

# Hexagon theory perspective on financial statement fraud in Indonesian ministries

Arna Suryani\*, S. Sudirman, U. Ubaidillah

Faculty of Economics, Universitas Batanghari, Jambi 36122, Indonesia

\* **Corresponding author:** Arna Suryani, [arnasuryani@ko2pi.org](mailto:arnasuryani@ko2pi.org)

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**Abstract:** This study aims to examine and analyze financial statement fraud from the perspective of the hexagon theory using secondary data. The research sample was selected through purposive sampling, consisting of Ministries and Agencies in Indonesia. The research method employing the OLS (ordinary least squares) approach involves testing the model's suitability through the F-statistical test, evaluating the coefficient of determination by examining, and conducting hypothesis testing using EViews. The findings of this study suggest that pressure and sscapability do not significantly influence financial reporting fraud. In contrast, opportunity, rationalization, arrogance, and collusion positively and significantly impact financial fraud reports. Implementing a whistleblowing system is crucial for ensuring that e-procurement encompasses all elements of government organizations, serving as a means of transparency and accountability to mitigate the occurrence of fraudulent financial reports within government entities, particularly in Ministries and Agencies in Indonesia. The financial audit opinion is not intended to detect fraud but to assess conformity with government accounting standards, the extent of disclosure, compliance with legislation, and the effectiveness of the government's internal control system. This can encourage institutions in other countries to strengthen the financial security of their organizations.

**Keywords:** Hexagon theory; pressure; opportunity; rationalization; capability; arrogance; collusion

**JEL Classification:** G2; G3; P1; P4

## 1. Introduction

Fraud is a person's behavior of making deliberate mistakes to intentional errors for clarity and precision (Suryandari, 2021). Fraud in financial statements occurs when these statements are prepared through the control, misrepresentation, or change of accounting records or supporting documents, the intentional omission or misrepresentation of budget summaries, exchanges, or other significant data, and deliberate application of incorrect accounting principles concerning amounts, classification, method of presentation, or disclosure (AICPA, 2011). Financial statement fraud happens when an individual submits substantial false representations to financial reports that make the users of the monetary statement feel disadvantaged.

Fraud in financial reports remains a significant concern for those engaged in corruption seeking to advance their interests within Ministries and Institutions in Indonesia. Vousinas (2019), explains that detecting fraud not only requires not only pressure, opportunity, rationalization, capability, and arrogance but also requires collusion. Shareholders expect the company to perform improve its performance each year, while management aims for substantial profits from the organization's activities. This aligns with the agency theory described by Jensen (1976), which posits that

management and shareholders have different interests. possess more information and greater access to internal conditions than the principal, enabling them to conceal data that they deem unnecessary for the principal to know, which fosters fraud.

Therefore, implementing a whistleblowing system is essential, as it acts as a tool for identifying the various opportunities that government organizations must address to mitigate fraudulent practices. A whistleblowing system (WBS) is a mechanism for reporting allegations of specific criminal acts that have occurred or may occur involving employees and others within the organization where they work, where the whistleblower is not complicit in the reported crime.

Previous research supporting this study according to (Aviantara, 2021) tested the relationship within the hexagon theory and government monetary reporting fraud. The study found that tension, opportunity, defense, capability, and collusion significantly impact financial statement fraud. However, arrogance doesn't fundamentally affect budget report extortion. Mutmaina et al. (2024) and Suryandari (2021) examined the determinants of village fund fraud using the hexagon, Machiavellian, and love of money theories, their findings indicated that strain, justification, capability, arrogance, and Machiavellian traits had a significant and positive influence on village fund management fraud.

In contrast, opportunity and the love of money trait did not significantly affect the fraudulent management of village funds. Desviana (2021) analyzed fraudulent the executives of town assets from the hexagon theory perspective. The study employed random sampling for all town authorities in Rokan Hulu Regime, Riau Territory. The results revealed that pressure, capability, collusion, and opportunity significantly affected the fraudulent management of village funds. However, rationalization and arrogance do not significantly impact fraudulent village fund management.

Study (Preicilia et al., 2022), shows that the Beneish M-Score method indicates that Financial Stability and Whistleblowing System significantly impact on predicting Fraud. Several studies mentioned above reveal that the use of Ministries/Institutions as samples remains limited to detect the causes of fraudulent financial reports. This study is crucial in providing concrete evidence regarding the role of the hexagon theory in influencing fraudulent financial reports in Ministries/Institutions in Indonesia, especially since several corruption phenomena have been uncovered in these entities. This research also aims to address gaps in previous studies, which were still constrained by using Services/Foundations as tests to recognize the reasons for deceitful monetary reports. Based on this context, researchers are motivated to test and analyze whether, from the perspective of the hexagon theory, it can influence fraudulent financial reports in Ministries/Institutions in Indonesia.

