furthermore, audit quality does not moderate the relationship between these factors and restatements. These results suggest that in the context of Indonesia's healthcare sector, traditional fraud indicators may not sufficiently explain restatement occurrences, highlighting the potential influence of external or unexamined variables. The study implies the need for more nuanced fraud detection models and reinforces the importance of robust internal controls and governance mechanisms beyond conventional audit practices.

Keywords: Arrogance; Audit Quality; Capability; Collusion; Opportunity; Pressure; Rationalization; Restatement

INTRODUCTION

An important source of information that can describe a company's performance and financial position is the financial statements. Every detail of the financial statement is needed for the company's evaluation. Financial statements are reports that show the financial condition of a company at a specific time or over a certain period (Meihana et al., 2021; Meiryani et al., 2020; Solikhah et al., 2020). With the report provided by the company's management, it becomes very helpful for shareholders in the decision-making process and is useful for understanding the current situation or as a tool to predict future conditions. Financial statements also serve as a form of management accountability for the use of resources entrusted to it (PSAK No. 1). Therefore, quality financial statements can be used effectively for decision-making.

However, sometimes companies, either intentionally or unintentionally, create financial statements containing errors in recording, calculation, policy determination, and so on. These mistakes must be corrected and disclosed to ensure financial statements are reliable decision-making tools.

According to PSAK 25 of 2018, errors in past periods refer to mistakes in including and recording the entity's financial statements in previous periods, which include mathematical calculation errors, application of accounting policies, errors or misinterpretations of facts, and fraud (Financial Accounting Standards Council of the Indonesian Institute of Accountants,

2018). These corrections can be made by re-presenting financial statements, known as Restatement. Restatements often signal a negative indication to investors because companies that restate tend to cause investor distrust.

The preparation of financial statements containing intentional errors falls into the category of fraud. Fraud cases have occurred frequently in Indonesia. According to the Association of Certified Fraud Examiners (ACFE) report titled Occupational Fraud 2022: A Report to the Nations, Indonesia ranks 4th in Asia Pacific based on the number of fraud cases. This is illustrated in the image below.

FIG. 58 CASES BY COUNTRY IN THE ASIA-PACIFIC REGION

Country	Number of cases
American Samoa	2
Australia	38
China	33
Fiji	1
Hong Kong	13
Indonesia	23
Laos	1
Malaysia	25
Micronesia	1
New Zealand	6
Papua New Guinea	3
Philippines	12
Singapore	13
Solomon Islands	1
South Korea	2
Taiwan	3
Thailand	9
Vietnam	8
TOTAL CASES	**194**

Figure 1. Fraud cases in Asia Pacific 2022 (Source: ACFE - 2022)

Cases of fraud in financial reporting (fraudulent financial statements) are a global issue that continues to concern the business and accounting world. According to the Association of Certified Fraud Examiners (ACFE), asset abuse is the most common fraud scheme, accounting for 86% of cases with an average loss of USD 100,000. However, while financial statement fraud covers only 9% of cases, it causes much greater losses, averaging USD 593,000. This indicates that fraudulent financial statements occur less frequently but result in the highest losses compared to other types of fraud, necessitating close attention and supervision in financial reporting practices.

In the Indonesian context, restatement cases of financial statements serve as indicators of fraud. The recent case of PT Indofarma Tbk exemplifies weak internal controls and inadequate financial transparency in state-owned enterprises. The Investigative Audit Results Report and Audit Overview for the second semester of 2023 by BPK revealed indications of fraud such as fictitious transactions, personal use of company funds, window dressing, and unapproved procurement cooperation. These issues resulted in losses of IDR 294.77 billion and potential losses of IDR 164.83 billion, highlighting the ongoing threat of financial statement manipulation, especially in healthcare companies.

This research is urgent to understand restatements caused by fraud, reflecting weak internal oversight and ethical management failures. The study employs fraud hexagon theory

(Vousinas, 2019) expanding on Cressey's (1953) fraud triangle by adding collusion as a sixth factor alongside stimulus (pressure), capability, opportunity, rationalization, and ego (arrogance), thus providing a comprehensive framework for detecting fraud.

