THE EFFECT OF FRAUD PENTAGON ON FINANCIAL STATEMENT FRAUD IN FINANCIAL SECTOR COMPANIES LISTED IN INDONESIA STOCK EXCHANGE 2016-2020

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Submitted as One of The Requirements for Earning A Bachelor's Degree in Economics

MINISTRY OF EDUCATION, CULTURE RESEARCH AND TECHNOLOGY

SRIWIJAYA UNIVERSITY

ECONOMY FACULTY

2021

LEMBAR PERSETUJUAN UJIAN KOMPREHENSIF

THE EFFECT OF FRAUD PENTAGON ON FINANCIAL STATEMENT FRAUD IN BANKING COMPANIES AND FINANCIAL SECTOR COMPANIES LISTED IN INDONESIA STOCK EXCHANGE 2016-2020

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MOTTO AND DEDICATION

"Indeed, Allah will not change the condition of a people until they change what is is in themselves"

(Q.S Ar-Ra'd: 11)

"If you are not willing to learn, no one can help you. If you are determined to learn, no one can stop you."

(Zig Ziglar)

I dedicate to:

- Allah SWT
- My beloved parents
- My brothers and sister
- All my big family
- All my dearest friends
- Almamater

PREFACE

Praise to Allah SWT for His mercy and grace, so that the author can complete this research entitled, The Effect Of Fraud Pentagon On Financia Statem ent Fraud In Banking And Financial Sector Companies Listed In Indonesia Stock Exchange 2016-2020”. This script is one of the requirements for obtaining a Bachelor of Economics degree Program Undergraduate (S-1) Faculty of Economics, Sriwijaya University

This script discusses fraudulent in financial statement using the fraud pentagon as an independent variable there are pressure, opportunity, rationalization, capability and arrogance. The data used in this research is secondary data collected by the website of Indonesia Stock Exchange.

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THANK-YOU NOTE

My sincere appreciation to many parties who have helped me to finish the script. Therefore author would like to express gratitude to :

1. **Mr. Prof. Dr. Ir. H. Anis Saggaff, MSCE** as Rector of Sriwijaya University.
2. **Mr. Dr. Mohammad Adam, S.E., M.E** as Dean of the Faculty of Economics, Sriwijaya University.
3. **Mr. Arista Hakiki, S.E., M.Acc., Ak., CA** as the Head of the Accounting Department, Faculty of Economics, Sriwijaya University.
4. **Mrs. Hj. Rina Tjandrakirana DP, S.E., M.M Ak** as the Academic Manager of the Accounting Department, Palembang Campus.
5. **Asfeni Nurullah, S.E, M.Acc., Ak** as my Academic Advisor, who has guided during the whole semester of study in the college.
6. **Mukhtaruddin, S.E., Ak., M.Si., Ak., CA** and **Umi Kalsum, S.E., M.Si., Ak** as Supervisor I and II of this script, who have sacrificed time, energy, and thoughts to guide and provide advice in completing this script.
7. All examiners who have provided criticism and suggestions to improve this script.
8. All Lecturers of the Faculty of Economics, Sriwijaya University, who sincerely have shared knowsledge and experiences that are very useful for the author during the lecture.
9. Staffs and Officers of the Faculty of Economics Universitas Sriwijaya who have helped me in the administration process.

10. My beloved parents that I love with all my heart, ayah and ibu, Birhijrotin and Lily Arliya who has assisted in material and non-material support. Who are always encourage, love, and continuous sincere prayers to the authors, love you both.
11. My brothers Redho Rizki Pratama and Redhi Rizki Pratama, my sister Reny Oktavianti thankyou for your advices, support, and joy for your this little sister, love you both.
12. Girl Geng Baes (Farah, Shinta, Andesh, Silvi, Tiara, Chichi, Cika, Sarah, Rista) making the days of college more meaningful and exhilarating, thank you for all the memorable trips and stories that we have shared together.
13. Yiyin and yora who has helped my research without you guys I couldn't have passed this. Thank you for the endless support!
14. My JHS Baes Fira, Anis, Made, Wiwid, Filak, Azzah who has always supported the writer since middle school and offer sincere prayers for the author.
15. My SHS Baes Mutek, Sila, Amel, Hesti, Desty, Tika, Amira, Athallah, Lalak who are always cheer me up and also give a sincere prayers and support
16. My Ko Alwi Mate Macaa, Hana, Marcek, Sarah, Dinda and Urel who always give unconditional support and sincere prayers to the authors.
17. To Djoan who always listens to the sighing story, taking the time to give criticism and suggestions for completing this script, and always encourages.
18. All Accounting Major ‘17 friends for all the assistance, cooperation, and memories. Thank you for being a comrade-in-arms during college life.

18. All parties who have help and provided support both directly and indirectly in the process of preparing this script.

May Allah SWT repay all the kindness you have given to the author in the process of completing this script.

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ABSTRACT

THE EFFECT OF FRAUD PENTAGON ON FINANCIAL STATEMENTS FRAUD IN FINANCIAL SECTOR COMPANIES LISTED INDONESIA STOCK EXCHANGE 2016-2020

By:
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Fraud in the financial statement occurs when a company intentionally presents financial statements that are not true in order to deceive the users, particularly investors and creditors. This study aims to examine the effect of Fraud Pentagon theory in detecting fraudulent financial statements. The research population was all financial sector companies listed on the Indonesia Stock Exchange during the 2016-2020 period. This research uses seven independent variables to achieve this objective, namely: Financial Stability, Cash Flow, Ineffective Monitoring, Change in Auditor, Change of Director, The Existence of Female Director and Frequent Number of CEO's Picture. The Dependent variable was used is fraudulent financial reporting that proxied by Earning Management. Purposive sampling techniques used multiple regression. Based on the test results, it shows that Financial Stability and Change of Director have a significant effect on fraudulent financial statement. Cash Flow, Ineffective Monitoring, Change in Auditor, The Existence of Female Director and Frequent Number of CEO's Picture Director have no significant effect on fraudulent financial statement

Keywords: Fraudulent Financial Statement, Fraud Pentagon and Earning Management

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ABSTRAK

THE EFFECT OF FRAUD PENTAGON ON FINANCIAL STATEMENTS FRAUD IN FINANCIAL SECTOR COMPANIES LISTED INDONESIA STOCK EXCHANGE 2016-2020

Oleh:
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Kecurangan dalam laporan keuangan terjadi ketika suatu perusahaan dengan sengaja menyajikan laporan keuangan yang tidak benar untuk menipu para pemakainya, khususnya investor dan kreditur. Penelitian ini bertujuan untuk menguji pengaruh teori Fraud Pentagon dalam mendeteksi kecurangan laporan keuangan. Populasi penelitian ini adalah seluruh perusahaan sektor keuangan yang terdaftar di Bursa Efek Indonesia selama periode 2016-2020. Penelitian ini menggunakan tujuh variabel independent yaitu: Stabilitas Keuangan, Arus Kas, Pengawasan yang Tidak Efektif, Pergantian Auditor, Pergantian Direktur, Keberadaan Direktur Wanita dan Jumlah Gambar CEO. Variabel Dependent yang diproksikan dengan Earning Management. Teknik purposive sampling menggunakan regresi berganda. Berdasarkan hasil pengujian menunjukkan bahwa Stabilitas Keuangan dan Perubahan Direksi berpengaruh terhadap kecurangan laporan keuangan. Arus Kas, Pengawasan yang Tidak Efektif, Pergantian Auditor, Keberadaan Direktur Wanita dan Jumlah Direktur Gambar CEO tidak berpengaruh signifikan terhadap kecurangan laporan keuangan

Kata Kunci: Kecurangan di Laporan Keuangan, Fraud Pentagon, dan Manajemen Laba

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CHAPTER I

INTRODUCTION

1.1 Background

Financial statements are prepared to provide financial information on the financial position, financial performance, and cash flow to help stakeholders make an economic decision. Financial statements that do not contain accurate and reliable information would mislead the financial statement user in making decisions. However, some entrepreneurs commit fraud in financial reports to present a representation of the most acceptable financial condition to benefit the company.