## **2. Literature review**

### **2.1. Hexagon theory**

Hexagon theory evolved from several previous fraud theories, including the triangle, diamond and pentagon theories. The hexagon hypothesis was introduced by (Vousinas, 2019) by incorporating a crucial element that triggers fraud, namely collusion. By adding the collusion factor, it is referred to as the fraud hexagon theory,

which complete the elements necessary for detecting fraud on financial statements. Pressure is an urge to do something inappropriate or deviant behavior due to influences from the individual or external. Albrecht (2008) explains that heightened pressure motivates individuals to commit fraud. Opportunities arise because of a weak internal control system, which enables fraudsters to commit financial report fraud (Steinbart, 2014). Legitimization is a support that shows up in an individual's mind when misrepresentation occurs (Sari and Nugroho, 2020). Capability refers to an individual's ability to devise effective smuggling strategies, manipulate situations for profit, and recruit others to collaborate in wrongdoing (Faiza et al., 2024; Marks, 2012; Muna et al., 2023). Arrogance is the arrogance and selfishness of an individual who feels capable of carrying out fraudulent acts, thus leading to high fearlessness that the individual won't be caught not be committing fraud and subject to sanctions (Aprilia, 2017). A contract is called collusion between two or more people to protect each other in carrying out evil acts and sanctions for fraud (Safrizal and Julianti, 2023; Suryandari, 2021).

## **2.2. Financial statement fraud**

Fraud, according to Statement of Auditing Standards (SAS) No. 99 concerning fraud considerations in financial report audits, it is an intentional act aimed at causing significant financial misrepresentation in the reports that are subject to the audit. Meanwhile, according to the Standards of the Institute of Internal Auditors (2013), Fraud is any act based on deception or a breach of trust to obtain cash, assets, or services, to prevent payment or loss, or for personal or business gain or benefit. Association of Certified Fraud Examiners (ACFE, 1998) Fraud is described as an act of deception or error committed by an individual or entity who is aware that the mistake could lead to a significant advantage for themselves or another party. According to (AICPA, 2011), Fraud in financial statements is explained as being committed through (a) the control, misrepresentation, or alteration of bookkeeping records or supporting documents used in the financial statements; (b) the falsification or intentional omission of statements, transactions, or other significant information; and (c) the deliberate application of incorrect accounting principles concerning amounts, grouping, presentation, or disclosure. To combat fraud, a Whistleblowing System (WBS) can be utilized as a measurement tool. WBS is a system designed for reporting violations or actions that are contrary to regulations or that could harm the organization and its stakeholders (Semendawai and Abdu, 2011).

## **2.3. Asset misappropriation**

Asset misappropriation refers to the illegal theft and embezzlement of company assets, whether perpetrated by individuals with the authority to manage and supervise those assets or by external parties. This form of fraud is relatively easy to detect, as it can be quantified and is tangible. According to the fraud tree, asset misappropriation is categorized into two types of fraud: misuse of cash and inventory, as well as other assets. The misuse of cash encompasses three categories: cash theft, receipt theft, and fraudulent payments.

## **2.4. Hypothesis development**

### **2.4.1. The effect of pressure on financial report fraud in ministries/institutions in Indonesia**

In the financial management of Ministries and Agencies, budget absorption serves as an indicator of performance achievement. Optimal budget absorption indicates that the organization's financial management has met its budget targets. However, this phenomenon reveals that budget absorption by government organizations is frequently suboptimal and tends to lack efficiency, effectiveness, and economy. This research places greater emphasis on budget absorption, which is often influenced by inflated expenditures to meet budget targets. The findings of research carried out by Apriani (2020); Faradiza (2018); Larum (2021); Omukaga (2019); Pamungkas and Utomo (2018); Rustriani (2019); Said (2018); Zuberi and Mzenzi (2019), demonstrates that pressure a positive impact on fiscal report misrepresentation. The speculation proposed in this study is as per the following.

H1: Pressure positively affects fraudulent financial reports in Ministries/Institutions in Indonesia.