Prior studies have yielded mixed results regarding fraud factors and restatements. Some found profitability negatively related to restatements, while others showed no significant effects or differing findings on debt and leadership changes. These inconsistencies warrant deeper examination within Indonesia's healthcare sector. This study's novelty lies in testing the entire fraud hexagon framework with audit quality as a moderator, aiming to clarify how external auditor supervision can mitigate financial reporting fraud and resulting restatements.

The study analyzes the effect of fraud hexagon factors on restatements in healthcare firms listed on the Indonesia Stock Exchange (2020–2022) and examines audit quality's moderating role. It hopes to contribute theoretically to fraud detection models and practically to auditors, regulators, and company management by improving financial statement oversight and transparency, serving as a guide for ministries and supervisory institutions to strengthen corporate governance and prevent fraud.

MATERIALS AND METHOD

This study uses a causal quantitative approach that aims to test the influence of fraud hexagon's independent variables (pressure, opportunity, rationalization, capability, arrogance, and collusion) on the restatement dependent variable, with audit quality as a moderation variable. Data collection techniques are carried out through a documentary method by collecting the company's annual report from the official website of the Indonesia Stock Exchange (www.idx.co.id) and related company websites, as well as through library research to obtain supporting data from relevant literature.

The population and research sample includes all healthcare sector companies listed on the IDX during the 2020–2022 period as many as 28 companies. The sample selection was carried out using the purposive sampling method based on the following criteria: (1) the company is still listed on the IDX in 2022, (2) is listed consecutively during 2020–2022, and (3) has complete financial statement data during that period.

The Research Model uses multiple regression with moderate interaction (MRA), with the basic equation: $REST = \alpha + \beta_1ROA + \beta_2KOM + \beta_3AUDCHANGE + \beta_4DCHANGE + \beta_5REMUN + \beta_6COLL + \beta_7QUALITYAUD + \beta_8ROAQUALITYAUD + ... + \beta_{13}COLLATIONQUALITYAUD + e$.

Variable Operationalization:

1. Restatement is measured using dummy variables (1 = company restatement, 0 = no).
2. Pressure is proxied by ROA (Return on Assets).
3. Opportunity is measured by the ratio of independent commissioners.
4. Rationalization is proxied through auditor turnover.
5. Capability is measured by the change of directors.
6. Arrogance is measured through the remuneration of directors and commissioners.
7. Collusion is proxied by related party transactions.
8. Audit quality is measured by auditor reputation (0 = local KAP, 1 = non-Big Four affiliates, 2 = Big Four affiliates).

Data Analysis techniques include descriptive statistical analysis and classical assumption

testing (normality, multicollinearity, heteroscedasticity, and autocorrelation tests). Regression analysis was carried out with Moderated Regression Analysis (MRA) to test the direct influence and moderation effect of audit quality. Hypothesis testing was carried out through a t-test (partial influence), an F test (simultaneous influence), and a determination coefficient (Adjusted R^2) to assess the model's ability to explain dependent variables.

RESULTS AND DISCUSSION

Research Sample Description

The type of research used in this study is quantitative research. The population of this study consists of healthcare sector companies listed on the Indonesia Stock Exchange during the 2020-2022 period, with a total of 28 companies. The sampling technique applied is non-probability sampling with the purposive sampling method. The secondary data analyzed in this study includes financial statements and annual reports of healthcare sector companies listed on the Indonesia Stock Exchange for the period 2020-2022, which can be accessed through the official websites of each company and the website of the Indonesia Stock Exchange in www.idx.co.id that have been published. The sample selection in this study was carried out according to the following table:

Table 1. Sample Determination Table

No	Sample Criteria	Sample
1	Healthcare companies listed on the Indonesia Stock Exchange in 2022.	28
2	Healthcare companies that are not listed on the Indonesia Stock Exchange consecutively during 2020-2022.	(8)
3	Healthcare companies that do not have complete data on the Indonesia Stock Exchange in 2020 – 2022	(7)
	The number of companies that can be sampled in this study	13
	Research Period	3 years
	Total Research Data Lines	39

Statistics Descriptive

In a descriptive statistical test, the variables in the study will be analyzed first so that a picture and description can be obtained. Based on the financial statement data that has been collected by all companies for the 2020-2022 period, 20 companies in the Healthcare subsector that meet the research sample criteria were obtained, then of the 20 companies, as many as 7 companies were eliminated due to incomplete data.