Fraud becomes unavoidable so that it can be found in all conditions, either economic or non-financial. ACFE (Association of Certified Fraud of Examiners) categorizes cheating into three groups, namely: (1) Report fraud Finance (Financial Statement Fraud), (2) Misappropriation of assets (Asset Misappropriation), and (3) Corruption. Based on survey results conducted by

ACFE Indonesia in 2020, corruption is the most common type of fraud that occurs and the most detrimental in Indonesia compared to fraudulent financial statements and misuse of assets. The measurement results for the level of corruption in Indonesia, conducted by Transparency International, show the Corruption Perception Index (CPI) results, analyzing that in 2020 Indonesia ranked the 102nd out of 180 countries measured by corruption levels Indonesia has also lost to Thailand, Malaysia, and Singapore to fight against corruption (Transparency International, 2020).

The banking world is vulnerable to fraud, even though it has used high technology (computerized), but it is challenging to detect collusion between bank employees and other parties. There is one example of a banking company that saw financial statement fraud is the Century Bank case in 2018. The financial statements issued by Bank Century were considered misleading because there were many material errors. In addition, there is also a double case in the 2002 report of Bank Lippo which manipulated its financial statements to obtain a recapitulation from the government. The Chairman of the Supreme Audit Agency said that many public accounting firms that carelessly make audit reports only justify the deviations caused by their clients (Lestari & Henny, 2019).

Based on the example above mentioned, fraud is an act of cheating committed by someone intentionally for their interests without looking at the risk of a reader of financial statements or relating to the institution. Fraud acts committed by these elements, of course, caused by several factors that the writer will examine without effective supervision and handling, cheating practices will be more widespread, and this will become a severe problem. An approach is needed to detect fraud practices to minimize fraud in the presentation of financial statements. Many theories have been developed and tested to assess fraud. Triangle Fraud Theory, this theory speculated that the causes of fraud in financial reporting were three factors: pressure, opportunity, and rationalization (Apriliana & Agustina, 2017). A new theory emerged again proposed to update the previous approach. This theory is called Diamond Fraud Theory. Diamond fraud theory believes that besides pressure, opportunity, and rationalization, additional indicators are capabilities that also influence the occurrence of fraudulent financial statements (Wolfe & Hermanson, 2004). As time goes by, a new theory, discovered by Crowe Horwath (2011) is called the Pentagon Fraud Theory. Pentagon fraud theory exists to perfect existing theories. Pentagon fraud theory has five elements. There are pressure, opportunity, rationalization, competence, and arrogance.

The fraud pentagon was chosen in this study as a method that is considered to be able to detect fraud in financial statements, because there are two additional elements, namely competence and arrogance. Capability is defined as the position or function of the CEO, directors, and other division heads in the company. Companies that commit fraud often change the composition of the board of directors because the company's condition is unstable and reflects political interests. The addition of the arrogance variable to the fraud pentagon is also considered to have an effect on fraudulent financial reporting because arrogance is the nature of a lack of conscience as an attitude of superiority or the presence of arrogance in someone who believes that internal control cannot be applied personally. This arrogant nature arises because the CEO will do whatever it takes to maintain his position in the company by showing the public about his status and position.

Figure 1.1 Crowe's Fraud Pentagon

Source: www.researchgate.net

The five essential elements of the fraud pentagon theory cannot be examined just like that. These five basic elements require variable proxies. This study used:

Pressure generally is proxied with financial stability, and external pressure. Pressure leads a person to commit fraud. Pressure can vary, including lifestyle, economic demands, and so on. Pressure is most often caused by pressure from financial demands and can cause a person to become greedy (Damayani et al., 2019).

Based on the results previous studies, one of the studies conducted by Agustina & Pratomo (2019) shows that only financial stability which have a positive effects on the fraud of financial statements and the research by Septriyani & Handayani (2018) shows that the financial stability and external pressure has a negative effect on fraudulent financial statement.

In addition there is a next variable, Opportunity which is proxied by ineffective monitoring. Lack of effective supervision will open up opportunities for someone to commit fraud. Opportunities are created due to deficiencies in organizational regulations, inadequate managerial oversight, or abuse of roles or authority. Opportunities can arise at any time, requiring control of the organizational structure from the top. Companies must develop useful processes, policies and controls and put staff in these roles to prevent fraud and be successful in detecting fraud. Therefore, ineffective monitoring is chosen as a proxy for variable opportunity (Annisya et al., 2016).

Ineffective monitoring has a positive effect on fraud in financial statements as evidenced by research conducted by (Faradiza, 2019). Whereas in research conducted Damayani et al (2019) stated that it does not affect the fraud on financial report and also related parties are people or entities that are related to certain entities in preparing their financial statements. This research discusses the impact of complex financial schemes on fraud. The researcher found matters related to party transactions allegedly used to manipulate revenue, loot companies and commit fraud.

Rationalization proxied with changing auditors. Substitution auditor considered as a way to cover the traces of fraud that have occurred by the previous auditor. This is done as a justification (rationalization) for the practice of cheating financial statements. Rationalization has encouraged perpetrators of fraud to seek justification for their actions. Rationalization is the most complicated part of the fraud triangle to calculate. whether the CEO or senior management is trying to make dishonest financial reporting more likely (Farmashinta, Prima Yudowati, 2019).

This is proven by the research of Lestari & Henny (2019) which shows the results of the auditor's change affect positive detection of fraudulent financial reports, but the research by Setiawati & Baningrum (2018) stated that the change of auditors has no effect on detection of fraudulent financial statement. Agustina & Pratomo, (2019) who researched financial statement fraud supports the results of research conducted by Setiawati & Baningrum (2018) regarding rationalization variables proxied by change of auditors saying that change of auditors has no effect on detection of financial statement.

Capability is proxied by a change of company directors or change in director and the existence of female director, its considered as a modes to cover up a cases on financial statement fraud from previous director. Management's ability to avoid internal controls, set strategy for fraudulent concealment and to manipulate the state of the economy in the interests of individuals, and the willingness of employees to ignore the internal control and regulate the situation for personal gain (Annisya et al., 2016).

Septriyani & Handayani (2018) argues that the new directors tend to be old to adapt to the new corporate environment, this will result in the new directors will be a little difficult in detecting fraudulent financial statements which stated that it has an affects on detection of fraudulent financial statements. Another case with the results of research conducted by Damayani et al (2019) considers that its no effect of the change of directors variable on the detection of fraud in financial statements.

The Board of Director is responsible for running the company' s operations. The existence of women in top management is still underestimated because men are considered more worthy of holding important positions in companies. In addition, it is assumed that the cause of the success of male leadership is a factor high ability, while the success of women's leadership is only due to factor luck alone. On the contrary, if it happened failure in women is due to incompetence and failure in men is caused due to disadvantage factors (Kusumastuti, 2012). So, the existence women in top management are still in doubt because they are considered incapable of leading company.

The last variable as an indicator in detecting fraudulent financial statement is arrogance which is proxied by the frequent number of CEO's picture, the Chief Executive Officer will assume that any internal control will not affect him. The CEO can act according to his wishes and interests without having to fear the existing regulations and supervision (Farmashinta, Prima; Yudowati, 2019).

Proven by research conducted from Apriliana & Agustina (2017) stated that it has a positive effect on the detection of fraudulent financial statement. Meanwhile, according to the research by Setiawati & Baningrum (2018) stated that the frequent number of CEO's picture has no effect in detecting fraudulent financial statement. These factors are shown as the cause of increasing fraud in financial reports.