### **2.4.2. Influence of opportunities on financial report fraud in Ministries/Institutions in Indonesia**

Giving freedom to individuals provides opportunities for these individuals to commit fraud if the internal control system is ineffective. Potential open doors emerge because of frail inner control frameworks (Romney and Steinbart, 2015). Whistleblowing systems can incentivize organizations to protect their employees regarding fraud reports (Aviantara, 2021). Therefore, a whistleblowing system in an organization is important because It can stop financial reporting that is false. Consequences of research conducted by Apriani (2020); Faradiza (2019); Huafner (2010); Omukaga (2019); Rustiarini et al. Said et al. (2018); Utomo (2018) shows that opportunity decidedly affects monetary statement fraud. This description shows that the hypothesis proposed in this study is as follows.

H2: Opportunity to have a positive influence on fraudulent financial reports at the Ministry/Institutions in Indonesia

### **2.4.3. The effect of rationalization on financial report fraud in Ministries/Institutions in Indonesia**

The rationalization of fraudulent financial statements can be assessed through an audit opinion, as the audited financial statements are devoid of fraudulent elements. This phenomenon indicates that organizations receiving an Unqualified Audit Opinion (WTP) are presumed to have no fraudulent financial transactions. Thus, this condition can serve as a justification for misleading financial reporting. Research findings from (Aini, 2019; Apriani, 2020; Kusumosari and Solikhah, 2021; Omukaga, 2019; Putra and Rahayu, 2019; Rustiarini et al., 2019; Said, 2018) demonstrate that the rationalization of financial reporting positively and significantly influences morale. This description supports the hypothesis proposed in this study as follows.

H3:Rationalization positively affects fraudulent financial reports in Ministries/Institutions in Indonesia.

#### **2.4.4. The influence of capabilities on financial report fraud in Ministries/Institutions in Indonesia**

Capability is a singular's capacity to make modern smuggling strategies, secure the situation to gain profits, and invite other people to cooperate in acting (Marks, 2012). Change of leadership in an organization is part of the organization's endeavors to work on its exhibition because the policies implemented by the previous leadership were less efficient and effective. In this context, a change in leadership can potentially increase the occurrence of fraudulent financial reports. The results of research conducted by (Aini et al., 2017; Apriani, 2020; Larum et al., 2021; Omukaga, 2019; Rustiarini et al., 2019; Rahayu et al., 2018; Widiyarta, 2017) show that capability has a significant and positive impact on financial statement fraud. This description shows that the hypothesis proposed in this study is as follows.

H4: Capability has a positive effect on fraudulent financial reports in Ministries/Institutions in Indonesia

#### **2.4.5. The influence of arrogance on financial report fraud in Ministries/Institutions in Indonesia**

Arrogance is the self-important and selfish behavior of individuals who believe they can engage in fraudulent acts, resulting in a strong conviction that they will not be caught and will evade sanctions (Aprilia, 2017). Educational background is one of the criteria for assessing the arrogance of leaders within an organization. Educational background levels are required in organizations to achieve competitive advantage (Erlim and Juliana, 2017). Leaders in organizations with a high level of education are perceived as well-equipped to process data swiftly and manage significant organizational change. Those with advanced educational backgrounds may have the potential to engage in fraudulent activities, as they are believed to possess the knowledge necessary to serve their own interests. The findings of research conducted by (Larum, 2021; Rahman, 2019; Zuberi and Mzenzi, 2019) Arrogance significantly influences monetary statement fraud. This description indicates that the hypothesis proposed in this study is as follows.

H5: Arrogance has a positive effect on fraudulent financial reports in the Ministry/Institutions in Indonesia

#### **2.4.6. The effect of collusion on financial report fraud in Ministries/Institutions in Indonesia**

A contract is called collusion between two or more people to protect each other in carrying out evil acts and sanctions for fraud (Suryandari and Valentin, 2021). The most common practice of collusion in government organizations is through the mechanism for procuring goods and services (Viantara, 2021). One of the boundaries used to gauge conspiracy is e-obtainment. Wibowo (2015) explained that e-procurement makes transparent prices known because they are published through electronic catalogs. In the context of this research, government organizations that do not yet have e-procurement are considered to have the potential to result in fraudulent financial reports. The findings of research carried out by Hartina (2017) show that collusion positively affects fraudulent financial statements. Apart from that, Aviantara (2021) explains that e-procurement owned by an organization can reduce the

occurrence of fraudulent financial reports. This description shows that the hypothesis proposed in this study is as follows.