The following are the results of descriptive statistics that cover the research sample, including research samples, minimum values, maximum values, middle values, averages, standard deviations, skewness and kurtosis:

Table 2. Descriptive Statistics

	Y	X1	X2	X3	X4	X5	X6	M
Mean	0.282051	7.335645	0.483944	0.153846	0.538462	23.53727	-1.167750	1.410256
Median	0.000000	7.350000	0.500000	0.000000	1.000000	23.64199	0.047753	1.000000
Maximum	1.000000	31.00000	1.000000	1.000000	1.000000	24.51425	1.119117	2.000000
Minimum	0.000000	-30.89000	0.250000	0.000000	0.000000	21.99894	-53.20091	0.000000
Std. Dev.	0.455881	10.65917	0.173533	0.365518	0.505035	0.728577	8.557243	0.594623
Skewness	0.968665	-0.637394	1.335514	1.918806	-0.154303	-0.588650	-5.988797	-0.409507
Kurtosis	1.938312	5.975449	4.878050	4.681818	1.023810	2.174215	36.92274	2.295714

	Y	X1	X2	X3	X4	X5	X6	M
Jarque-Bera	7.930697	17.02736	17.32488	28.52815	6.500921	3.360430	2103.100	1.896055
Probability	0.018961	0.000201	0.000173	0.000001	0.038756	0.186334	0.000000	0.387505
Sum	11.00000	286.0901	18.87381	6.000000	21.00000	917.9533	-45.54224	55.00000
Sum Sq. Dev.	7.897436	4317.479	1.144317	5.076923	9.692308	20.17135	2782.603	13.43590
Observations	39	39	39	39	39	39	39	39

Source: Processed from Output Eviews 12

Data Analysis

Chow Test

The chow test was used to select the best approach between the Common Effect Model (CEM) approach model and the Fixed Effect Model (FEM) in estimating panel data. Some of the provisions in the chow test include:

1. If the value of Prob. For the cross section of the chi square > a significant value of 0.05, the most appropriate model to use is the Common Effect Model (CEM).
2. If the value of Prob. For a cross section of the chi square < a significant value of 0.05, the most appropriate model to use is the Fixed Effect Model (FEM).

Table 3. Chow Test

Redundant Fixed Effects TestsEquation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.116214	(12,13)	0.0973
Cross-section Chi-square	42.235702	12	0.0000

Source: Processed from Output Eviews 12

Based on the table above, the results of the Prob. Chi Square Fixed Effect Test = 0.0000 (< 0.05) then the best model between the Fixed Effect Method and the Common Effect Method is the Fixed Effect Method.

Lagrange Multiplier Test

Table 4. Lagrange Multiplier Test

Lagrange Multiplier Tests for Random EffectsNull hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided(all others) alternatives

	Cross-section	Test HypothesisTime	Both
Breusch-Pagan	0.007219	0.054382	0.061602
	(0.9323)	(0.8156)	(0.8040)

Source: Processed from Output Eviews 12

Based on the table above, the result of the Prob.Breusch Pagan is 0.8040 (> 0.05) so the best model between the Random Effect Method and the Common Effect Method is the Common Effect Method.

Normality Test

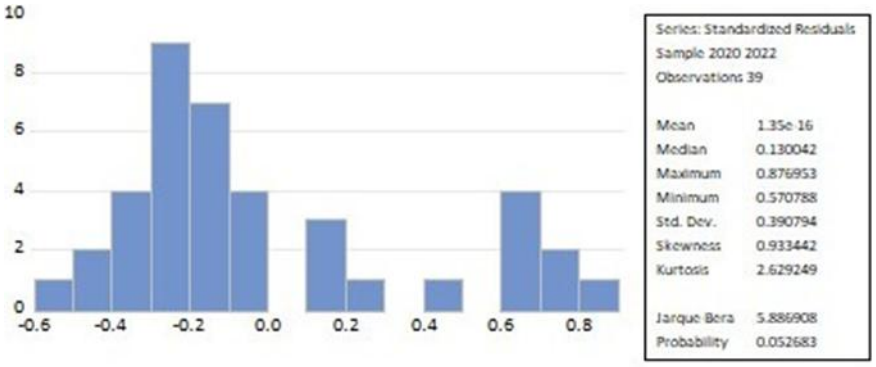

Figure 1. Normality Test

Source: Processed from Output Eviews 12

The image above shows that the value of Prob. Jarque is 0.052683 (> 0.05), so it can be concluded that the data of this study is distributed normally.