Agency theory states that there are two parties involved in running an entity, both for-profit and non-profit organizations. The two parties are known as the principal and agent. The principal party is the owner of an entity which is then run by an agent, which then the agent in running the company should be in accordance with the wishes of the owner (the principal). However, agency theory also recognizes the existence of asymmetric information, which is an imbalance in the proportion of information consumed by both parties.

Asymmetric information can be seen in two form. Firstly, there is Moral hazard, when the agent withholds the information in his possession, with the aim that the information can be used to maximize the agent's utility. Secondly, there is adverse selection, when the agent does not know how to make a policy from the information it has. This has led to what is known as agency cost, which is in the form of a number of costs that must be incurred by the principal to continue to monitor the agent's performance (Rahman, 2011). Due to the differences in the results of the research described above, the researchers are interested in testing the different results including the variable pressure will be proxied by the financial stability and free cash flow. Opportunity is proxied by ineffective monitoring. Rationalization is proxied by a change in auditor, Capability is proxied by a change of company directors and arrogance is proxied by the frequent number of CEO’s picture. The five variables become independent variables in this study. Meanwhile, the dependent variable in this study is fraudulent financial statement.

The addition of free cash flow proxies and the presence of female directors is because the company's high cash flow to attract investors is considered to be obtained by earnings management and the presence of female directors in the company can detect fraudulent financial statements because women are considered to be able to make the company's performance better, more risk averse, and do active supervision. Besides, what distinguishes this study from previous research is the object being tested. In this study, the research object tested was a financial sector company. This research object's selection is based on data analyzed by the Association of Certified Fraud of Examiners (ACFE) in 2019 which states the parties most disadvantaged due to fraud are the financial and banking industries.

Research conducted by Agustina & Pratomo (2019) uses the F-score as a proxy on the dependent variable of financial statement fraud. The variable component of the F-Score is the sum of two variables, namely the quality of accruals and financial performance. Accrual quality is proxied by RSST accrual, while financial performance is proxied by changes in accounts, changes in inventory accounts, changes in cash sales accounts, changes in profit.

The distinguishes this research is financial statement fraud as proxied by earnings management as measured by discretionary accruals (DACC) by calculating the difference between total accruals (TAC) and nondiscretionary accruals (NDACC). The selection of earnings management as a proxy for the dependent variable rather than the f score model because the f score only focuses on assets, liabilities and investments, while earnings management is chosen because the calculation of discretionary accruals (DACC) in earnings management has a more accurate calculation component to detect fraud, namely total accruals, net income, Operating cash flow, Total assets of the company, Revenue of the company, and Receivables of the company.

Earnings management itself is a condition where management decides in preparing financial statements and preparing transactions so as to change the financial statements. Managers play an important role in a company. In other words, managers have a responsibility to achieve profits in accordance with the expectations of the owner (principal), but on the other hand managers are also interested in improving their welfare. This difference causes information asymmetry. As a result of this information asymmetry, the opportunity for fraud will open up.

Based on the background, phenomena, and research results above, the authors are interested in conducting research with the title "**The Effect of Fraud Pentagon on Financial Statement Fraud In Financial Sector Companies Listed In Indonesia Stock Exchange 2016-2020".**

1.2 Problem Statement

Based on the description above, the following problems can be formulated:

1. How does the financial stability influence on fraudulent financial statement?
2. How does the free cash flow influence on fraudulent financial statement?
3 How does the ineffective monitoring influence the detection on fraudulent financial statement?

4. How does the change in auditor influence on fraudulent financial statement?
5. How does a change in director influence fraudulent financial statement?
6. How does existence of female director influence fraudulent financial statement?
7. How does the frequent number of CEO’s picture influence on fraudulent financial statement?

1.3 Purpose of Research

This research was conducted to obtain evidence that indicators contained in the pentagon fraud theory of pressure that is financial targets and free cash flow; opportunities that are proxied by ineffective monitoring; rationalization which is proxied by a change in auditor; capabilities proxied by change in director and Existence of Female Director; and the arrogance variable which is proxied by the frequent number of CEO's picture that has a positive influence on financial statement fraud. And this study also aims to identify how effective pentagon fraud theory is in detecting fraudulent financial statements.

1.4 Benefits of Research

With this research, it is expected that:

1. Theoretical Use

   a. It can provide more insight and knowledge about the practice of financial statement fraud and how to detect financial statement fraud using a renewable theory, namely the pentagon fraud theory, where the theory has more complete indicators than the previous theory.

b. Adding contributions to accountants, especially accountants engaged in the forensic field, it was hoped to be a reference for further researches.

2. Practical Uses

a. With this research expected, users of financial statements can consider more mature before making a decision not always a financial statement looks good because of the actual presentation.

b. The users look the results of this research and use it for decision making whether to invest in the company or not.

c. This research is expected so that management can detect financial statement fraud carefully.

CHAPTER II

LITERATURE REVIEW

2.1 Agency Theory

In previous research that conducted by Annisya et al (2016) the application of the Agency's theory on the identification of fraud in financial reporting has culminated in the relationship of the Agency as a result of an agreement between the Principal and the Agent by deferring some governing power to the Agent. It can be expected that a variety of decisions will be made by the agent. In fact, managers who operate as responsible agents optimize the profits of their owners, but management still has an interest in optimizing their interests. If the boss has an interest in optimizing well-being, the agent will not be permitted to behave in the interest of the principal. On the basis of this knowledge generated by managers, it is possible to deceive consumers of financial statements. The difference of interest will result in a conflict of interest between the agent and the principal that activates the expense agency

Relationships between owners as principal and management as agents. Management is a party contracted by the shareholders to operate in the interests of the shareholders. They would then assume responsibility for the success of the shareholders. Inside the company, management has the right to make decisions on matters that could have an effect on the company's situation. However, often taking those actions is not in the interests of the shareholders. This difference in interest establishes a conflict of interest between the two parties in such a way that the corporation, as an agent, faces different requirements that make them commit fraud (Damayani et al., 2019).

The theory of the agency is the key reference and basis for best activities in businesses. Relationships between owners or investors (principal) and administrators (agents) are difficult to develop due to a conflict of interest. The conflict of interest that exists between the principal and the agent creates an atmosphere of reciprocal mistrust when the agent works with personal purposes and does not optimize the interests of the principal. This situation offers an outstanding chance for agents to commit fraud (Agustina & Pratomo, 2019).

The Partner may have expectations for this partnership, in this situation the principal is expected to want a rise in the financial performance of the Company in the form of a high return on investment issued by the Company, while the Agent has an interest in paying a greater reward for their performance. This implies a conflict of interest between the principal and the agent, which is sometimes referred to as a conflict of interest, and the agent will attempt to find his advantage in a multitude of ways, such as changing the figures in the financial statements, concealing real facts, and misleading readers of the financial statements (Lestari & Henny, 2019).

The theory of the agency suggests that people are behaving in line with their respective interests and are causing competing interests. This, though, poses the issue that agents have an interest in obtaining substantial pay for their jobs, while principals or owners want a high return on their investment. This divergence in intent establishes a conflict of interest between the agents and the principals. Relationship between the two parties which contribute to a state of knowledge disparity or information asymmetry Where information asymmetry exists between the two parties, it implicitly offers an incentive for agents to conceal information that is not known to the principal. Agents can attempt to find their gains in a lot of ways, such as changing figures in financial accounts, suppressing truthful facts, and making mistakes that will confuse financial statement readers (Nurbaiti & Hanafi, 2017).