H6: Collusion has a positive effect on fraudulent financial reports at the Ministry/Institutions in Indonesia.

### 3. Research methods

This research is quantitative in nature, utilizing secondary data. The data was sourced from the official websites of each Indonesian Ministry/Institution, comprising financial reports from 2019 to 2023. Employing a purposive sampling strategy, the sample consisted of 32 Ministries/Institutions with a total of 160 observations. This research employs descriptive statistics, and a classical assumption test is conducted to detect residual data in order to obtain a BLUE (best linear unbiased estimator) model using the OLS (ordinary least squares) approach. The model’s suitability is assessed using the F-statistic test, while the coefficient of determination is evaluated by examining R<sup>2</sup>. Hypothesis testing is performed using EViews, with decision-making based on the results: if the regression coefficient is positive and the significance value is < 0.05, it indicates that the hypothesis in this study is supported; conversely, (i) if the regression coefficient is positive and the significance value is > 0.05, it suggests that the hypothesis is not supported; (ii) if the regression coefficient is negative and the significance value is > 0.05, it also indicates that the hypothesis is not supported; and (iii) if the regression coefficient is negative and the significance value is < 0.05, it signifies that this research hypothesis is not supported. The analysis tool used is the regression equation, namely:

$$KLK = \alpha + \beta_1TEK + \beta_1PEL + \beta_1RAS + \beta_1KAP + \beta_1ARO + \beta_1KOL + e$$

Information:

$\alpha$ : Constant,  $\beta$ : Regression Coefficient, KLK: Financial Statement Fraud, TEK: Pressure PEL: Opportunity, RAS: Rationalization, KAP: Capability, ARO: Arrogance, KOL: Collusion

Operational Definitions and Variable Measurements in this research are as follows (Table 1).

**Table 1.** Variable operational.

Variable	Indicator	Formulation	Scale
Financial statement fraud	leverage index	$Indeks\ Leverage = \frac{Total\ Debts}{Total\ Assets}$	ratio
<b>Elements of Hexagon Theory</b>			
1. Pressure	Absorption budget	$Pressure = \frac{Expenditure\ Realization}{Expenditure\ Budget}$	Ratio
2. Opportunity	Whistleblowing system	Using a dummy variable, if the Ministry/Institution does not have a whistleblowing system, it is given a value of 1. If the Ministry/Institution has a whistleblowing system on its official website, it is given a value of 0.	Intervals
3. Rationalization	Unqualified audit opinion (WTP)	Using a dummy variable, a value of 1 is given if the Ministry/Institution obtains a WTP opinion, and a value of 0 is given apart from WTP.	Intervals
4. Capability	Based on leadership changes	Using a dummy variable, if replaced, it is given a value of 1, and vice versa. If the Minister/Head of the Ministry/Institution is not replaced, it will be given a value of 0.	Intervals

**Table 1.** (Continued).

Variable	Indicator	Formulation	Scale
5. Arrogance	based on education level	Using a dummy variable, if the Minister/Head of a Ministry/Institution has a doctoral or professorial education level, it is given a value of 1. If the Minister/Head of a Ministry/Institution has an education level of less than a Doctoral Degree, it will be given a value of 0.	Intervals
6. Collusion	<i>e-procurement</i>	Using a dummy variable, if the Ministry/Institution does not have e-procurement, it is given a value of 1, and if the Ministry/Agency has procurement, it is given a value of 0	Intervals

#### 4. Results and discussion

Based on the results of descriptive statistics to describe variables, the minimum value obtained, the minimum level of financial report fraud is 0.0001, and the maximum value is 1.5435, with the average value of this variable being 0.0770, and the standard deviation is 0.2514. The minimum value of the pressure variable is 0.6353, and the maximum is 0.9943, with an average value of 0.9119 and a standard deviation of 0.0803. Furthermore, the variables opportunity, rationalization, capability, arrogance, and collusion use categories, so they cannot be averaged and standard deviation calculated. This research tests correlation to measure the level of closeness between variables, showing that the highest correlation value is in the variables of opportunity and budget summary extortion. The correlation between the two variables is 0.4574; the second highest correlation value is in the collusion and financial statement fraud variables, with the correlation between the two variables being 0.4060.