Multicollinearity Test

Table 5. Multicollinearity Test

	X1	X2	X3	X4	X5
X1	1.000000	-0.164051	-0.173411	-0.300662	0.438509
X2	-0.164051	1.000000	0.003419	-0.150410	-0.050969
X3	-0.173411	0.003419	1.000000	0.109659	-0.196360
X4	-0.300662	-0.150410	0.109659	1.000000	-0.216453
X5	0.438509	-0.050969	-0.196360	-0.216453	1.000000
X6	0.130328	-0.178427	0.076645	0.173606	0.298229
M	0.290655	0.077054	-0.176961	-0.229186	0.480182

In the correlations results, it can be seen that the correlation between variables does not exceed 0.7, which means that the variables of this study do not have multicollinearity problems.

Heteroscedasticity Test

Table 6. Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.194951	1.471799	-0.132458	0.8955
X1	-0.007085	0.004004	-1.769435	0.0867
X2	-0.191907	0.219402	-0.874680	0.3885
X3	0.000533	0.102905	0.005182	0.9959
X4	-0.029146	0.079853	-0.364996	0.7176
X5	0.021965	0.063733	0.344634	0.7327
X6	0.005277	0.004673	1.129380	0.2674
M	0.113475	0.070980	1.598682	0.1200
R-squared	0.197613	Mean dependent var		0.315444
Adjusted R-squared	0.016429	S.D. dependent var		0.224936
S.E. of regression	0.223080	Akaike info criterion		0.018113
Sum squared resid	1.542711	Schwarz criterion		0.359357
Log likelihood	7.646793	Hannan-Quinn criter.		0.140548
F-statistic	1.090673	Durbin-Watson stat		1.404423
Prob(F-statistic)	0.393068			

Source: Processed from Output Eviews 12

The regression results above show that the probability values of the variables X1, X2, X3, X4, X5, X6 and M are > 0.05 which means that the variables are free from heteroscedasticity problems.

Moderating Regression Analysis

Table 7. Moderating Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.330162	7.606236	0.832233	0.4132
X1	-0.032250	0.022877	-1.409717	0.1709
X2	-0.684299	2.071857	-0.330283	0.7439
X3	-0.585018	0.782870	-0.747274	0.4619
X4	-0.827601	0.568309	-1.456252	0.1578
X5	-0.222783	0.308752	-0.721557	0.4773
X6	0.336253	0.804522	0.417953	0.6795
M	-6.811582	7.459600	-0.913130	0.3699
X1*M	0.009538	0.016940	0.563040	0.5784
X2*M	0.366787	1.183916	0.309808	0.7593
X3*M	0.544078	0.649415	0.837798	0.4101
X4*M	0.571596	0.367694	1.554544	0.1326
X5*M	0.270755	0.309840	0.873856	0.3905
X6*M	-0.347662	0.803546	-0.432660	0.6690

Source: Processed from Output Eviews 12

Regression Equations:

REST = α + β1ROA + β2 KOM + β3 AUDCHANGE + β4 DCHANGE + β5 REMUN+ β6 COLL + β7 KUALITAS AUD + β8ROA*KUALITASAUD + β9 KOM *KUALITASAUD + β10 AUDCHANGE *KUALITASAUD + β11 DCHANGE * KUALITAS AUD + β12 REMUN * KUALITASAUD + β13 COLL * KUALITASAUD + e

REST = 6,330162 - 0,032250ROA - 0,684299 - 0,585018 AUDCHANGE - 0,827601 DCHANGE - 0,222783 REMUN + 0,336253 COL – 6,811582 KUALITASAUD + 0,0009538 ROA*KUALITASAUD + 0,366787 KOM*KUALITASAUD + 0,544078 AUDCHANGE*KUALITASAUD +0,571596 DCHANGE*KUALITASAUD +0,270755 REMUN*KUALITASAUD - 0,347662 COL*KUALITASAUD

Interpretation of Research Results

Pressure has no effect on restatement

Based on the test results, it can be seen that the probability value of X1 is 0.1709, then H1 is rejected meaning that the pressure has no effect on the restatement and thus hypothesis 1 (H1) is rejected. The size of ROA does not have a significant effect on restatement. This is because ROA shows the company's financial performance in generating profits from its assets.