2.2 Fraud Pentagon Theory

The theory of fraud is expanded from the theory of fraud triangle by Cressey, which provides other features of fraud, including capacity and ego. Pressure, opportunity, rationalization, capability, and arrogance may be concluded as part of the theory of fraud pentagon (Apriliana & Agustina, 2017). According to Crowe Horwath (2011), there are five factors that influence the fraud actions, they are:

A. Pressure

Pressure leads an individual to commit fraud. Pressures can vary, including lifestyles, economic demands, and so on. The pressure is most commonly brought on by pressure from financial demands. These needs are also viewed as a need that cannot be discussed with others to work together to overcome them so that they have to be addressed in secrecy and eventually lead to theft. There are four categories of situations that generally exist under pressure that can lead to theft, financial security, external pressure, personal financial needs, and financial targets (Damayani et al., 2019).

B. Opportunity

The prospects in the false financial statement can be found in three types of factors, the design of the market, inadequate control, and organizational structure. The essence of the industry applies to the creation of risks for businesses working in the industry, which require a much greater calculation and consideration (Damayani et al., 2019).

Examples of risk factors: inventory valuation bring a higher risk of misstatement for businesses whose inventories are distributed over a wide variety of locations. Ineffective management is a condition where the company does not have a team of successful managers to control the efficiency of the company. Examples of risk factors: domination by a single individual or a small group without regard for rewards, inadequate oversight by the board of directors, the audit committee, and internal control of the financial statements. Organizational structure is a dynamic, chaotic organizational structure. Examples of risk factors: excessively structured corporate systems, staff attrition firms such as senior management or senior managers (Lestari & Henny, 2019).

There are opportunities for fraud. Opportunities are created due to shortcomings in organizational regulation, inadequate oversight of managers, or misuse of a role or authority. Opportunities can emerge at any moment, requiring control of the organizational structure beginning from the top. The company must develop processes, policies, and controls that are beneficial and put staff in such roles so as not to be able to render theft and to be successful in detecting fraud (Annisya et al., 2016).

C. Rationalization

Rationalization has driven the perpetrators of theft to seek excuses for their conduct. Rationalization is the most complicated part of the triangle of deception to calculate. Example of a risk factor: whether the CEO or other senior management are not serious with the process of the financial statements, Such as attempting to make excessively ambitious predictions, the reporting of dishonest finances is more likely to occur. The rationalization of businesses can be calculated by the auditor's turnover period, the company's audit opinion, and the status of the gross accrual separated by the total assets (Farmashinta, Prima Yudowati, 2019).

D. Competence

Management's ability to circumvent internal controls, establish concealment strategies for fraud and to manipulate economic circumstances in the interests of individuals, and the willingness of employees to ignore internal controls, and govern situations by personal benefit (Annisya et al., 2016).

E. Arogance

Arrogance is a state in which, regardless of its rank and role, an aggressive attitude towards management denies the presence of internal regulation. The chairman of the board retains the management role of the CEO or president as a proxy for the aspect of ego. Some CEOs use their ego to make money, and the CEO often uses his arrogance to remind others that he is really powerful in a corporation.

The CEO believes, however, that the legislation enforced by the companies does not apply to him, that assumption persists, and that he will continue to deception through the distortion of the company's financial statements (Skousen et al., 2008).

The regular number of CEO names is a sign of greed that can lead to bribery, registered in a business by showing names and roles that are repeatedly disclosed in the financial statements and the annual companies. The CEO appears to reveal much of his influence and career in the business to the media. This is because they do not want to risk the rank or role kept within the framework of the management of the company (Mukhtaruddin et al., 2020).

Based on research conducted by Ghandur et al (2019) investigating and presenting a clarification of the pentagon fraud hypothesis will help diagnose fraud in financial statements. The role of the fraud pentagon is expected to gain accounting expertise, notably in the field of forensic accounting and investigative auditing, on factors that may influence businesses to commit financial reporting fraud using the pentagon fraud theory. Financial accounts are one of the media that can be used by executives to conduct fraud. Financial accounts act as an intermediary medium between management and shareholders for the success of businesses by financial details (Farmashinta, Prima Yudowati, 2019).

2.3 Earning Management

Earnings management according to Sapulette & Risakotta (2013) is a methodology for the reporting of earnings where earnings are organized based on the desires of management rather than based on real circumstances. Earnings management is a condition in which management engages in the presentation of financial statements to meet certain targets and to minimize the appropriateness of the financial statements (Annisya et al., 2016). Thus, it can be inferred that earnings accounting is a method of reporting earnings in financial statements by management that is not based on the real earnings conditions of the firm, such that the company is perceived to have raised income from year to year.

In earnings accounting practices, earnings in financial statements appear to be mocked because earnings should reflect the success of the company. If the profit of the company is high, the success of the company in the eyes of customers will still be deemed good and investors will prefer the company to invest and this will result in the company having more income thanks to earnings management activities. This profit manipulation is a fraudulent practice in presenting financial statements. Earnings management will doubt the credibility of these financial statements and will mislead readers of financial statements in making decisions (Wijaya & Christiawan, 2014).

2.4 Fraudulent Financial Statement

Fraud in the financial statement is deliberate action made by the company to present financial statements that are not the truth that occur to confuse readers of the study, in particular investors and creditors. This fraud occurs if the revenue earned is smaller than the company's expenditure. A fraudulent financial statement according to SAS no 99 can be done by:

1. Manipulation, falsifying or adding accounting records and other supporting document.
2. An intentional mistake or carelessness of financial statements.
3. Intentional abuse of concepts relating to quantity, description of the presentation, and disclosure of process.

2.4.1 Financial Stability

Financial stability is threatened by economic, industrial, and organizational pressures that make managers under pressure to commit fraud. Financial stability is a situation that explains the financial uncertainty of the company. Management is also under pressure to show that the company has been able to properly manage assets, resulting in a large profit and significant returns for investors. As a result, management utilizes financial reports as a tool to handle crises of financial instability by misleading investors. (Skousen et al., 2008).

The right to gain shareholders is dependent on the overall number of assets in the company. However, a limited amount of total assets retained may generate strain for management, when the company's output tends to be diminishing, so that management manipulates the financial statements as a tactic to cover the company's low stability. The ratio of shifts in net assets is then used as a metric for variable financial stability. The lower the rate of misleading financial statements, the better the company's financial health (Farmashinta, Prima, Yudowati, 2019).

Financial health is a concept of whether or not a corporation's financial situation is stable. Management will also attempt to preserve the financial health of an organization through a number of strategies and techniques. This puts pressure on each management, particularly when faced with a situation where the financial condition of the company is under pressure, which encourages the management to commit financial statements fraud. It suggested that the firms achieving progress were below the industry average, allowing management to distort financial statements to maximize the company's profitability, one of the efforts to manipulate financial reports related to the accumulation of assets. The ratio of changes to total assets is often used as a metric for the indicator of financial stability. The greater the ratio of improvements to the company's total assets, and the higher the likelihood of fraud in the company's financial statements, it may be concluded that financial security is a requirement that management has to uphold to make the enterprise appear good to contend with other companies (Rahmayuni, 2018).

Managers are under pressure to commit false financial statements as financial security or sustainability is threatened by the state of the economy, industry, or operating company, which is impaired by increases in net assets, which has a positive effect on financial stability. The method of managing the financial statements carried out by the management is related to the growth of the business assets, so the management is also under pressure to be able to demonstrate that the corporation can handle the assets well to make high profits and to provide high returns on investors. The higher the level of changes in the company's net assets, the higher the risk fraud in the company's financial statements (Ijudien, 2018).

Financial stability is a term that defines the financial condition of the company when it is stable. Financial stability is influenced by the growth rate of the company's assets. Assets represent the capital of the company and may indicate the company's outlook. A business is seen to be huge or tiny which can be seen from the overall assets. The most assets you have, the corporation is a big business and has a positive reputation. This is an attraction for buyers, stakeholders, and other decision holders, whether the growth rate of the company's assets is diminished or even negative, which suggests that the company's financial situation is unstable and is deemed incapable of working properly. Management is also under pressure to prove that the organization has been able to handle its investments effectively enough that the revenues it earns are both significant and As a result, it can increase its profit and generate large returns for investors. As a consequence, management utilizes financial statements to conceal insufficient financial stability by misleading investors. So, the indicate that where businesses experience below-average industrial growth, management will manipulate financial statements to increase results (Martantya, 2013).