This research uses several tests based on classical assumptions to get the BLUE model so conclusions regarding the hypothesis become more robust. The VIF value of pressure, opportunity, rationalization, potential, arrogance, and cooperation is less than 10, so the regression model shows no between the independent variables' correlation. Hence, this research is free of multicollinearity. The Durbin-Watson statistical value is from -2 to 2, namely, 0.6149. These results indicate that there is no autocorrelation problem. The feasibility of the regression model shows that the F-count value is 7.9894 with a significance of < 0.05. This result shows that the regression model has met the suitability of the model. How much the independent variable can influence the variation of the dependent variable shows that the adjusted R2 value is 45.34%. This condition shows that the independent variables in this research can influence variations in the dependent variable by 45.34%, and other variables outside this research model influence the remainder.

This research examines and analyzes the impact of tension, opportunity, justification, capacity, egotism, and collusion on fraudulent financial reports in Indonesian ministries and institutions. The results of the research hypothesis test can be seen in the **Table 2**.

Proposing H1 is an influential pressure on false monetary reports in Ministries/Institutions. The research results indicate that pressure has a coefficient value of 0.0891, with a *t*-statistic of 0.4174 and a significance level of 0.07873, which is greater than 0.05. This condition suggests that pressure does not significantly influence fraudulent financial reports in Ministries/Institutions, thus H1 is unsupported. The findings of this research indicate that the pressure has little effect on fraudulent financial reports in Ministries/Institutions. Budget absorption, as an

important part of measuring budget pressure, cannot influence the occurrence of fraudulent financial reports. Research presenting a contrasting perspective suggests that pressure affects the reporting of financial fraud (Nuril et al., 2022). This condition is caused because every government expenditure is accompanied by an accountability report with the assumption that supervision and examination of financial reports have been effective so that high budget absorption is an optimization of the budgeted program.

**Table 2.** Hypothesis test results.

Independent Variable	Dependent Variable: KLK			Conclusion
	Coef.	T-stat.	Sig.	
Const.	-0.1514	-0.7389	0.4619	
TEK	0.0891	0.4174	0.7873	Not Supported
<b>PEL</b>	<b>0.2986</b>	<b>2.3584</b>	<b>0.0205</b>	<b>Supported</b>
RACE	0.0033	0.1563	0.8853	Not Supported
HOOD	0.0335	0.9951	0.4234	Not Supported
<b>ARO</b>	<b>0.0874</b>	<b>2.1457</b>	<b>0.0346</b>	<b>Supported</b>
<b>CABBAGE</b>	<b>0.2807</b>	<b>2.0792</b>	<b>0.0405</b>	<b>Supported</b>

Note: Description: KLK (Financial Report Fraud), TEK (Pressure), PEL (Opportunity), RAS (Rationalization), KAP (Capability), ARO (Arrogance), KOL (Collusion). This research uses White’s heteroscedasticity-steady change and standard blunder, which are integral parts of hypothesis testing so that the heteroscedasticity problem is directly corrected.  
 Source: processed secondary data, 2023.

Submission of H2 is an opportunity to influence fraudulent financial reports in Ministries/Institutions. The research results show that probability has a coefficient value of 0.2986 with a *t*-statistic of 2.3584 and significance is  $0.0205 < 0.05$ . This condition shows that opportunity positively and significantly affects fraudulent financial reports in Ministries/Institutions, so H2 is supported. This study found that capability cannot influence financial report fraud. The capability measurement in this research uses leadership changes in an organization, which is part of the organization’s initiatives to improve its performance because the policies implemented by the previous leadership were less efficient and effective. Thus, changes in leadership in the organization are considered unrelated to acts of fraud in the organization. In line with this research according to (Sari et al., 2021), opportunity have an effect on the detection of financial statement fraud.

Proposing H3 is that rationalization influences fraudulent financial reports in Ministries/Institutions. The research results show that rationalization has a coefficient worth of 0.0033 with a *t*-statistic of 0.1563 and a significance of  $0.8853 > 0.05$ . This condition shows that rationalization does not significantly affect fraudulent financial reports in Ministries/Institutions, so H3 is not supported. The results of this research found that rationalization did not have a massive impact on deceitful monetary reports in Ministries/Institutions. The rationalization parameter in this research uses an Unqualified Audit Opinion (WTP) with the argument that the audited financial statements are free from fraudulent financial statements. Tehupuring (2018) explains that audit opinions are unrelated to financial statement fraud because the audits are not designed to detect fraud. However, to see congruity with regard to the extent of



disclosure, compliance with government accounting standards, and legislation, and the effectiveness of the government's internal control system. The research results by Larum et al. (2021) show that rationalization has no significant effect on financial report fraud. Changes in public accountants reflecting rationalization do not exhibit a significant effect on financial statement fraud (Oktavi, 2024).