If the company has good finances, then the company is likely not to need to restatement because there are no significant errors or shortcomings in their financial statements and not necessarily a company whose ROA is good due to financial statement fraud which leads to the need for a restatement. The results of this study are in line with the research of Arjapratama, et

al (2020), Khamainy (2022), Wijaya (2022) and different from the research of Siagian and Utami (2022), Wibowo & Putra (2023).

Opportunity has no effect on restatement

Based on the test results, it can be seen that the probability value of X2 is 0.7439, then H2 is rejected meaning that the opportunity has no effect on the restatement and thus hypothesis 2 (H2) is rejected. This is because the presence of the board of commissioners does not directly affect the quality of financial statements. Restatements are often caused by fundamental errors or lack of management competence. In general, more independent boards of commissioners are expected to improve the company's performance as the company's supervision will be more independent and objective. However, when there is an intervention in the independent board of commissioners, the supervision carried out by the independent board of commissioners is ineffective.

On the other hand, some companies add independent commissioners to be at least 30% just to meet the formal requirements of the company from the OJK. The composition of independent commissioners is not significant to fraud if the company has implemented high internal controls. Where each unit that carries out the audit function is coordinated with other non-audit units, so that there are parties other than independent commissioners who are more effective and significant in carrying out the supervisory function in the company's control structure (Mappadang, 2023). So it can be concluded that the existence of an independent board of commissioners only provides a little assurance of the objectivity of the results of a report. The results of this study are in line with the research of Lantang and Ardiansyah (2021), Budiyanto and Puspawati (2022).

Rationalization has no effect on restatement

Based on the test results, the probability value of X3 is 0.4619, so H3 is rejected meaning that rationalization has no effect on the restatement and thus hypothesis 3 (H3) is rejected. The change of auditor has no effect on the restatement due to the limited direct influence and limited time of use of the services of a public accountant.

Not all companies that replace their old auditors intend to avoid the detection of financial statement fraud, if new auditors take longer to understand the company's business flow, compared to the old auditors, in the hope of reducing the likelihood of fraud detection which leads to reduce the likelihood of restatement.

The change of auditor may be due to the company being dissatisfied with the previous auditor's performance or it may be because the auditor's term of office has expired. There are restrictions on the use of audit services in accordance with the Copy of the Financial Services Authority of the Republic of Indonesia Regulation Number 9 of 2023 concerning the Use of Public Accountant Services and Public Accounting Firms in Financial Services Activities as stated in article 7 that parties in the form of commercial banks, issuers, and public companies are obliged to limit the use of audit services on annual historical financial information from the same AP for 7 (seven) cumulative years. The results of this study are in line with research of Arjapratama, et al (2020), Fransiska and Sinaga (2022), Budiyanto and Puspawati (2022).

Capability has no effect on restatement

Based on the test results, the probability value of X4 is 0.1578, then H4 is rejected meaning that the capability has no effect on the restatement and thus hypothesis 4 (H4) is rejected. The change of directors does not significantly affect the occurrence of the restatement. The change of directors is often more focused on management performance than the quality of financial statements, thus triggering no significant influence between the change of directors and the restatement.

The company wants to improve the company's performance by changing the composition or composition of the old board of directors with a new board of directors that is considered more competent and can contribute more deeply to the progress of a company, not to avoid the practice of financial statement fraud. In addition, the change of directors can also be caused by the presence of directors who retire or die. So that the change of directors is not necessarily due to fraud which has implications for the occurrence of restatements. The results of this study are in line with the research of Arjapratama, et al (2020), Fransiska and Sinaga (2022), Budiyanto and Puspawati (2022) and Wibowo & Putra (2023).

Arrogance has no effect on restatement

Based on the test results, the probability value of X5 is 0.4773, then H5 is rejected meaning that arrogance has no effect on the restatement and thus hypothesis 5 (H5) is rejected. Remuneration as a form of appreciation to commissioners and directors does not directly affect the restatement. Because the board of directors and commissioners are bound by regulations, the regulations are certainly binding regardless of how much remuneration they receive. This is in line with research by Nugroho and Diyanti (2022) which found that managers with high levels of job satisfaction and ego do not automatically commit financial statement fraud.