2.4.2 Free Cash Flow

Companies with a surplus free cash flow ratio display greater results than other companies because they will benefit from a range of opportunities that other companies cannot afford and are more capable of sustaining under unfavorable circumstances. The results of this research following the theory that has been stated. The higher a company’s free cash flow ratio, the better the company is because it has more cash available for expansion, debt, and dividend (Rosdini, 2009).

A condition in which the financial position of corporate executives has an impact on the firm's finances. Examples of risk factors: the substantial financial involvement of management in an organization, the management of a significant share of compensation that relies on the attainment of ambitious share price goals, the performance of operations, the financial status or the cash flow of management that commits personal assets to an entity's debt. High free cash flow level companies are likely to succeed in poor conditions. In the meantime, the negative free cash flow ratio means that the existing reserves of funding are inadequate to satisfy the investment needs of the company, thereby requiring additional foreign funds either in the form of loans or the issuing of new securities (Norbarani & Rahardjo, 2012).

Financial reports are issued to provide financial information regarding the company's financial position, financial performance and cash flow that will help stakeholders to make economic decisions. Companies need additional debt or external sources of financing to remain competitive, including research financing with development or capital expenditures to overcome these pressures. External financing needs relate to cash generated from operating and investing activities. Therefore free cash flow ratio is used as a proxy for external pressure. Company performance reflecting the potential of a company's assets to gain net profit through the free cash flow ratio as an indicator (Maghfiroh et al., 2015).

One of the causes of agency problems between managers and principals is a conflict of interest related to the use of the company's free cash flow. Free cash flow is the remaining cash from financing all projects that produce a positive net present value (NPV). It is business cash that may be allocated to creditors or owners who are not used for operating capital or spending in fixed assets. As a result, free cash flow can be concluded as the available cash retained by the firm after the company has funded both the acquisition and working capital for its financial operations in the form of market growth (Yogi & Damayanthi, 2016).

Free cash flow also represents the degree of financial stability of the company. Free cash flow is business cash that may be allocated to creditors or owners who are not used for operating capital or spending in fixed assets. Free cash flow gives an example to customers that distributed by the company are not just a trick to get through the market to raise the company's valuation. Companies with surplus free cash flow would achieve higher results than most companies so they will take advantage of the different opportunities that other companies would not be able to afford. The prevailing fact is that the high supply of free cash flows continues to be misused by management for its own sake. Managers want to use free cash flow to grow the business by spending, even though it produces negative net present value (Dewi & Priyadi, 2016).

2.4.3 Ineffective Monitoring

This inadequate supervision is due to the absence or ineffectiveness of the internal control mechanism, meaning that management has the ability to commit fraud. Reliable oversight shall be conducted by an impartial board of commissioners in the corporation. Independent commissioners from outside the company have no immediate relationship with the owners of the company. The oversight would be more efficient with the involvement of the Board of Commissioners in the business (Bawekes, 2018).

A company must provide proper supervision to ensure that there is good internal monitoring. Ineffective oversight can be calculated by looking at the proportion of independent commissioners. the ratio of external commissioners in the overall number of commissioners in the company. The essence of individuality ensures that a person can carry out his or her job, such as the role of oversight and the qualities of leadership. The number of independent commissioners will assess the efficacy of the supervisory process and must agree with the regulations in force. Inefficient regulation has a major negative effect on the dependent variable. Ineffective reporting has a major positive impact on false financial statements. This can happen when, at the General Meeting of Shareholders (GMS) arranged by the corporation, the shareholders nominate many independent commissioners without knowing the terms or specifics of the company's operations, such that the option of an independent commissioner is viewed as a formality in the company. Within these circumstances, the presence of an independent commissioner could lead to bribery where there is no adequate oversight (Mardianto & Tiono, 2019).

Ineffective supervision is a condition where the company does not have a supervisory team that adequately controls the efficiency of the company. Fraud may be removed with a successful supervisory system. The Autonomous Board of Commissioners is assumed to be in a position to improve the efficiency of oversight of the financial statements and internal control mechanism. The number of members of the Board of Independent Commissioners is higher and the amount of bribery is smaller. The proportion of the independent board of commissioners influences the degree of fraud in a corporation. Independent commissioners shall be part of a board which satisfies the requirements not to have an associated association with controlling shareholders, directors or other commissioners and to have a knowledge of the capital market laws and regulations, By hiring a commissioner who has no association with owners, directors, employees, or other internal parties, the supervisory operations can be carried out more objectively to make the control of the performance of the company more efficient (Maghfiroh et al., 2015).

Ineffective oversight is the ineffective control of the company due to the poor management structure of the company and the audit committee. Examples of risk factors: the impact of management on an individual or a small group, without a control advantage, the inadequate oversight of the board of commissioners and even of directors over the financial reporting process and internal control. The spread of accounting irregularities and unethical practices is one of the consequences of inadequate oversight by an organization that has provided an incentive for someone to operate in their desires, with insufficient supervision, and management feels that they are not being closely supervised and that they are braver to pursue ways to increase their earnings. Therefore, a third party, such as an impartial board of commissioners, is required to deter false financial statements (Sari, 2016).

Ineffective Oversight is an ineffective control of the company due to the absence of a supervisory mechanism in the organization, when this occurs, the potential for someone to commit theft is very high. Losses will emerge as a result of inadequate supervision and will be much worse if allowed to occur. The association between successful surveillance and fraud is very closely connected. This is one of the ways to commit theft. Inefficient surveillance has a strong and important effect on the incidence of fraud (Prema et al., 2020).

2.4.4 Change In Auditor

Change in auditors in a company stated that the rationalization of management, which allows them to engage in fraudulent financial reporting, may not be vulnerable to auditor supervision. According to Damayani et al., (2019) change in the auditor are considered to erase traces of fraud committed by the previous auditors. So that the fraud that was carried out could not be known.

Management's relationship with the auditor is a management rationalization. Organisations whose commit fraud seem to be more willing to adjust auditors because management tries to minimize the chances of their deceptive company's financial activities being detected by auditors. Especially after a change of auditors, audit failure in detecting fraudulent financial statements tends to rise. As a result, the auditor's change is utilized as a proxy for rationalization. The greater the number of auditor changes, the greater the risk of financial statement fraud (Farmashinta, Prima Yudowati, 2019).

In financial reporting, the auditors are important managers. Companies that commit fraud seem to be more likely to replace auditors because firm management tries to limit the chance of the previous auditor detecting fraudulent financial statements. If a corporation wants to reduce the likelihood of auditors finding fraudulent financial statements, it can replace the auditors. (Tiffani & Marfuah, 2015).

Individuals who are involved in fraudulent will justify it. The individual will continue to commit fraud even though their knows that the action is wrong. Someone who commits fraud will consistently rationalize their acts of fraud. The external auditor is the party chosen by the company to check its financial statements to free the company's financial statements from fraud. The new external auditor considering to have not mastered the company's condition, so that the possibility of the new external auditor finding fraud in the financial statements is considered small. Therefore, external auditors' change impacts the detection of fraudulent financial reports (Farmashinta, Prima; Yudowati, 2019).

The effect of changing auditors in the company can be an indication of fraud. The previous auditors could be more capable of detecting the possibility of fraud either actively or passively. However, fraudulent activities can still happen even if there is a change of auditors (Yesiariani & Rahayu, 2017).

2.4.5 Change Of Directors

Capability is the potential that a person has in taking advantage of the situation to commit fraud in a company environment, measured by using a change in directors. The company wants to improve its performance to be better managed by a board of directors who is more competent than the previous one. Based on this, it can be interpreted that the company seeks to eliminate traces of fraud or fraud trail that may have been carried out so that there needs to be a change or replacement of directors (Cahyanti, 2020).