Proposing H4 is that capabilities influence fraudulent financial reports in Ministries/Institutions. The research results show capability has a coefficient value of 0.0335 with a *t*-statistic of 0.9951 and a significance of  $0.4234 > 0.05$ . This condition shows that capability does not significantly affect fraudulent financial reports in Ministries/Institutions, so H4 is unsupported. This study found that capability cannot influence financial report fraud. The capability measurement in this research uses leadership changes in an organization, which is part of the organization's efforts to improve its performance because the policies implemented by the previous leadership were less efficient and effective. Thus, changes in leadership in the organization are considered unrelated to acts of fraud in the organization. Capabilities has a positive impact on fraudulent financial statements (Yasinta et al., 2024).

Proposing H5 is that arrogance influences fraudulent financial reports in Ministries/Institutions. The research results show that arrogance has a coefficient value of 0.0874 with a *t*-statistic of 2.1457 and a significance of  $0.0346 < 0.05$ . This condition shows arrogance positively and significantly affects fraudulent financial reports in Ministries/Institutions, so H5 is supported. The findings of this research show that arrogance has a positive and significant effect on fraudulent financial reports in Ministries/Institutions. Arrogance is the arrogance and selfish behavior of individuals who feel capable of carrying out fraudulent acts, thus leading to high fearlessness that the individual won't be gotten committing fraud and will not be subject to sanctions (Aprilia, 2017). In this study, arrogance was measured through the educational backgrounds of leaders in government organizations. On the other hand, those who oppose this research according to the results of his study show that the elements of collusion do not affect financial statement fraud (Mursalam et al., 2024).

The submission of H6 is that collusion influences fraudulent financial reports in Ministries/Institutions. The research results show that collusion has a coefficient value of 0.2807 with a *t*-statistic of 2.0792 and a significance of  $0.0405 < 0.05$ . This condition shows that collusion positively and significantly affects fraudulent financial reports in Ministries/Institutions, so H6 is supported. In this context, collusion practices can occur when there is a conspiracy between business actors involved in a tender to change the quality of products or services. This other research states that government projects reflecting collusion do not exhibit a significant effect on financial statement fraud (Reni et al., 2024). This condition harms the level of public trust and competitive competition in the market. Therefore, a system called e-procurement was created to reduce collusive practices. Wibowo (2015) explains that with e-procurement, transparent prices can be known because they are published through electronic catalogs. In the context of this research, government organizations that do not yet have e-procurement are considered to have the potential to result in fraudulent financial reports.

## 5. Conclusion

High budget absorption is an optimization of budgeted programs, where every government expenditure is accompanied by an accountability report. This assumes that the supervision and examination of financial reports have been effective, there by minimizing the risk of financial report fraud. The whistleblowing system is an organizational governance strategy to reduce opportunities for fraud, where the whistleblowing system serves as an organizational governance strategy to reduce opportunities for fraud, offering positive value to enhance the organization's reputation. Consequently, a whistleblowing system is crucial in preventing fraudulent financial reporting. The financial audit opinion is not intended to detect fraud but to see conformity with government accounting standards, the extent of disclosure, compliance with legislation, and the effectiveness of the government's internal control system. Changes in leadership within the organization are generally not linked to fraudulent acts. Leadership transitions are part of efforts to enhance performance. Pioneers with a high instructive foundation have the potential to engage in extortion, as they are perceived to possess the intelligence to serve their interests. Collusion can occur when business actors involved in a tender conspire to alter the quality of products or services. This situation undermines public trust and fair competition in the market. Therefore, a system known as e-procurement was established to mitigate collusive practices.

This research confirmed that establishing an e-procurement whistleblowing system to mitigate fraudulent practices requires significant attention from government organizations. The implication of this research is to decrease the incidence of fraudulent activities, necessitating the comprehensive implementation of a whistleblowing system and e-procurement across all facets of government organizations as a means of ensuring transparency and accountability to various stakeholders, particularly the public. An effective supervisory system must be put in place to diminish fraudulent financial reporting practices.

This research has several limitations. It can only collect data from 32 Ministries/Institutions in Indonesia that display financial reports for 2019–2023, which means it cannot generalize to all Ministries/Institutions in Indonesia. Additionally, this research is limited in measuring several variables using more subjective dummy variables.

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