Collusion has no effect on restatement

Based on the test results, the probability value of X6 is 0.6795, then H6 is rejected meaning that collusion has no effect on the restatement. This is because transactions related to related parties do not automatically indicate fraud, such transactions can be carried out to meet the company's economic needs, such as business expansion with funding support from inter-company transactions carried out due to lower capital cost incentives.

If the transactions of related parties are carried out with transparency and good disclosure, then there is no potential for fraud. Good disclosure can minimize agency conflicts and ensure that the transaction is in the best interests of shareholders. In addition, effective corporate governance, such as a board of commissioners and an audit committee that functions to supervise and control managerial activities, can minimize the risk of fraud in related party transactions. Thus, the related party's transaction cannot be considered a sign of fraud without other indications that indicate fraud, which implies that the company does not automatically restatement with the related party's transaction. This is in line with Nugroho and Diyanti's (2022) research that collusion networks do not automatically increase their tendency to commit financial reporting fraud, so that collusion is indirectly the cause of restatement.

Audit quality does not moderate the effect of pressure on restatement

Based on the test results, the probability pressure value and audit quality are 0.5784, so H7 is rejected which means that the audit quality does not moderate the effect of pressure on

the restatement. The audit quality did not moderate the influence of ROA on restatement due to the limitation of direct influence and the presence of other factors that were more significant in influencing the occurrence of restatement.

Audit quality does not moderate the influence of opportunity on restatement

Based on the test results, the probability opportunity value and audit quality are 0.7593, so H8 is rejected, meaning that the audit quality does not moderate the influence of opportunity on restatement. The quality of the audit does not moderate the influence of opportunity on the restatement due to the limitation of direct influence and the presence of other factors that are more significant in influencing the occurrence of the restatement.

Audit quality does not moderate the effect of rationalization on restatements

Based on the test results, the probability value of rationalization and audit quality is 0.4101, so H9 is rejected which means that the audit quality does not moderate the effect of rationalization on restatement. The quality of the audit does not moderate the effect of rationalization on restatement due to the limited direct influence and the presence of other factors that are more significant in influencing the occurrence of restatement.

Audit quality does not moderate the effect of capability on restatement

Based on the test results, the probability capability value and audit quality are 0.1326, so H10 is rejected, meaning that the audit quality does not moderate the effect of capability on restatement, thus hypothesis 10 (H10) is rejected. The audit quality does not moderate the influence of capability on restatement due to the limitation of direct influence and the presence of other factors that are more significant in influencing the occurrence of restatement.

Audit quality does not moderate the effect of Arrogance on Restatement

Based on the test results, the probability arrogance value and audit quality are 0.3905, so H11 is rejected which means that the audit quality does not moderate the effect of arrogance on restatement. The quality of the audit does not moderate the influence of arrogance on the restatement because of the limited direct influence and the presence of other factors that are more significant in influencing the occurrence of the restatement.

Audit quality does not moderate the effect of collusion on restatements

Based on the test results, it can be seen that the probability value of collusion and audit quality is 0.6690, so H12 is rejected, meaning that the audit quality does not moderate the effect of collusion on the restatement.

CONCLUSION

This study finds no empirical support for the application of fraud hexagon theory in predicting financial restatements in the Indonesian healthcare sector (2020-2022), as the six elements—pressure, opportunity, rationalization, capability, arrogance, and collusion—were insignificant determinants. Additionally, external audit quality did not moderate the relationship, indicating audit firm's reputation has no impact on the fraud-restatement link in this context. These results suggest financial misreporting drivers may be more complex or

sector-specific, influenced by unique pressures, internal governance, or regulatory dynamics not captured by the theory. Future research should incorporate qualitative methods like interviews with auditors and governance members to explore why these constructs failed, test expanded models including sector-specific variables such as regulatory compliance and subsidy structures, and broaden the scope to other high-risk sectors or longer periods to determine whether findings reflect a broader pattern in Indonesia's capital market. This approach would deepen understanding of fraud dynamics beyond mainstream theories and enhance detection models tailored for industry contexts.

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