The change of director system is considered not beneficial for the company because it might be a solution to the issue of other directors who have committed fraud. Then director with more professional skills will make fraud more likely to happen (Devi et al., 2017).

Fraud will not occur without someone who can carry out every detail of the fraud to achieve specific goals. Ability is how much power and capacity a person has in committing fraud in the company environment. The CEO, directors, and heads of other divisions are the most suitable for these characteristics. Changing the board of directors with more competence is an improvement effort to improve detection fraud (Cahyanti, 2020).

Change in a board of directors is giving over the old directors' authority and control to the newly appointed directors. The board of directors' change would not always bring about positive intentions because it may be done to get rid of the old board of directors who have identified fraud committed by the company. Changes in the board of directors are generally influenced by political content and certain parties' interests that trigger a conflict of interest. The board of directors' changes can cause a stress period that impacts are opening up opportunities for fraud. The change of directors could be a company effort to eliminate directors who are considered to be aware of frauds committed by the company (Ghandur et al., 2019).

Capability is the ability or competence a person has. Changes in company directors can lead to pressure periods that provide fraud opportunities, and a change in CEOs or directors can lead to fraud. Capability is the potential that a person has in exploiting a situation to commit fraud in a corporate environment. In this case, it is necessary to replace the board of directors because the company wants to improve its performance to be better managed by a board of directors who is more competent than the previous one. Based on this, it can be interpreted that the company seeks to eliminate traces of fraud or fraud trail that may have been carried out so that there needs to be a change or replacement of directors (Cahyanti, 2020).

2.4.6 Existence of Female Director

Many companies pay attention to the board of directors' ability as something important because the board of directors is responsible for motivating and overseeing all activities and decisions made by the Chief Executive Officer (Hanani & Aryani, 2012). Management capability has a comparative responsibility to minimize the opportunity for fraudulent financial statements. The company has no political connections. Women's boards of directors can control manipulation activities effectively because they are more risk-averse, less tolerant of opportunistic behavior, carry out active supervision, and increase management's ability and effectiveness (Nalikka, 2009).

The Board of Commissioners has a responsibility to improve the quality and accuracy of financial reporting. The Board of Commissioners is responsible for managing the company's operating operations, and the gender differences also have a different impact in carrying out their duties. Men and women have different attitudes in dealing with the same situation. The presence of women on the board of commissioners can affect the policy to be taken because women have an attitude that tends to analyze the problem first and process it. It is hoped that a conservative perspective, avoiding risks, and obeying women's ethical standards can limit earnings management practices (Putri & NR, 2019).

Women are known to be more careful and more risk-averse than men, women tend to be more ethical in making considerations and behaving than men, and the presence of women in top management will provide obstacles to the practice of violating financial reporting rules because of the involvement of gender issues in it. Thus when a female CEO leads a company, one can expect that there will be a decrease in the rate of violation of financial reporting regulations in the company (Putri & NR, 2019).

One form of diversity comes from the different leadership styles of women in that female leaders tend to show more concern for people and seek welfare. In contrast, male leaders tend to have more traits (agents) that reinforce competition and hierarchy. Similarly, it is often reported that women are better listeners and seek better listeners, especially in financial matters (Suhartono, 2020).

Women's top management still underestimates because men are considered more worthy of holding significant company positions. Male leadership's performance is a factor of specific skills, Whereas the achievement of women's leadership is only related to opportunities. Failure in women occurs due to disability, and failure in men is due to unfortunate factors. Women in top management are still in doubt because they are considered incapable of leading the company. The percentage of women that defines the presence of a spread in the board (board diversity) is directly proportional to the increase in firm size and board size, but inversely with the rise in the number of independent boards (Hanani & Aryani, 2012).

2.4.7 Frequency Of Appearance Of Ceo Images

The CEO's image is a photo in the CEO of the company's annual report. The CEO's picture in the annual report of a company may reflect the degree of arrogance or dominance that the CEO holds. The CEO appears to be more able to show others the prestige and role he has in the business, so they don't want to sacrifice the status. A high degree of arrogance will lead to fraud because the CEO's confidence and dominance make the CEO believe he will not expose to any internal regulation because of his importance and presence. There is also the chance that the CEO will do anything that means to sustain his current position (Mertha Jaya & Poerwono, 2019).

The CEO of a company with an arrogant attitude will think of himself as a celebrity, have an arrogant attitude, avoid internal control, have a threatening attitude, have an authoritarian management style, and fear losing his position or greed. Fraud is always hidden where the perpetrator of fraud is aware of the presence of the number of photos of the president director on display, measuring the level of arrogance of the company's president director, and detecting fraud. Therefore, perpetrators in fraud reduce to display the CEO picture to cover up the arrogance and indications of fraudulent financial reporting (Farmashinta, Prima; Yudowati, 2019).

Many frequency CEO images in the company's annual report can provide the level of arrogance owned by a CEO. Arrogance is a perpetrator's attitude beliefs can commit acts of fraud without the knowledge of others. The CEO's influence as top management causes the tendency to show his career and achievements to others. A CEO has greater authority so that it allows the control of the opportunity to commit fraud. The ability possessed by top-level management enables the perpetrator to commit fraud without worrying about risks and sanctions for applicable policies (Faidah & Suwarti, 2018).

A CEO is the top-level management will have a responsibility towards the company's shareholders and society. So that a CEO will be required to secure the company's condition and at the same time his position in the company when the company experiences a crisis. The CEO's influence as top management causes a tendency to show his career and achievements to others. Top management or the CEO will maintain the company's good image and position in the company. So the government or CEO may do anything to maintain company stability when the company faces conditions that could impact the company and himself (Faidah & Suwarti, 2018).

Arrogance is an attitude of superiority for a person combined with rights or greed and a belief that internal regulation does not exist. Arrogance in the pentagon fraud theory can be seen from the CEO's number of images in the financial report. CEOs of companies who have an arrogant attitude will see themselves as celebrities, have an arrogant attitude that they can avoid internal control, have an attitude of intimidation, have an autocratic management style, and fear losing their position status. These attitudes will provide opportunities for fraud because the most important thing for the CEO is how to maintain his level and position (Rusmana & Tanjung, 2020).

2.5 Previous Research

Some previous studies discuss fraudulent financial statements, such as L. Tiffani & Marfuah (2015), who researched fraud in a financial report using the fraud pentagon approach. This study used 136 manufacture company listed on IDX consecutively during 2011-2013. The dependent variable used in this study is financial statement fraud. Meanwhile, the independent variables used are pressure with the proxies of Financial Stability (ACHANGE), External Pressure (LEV), Personal Financial Need (OSHIP), and Financial Target (ROA). Nature Of Industry (RECEIVABLE) and effective monitoring are a proxy of Opportunity. Auditor Change is a proxy of rationalization. The results showed that the pressure varies with the proxies for financial stability, and external pressure significantly affected the fraudulent financial statement.

In contrast, the proxies for Personal Financial Need and Financial Target had no considerable impact on fraudulent financial reports. Opportunity varies use nature of the industry as a significant effect on the fraudulent financial information. Ineffective Monitoring proxies had no significant effects on fraudulent financial statements. The rationalization variable using the AUDCHANGE proxy did not influence fraudulent financial reports.

Research by Annisya et al (2016) is using a total of 27 property and real estate firms published on the Indonesia Stock Exchange for the period 2010-2014. The dependent variable in this study is fraudulent financial statements and use FScore as a measure. The independent variables used are pressure, which is proxied by financial stability, external pressure, and financial target; opportunity, which is proxied by the industry's nature, rationalization, which is proxied by audit opinion Capability, which is proxied by the change of directors. Financial stability proxy indicates to detect fraudulent financial reports. In contrast, external pressure proxies and financial targets were unable to predict fraudulent financial statements. The variables of opportunity, rationalization, and Capability were failed to predict fraudulent financial report.

Research by Faidah & Suwarti (2018) is using 156 financial statement data for banking companies and financial sector companies listed on the Indonesia Stock Exchange in 2012-2014. The dependent variable used is a fraudulent financial statement, which is proxied by financial restatement. The independent variable used is Pressure, which is proxied by the financial target, financial stability, external pressure, and institutional ownership. An opportunity is proxied by ineffective monitoring and quality of external auditors, Rationalization, which is proxied by change in auditor. Capability, which is proxied by the change of company directors and Arrogance, is proxied by the frequent number of Ceo's pictures. This research indicates that three variables were significant in detecting the occurrence of fraudulent financial reporting, including financial stability, external pressure, and the frequent number of CEO's pictures. These variables represent the two elements in a fraud pentagon theory, which are pressure and arrogance.

Research by Apriliana & Agustina (2017) is using 157 manufacturing companies listed on the Indonesia Stock Exchange period 2013-2015. The dependent variable in this study is a fraudulent financial report using the M-score. Independent variable use pressure, which is proxied by financial target, financial stability, and liquidity. An opportunity proxied by institutional ownership and effective monitoring. Rationalization, which is proxied by external auditor quality and change in auditor. Capability, which is proxied by a director change, and Arrogance, is proxied by the frequent number of Ceo's pictures. This study showed that financial stability, external auditors' quality, and the regular number of CEOs are likely to influence fraudulent financial reporting. Financial targets, liquidity, institutional ownership, effective monitoring, auditors' changes, and changes of directors cannot affect fraudulent financial reports.

Research by Damayani et al (2019) is using a sample of 74 financial statement data for infrastructure companies listed on the Indonesia Stock Exchange during 2014 - 2016. The dependent variable in this study is a fraudulent financial report using as measure by M-Score. The independent variable used is Pressure, which is proxied by financial stability, financial target, external pressure, and managerial ownership. The opportunity is proxied by ineffective monitoring and the nature of the industry. Rationalization is proxied by a change in auditor. A proxied capability by a change in directors, and Arrogance, which is proxied by a frequent number of CEO's picture. This study showed that Opportunity, which is proxied by the industry's nature, was able to predict fraudulent financial reports. Financial stability, financial target, external pressure, managerial ownership, ineffective monitoring, change in auditor, change in directors, and arrogance proxies were unable to predict fraudulent financial reports.

Research by Septriyani & Handayani (2018) is using 86 manufacturing companies and 27 banking companies listed on the Indonesia Stock Exchange (IDX) period 2013-2016. The dependent variable in this study is a fraudulent financial report using earning management. The independent variable using Pressure, which is proxied by a financial target, financial stability, and external pressure. Opportunity is a proxy in ineffective monitoring and the nature of the industry. Rationalization is proxied by a change in auditor and ratio total accrual, Capability, which is proxied by the change of director, and Arrogance, which is proxied by the frequent number of CEOs picture. This study showed that financial stability, financial target, external pressure, and total ratio accrual are likely to influence fraudulent financial reporting. While ineffective monitoring, nature of the industry, and auditor change are not influential in detecting fraudulent financial statements, financial targets, liquidity, institutional ownership, effective monitoring, auditors' changes, changes of directors, and a frequent number of CEO's picture are not able to indicate a fraudulent.

Research by Setiawati & Baningrum (2018) is using 252 financial statement data in manufacturing companies listed on the Indonesia Stock Exchange in 20142016. The dependent variable used is a fraudulent financial statement, which is proxied by financial restatement. The independent variable used is Pressure, which is proxied by the financial target, financial stability, external pressure, and personal financial needs. The opportunity is proxied by ineffective monitoring, the industry's nature, and the external auditor's quality. Rationalization, which is proxied by a change in auditor. Capability, which is proxied by the change of company directors, and Arrogance, which is proxied by the frequent number of CEOs pictures. This research indicates that there is only a financial target that influences fraudulent financial reports. In contrast, other variables do not affect the detection of fraudulent financial reports.

Research by Lestari & Henny (2019) is using 67 banking companies published on the Indonesia Stock Exchange for 2014-2016. The dependent variable in this study is a fraudulent financial statement use Z-score. While the independent variables used are proxy pressure by financial stability, external pressure, personal financial need, and financial target. This opportunity is proxied by the ineffective monitoring and quality of external auditor, rationalization which is proxied by a change in auditor and auditor report, Capability which is proxied by the difference in the board of directors, arrogance which is proxied by a frequent number of CEO's picture and CEO politician. The results of this research indicate that there is the only financial target that influences fraudulent financial reports. In contrast, other variables do not affect detecting the occurrence of fraudulent financial reports.

Research by Pasaribu et al.(2020) is using 95 nonfinance companies listed on the Indonesia Stock Exchange (IDX) period 2015-2017. The dependent variable in this study is a fraudulent financial report using earning management. The independent variable used is Pressure, which is proxied by the financial target, financial stability, personal financial need, and external pressure. The opportunity is proxied by ineffective monitoring and the nature of the industry. Rationalization is a proxy in auditor change. Capability is a proxy on change of director, and Arrogance, which is proxied by the frequent number of CEO's picture. The results of this research indicate that there is only financial stability that influences fraudulent financial reports. In contrast, other variables do not influence in detecting the occurrence of a fraudulent financial report.

Research by Vivianita & Indudewi (2019) is using 48 companies listed on the Jakarta Islamic Index period 2014-2015. The dependent variable in this study is a fraudulent financial report using multiple linear regression. While the independent variable used is Pressure, which is proxied by financial stability. Opportunity is a proxy for the quality of external audits. Rationalization is a proxy over a change in auditor, Capability, which is proxied by a change of director, and Arrogance, which is proxied by the frequent number of CEO's picture. The results of this research indicate that fraudulent financial reports do not influence the quality of external audits. Simultaneously, other variables are financial stability, change in auditor, change in director, and the frequent number of CEOs' pictures influenced in detecting fraudulent financial reports.

2.6 Research Framework

In this research, writers use agency theory as the grand theory. Agency theory explains agent and principal relationships. In this case, the agent is the management, and the principal is the shareholders. Management is required to generate maximum profit so that it can provide good results to shareholders. This situation raises pressure or motives within the management to manipulate financial reports to produce sound and useful financial reports according to shareholders' expectations. This theory agrees with the research conducted by L. Tiffani & Marfuah (2015) which showed that pressure proxy influences fraudulent financial statements.

Management earns pressure to show that the company has been able to properly guarantee assets so that the profit it generates is also a lot and will produce a high return for investors. For this reason, management uses financial statements as a tool to cover up conditions of poor financial stability by committing fraud. Research conducted by Norbarani & Rahardjo (2012) showed that free cash flow affects financial statement fraud. The ratio of free cash flow (FREEC) is a measure of company performance that shows company assets' ability to generate an operating profit. Companies with surplus free cash flow levels would have greater results than other companies so they will take advantage of the diverse opportunities that other companies do not have. Companies with high free cash flow levels are likely to thrive in dire circumstances. The higher the free cash flow ratio of the company, the lower the risk that the company will commit fraud.

Opportunity is the second element of the Fraud Pentagon theory, which explains that fraud occurs because of management's opportunity to commit fraud. They are convinced that the possibility of fraud being exposed is minimal. According to Norbarani & Rahardjo (2012), opportunities are created because of weak internal control, indiscipline, weakness in accessing information, no audit mechanism, and apathy. The opportunity affects fraud because if seen from the ineffective monitoring, this is due to an ineffective internal control system so that management has the opportunity to commit fraud.

Rationalization became the third component of the Pentagon's fraud, which clarified that an approach of tolerance for manipulation activities had been taken.

Fraud is committed on the grounds of rationalization by others, which means that the crime is not a rule's failure. According to Faidah & Suwarti (2018) rationalization has an effect on fraud because it is seen from companies that usually commit fraud are more likely to change auditors because the company's management tries to reduce the possibility of being detected by the old auditors related to financial statement fraud.

Capability is the fourth element of Fraud Pentagon explained that fraud acts happen because someone can do it. According to Wolfe & Hermanson (2004), the characteristics related to ability are position, intelligence, creativity, trust, coercion, trickery, and stress. Thus, if these criteria are considered, the board of directors' position should also be considered. Capability affects fraud because it allows them to have a tremendous ability to fraud if seen from the board of directors' position. Therefore, if it is used to commit fraud, it will undoubtedly generate benefits for them.

On the other hand, the principals or shareholders are also affected by the fraud they have committed, then the change of directors will not always have a good impact on the company. Devi et al (2017) which explains that a change of directors could be an opportunity to get away for directors who are known to be aware of fraud committed by the company.

Arrogance is the fifth element of the Pentagon Fraud theory, which explains that the superiority or greed attitude of people who believe that internal control does not apply personally. According to Mukhtaruddin et al (2020) one of the characters in arrogance is having a big ego, the CEO as a celebrity, and the arrogance factor.

So if seen from these characteristics, the frequency of appearance of CEO images may also be considered in influencing fraudulent financial statements. Therefore more images of the CEO in the annual report are thought to increase the arrogance to commit fraud without fear of internal control.

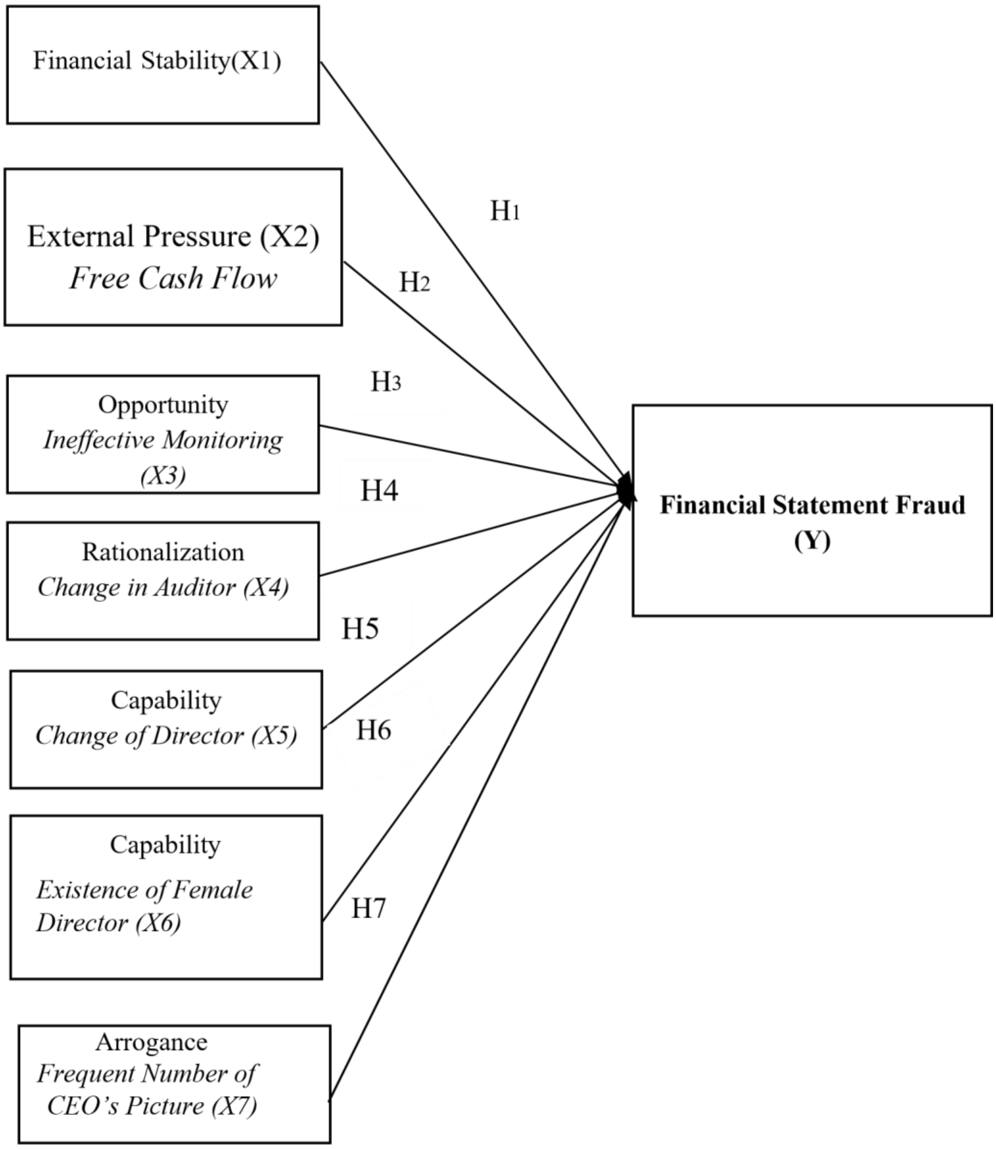


Figure 2.1 Research Framework

2.7 Hypothesis

2.7.1 The Effect of Financial Stability On Fraudulent Financial Statement

The relationship between agency theory in detecting fraudulent financial statements is when managers pressure the state of the company, industry, or operating situation of the entity to prepare financial statements. Business has constantly in able to show that the company can effectively manage assets in order to generate profits and significant returns for investors.

Financial stability in a company, as an agent will make some efforts to get a favorable performance appraisal from the principal, even if it means misleading the principal. One of the ways companies are trying to improve their performance is by manipulating information on the value of their assets. This is done because management is constantly under pressure to show that the company can manage assets effectively to generate high profits and high returns for investors. The size of the company's net worth is the main attraction for investors, creditors, and shareholders. This is supported by research conducted by Septriyani & Handayani (2018) which finds that financial stability affects the detection of financial statements. Financial stability influenced by the growth rate of the company's assets, so the higher the total assets representing the company's capital and may indicate the prospect of the company committing fraud and not presenting financial statements based on the actual situation.

Based on the description described above, the first hypothesis is obtained as follows:

H1= Financial Stability influence the fraudulent financial statements

2.7.2 The Effect of Free Cash Flow On Fraudulent Financial Statement

Based on agency theory, the company is under a lot of pressure. One of them is the need to access additional debt or alternative finance sources to stay competitive, including funds for research and development or capital expenditure. External funding needs related to cash generated from operating and investment activities.

The free cash flow ratio is a measure that enables a company to produce profits from its assets (Yogi & Damayanthi, 2016). A company with high free cash flow ratios will be more profitable than the majority of their competitors. They will receive a number of advantages that will not be available to other enterprises. Companies with significant amounts of free cash flow are more likely to succeed in difficult situations. On the other hand, a negative free cash flow ratio means that internal sources of funds are not sufficient to cover their expenditure needs. This will require more external capital, either in the form of loans or new stock. This is supported by data Skousen et al (2008) free cash flow had an impact on financial misstatements according to the study. This shows that the higher the company's cash flow ratio, the lower the risk of fraud.

Based on the description described above, the first hypothesis is obtained as follows:

H2= Free cash flow influence the fraudulent financial statement

2.7.3. The Effect of Ineffective Monitoring On Fraud Financial Statement

Based on the pentagon theory, Ineffective supervision is a situation in which a company does not have an appropriate supervision system to manage its effectiveness. Management can commit fraud as a result of weak supervision or an ineffective internal control system.

Companies that have no effects are situations where none impact the company's internal management arrangement, if an independent supervisory board is established to increase the efficiency of company supervision, companies with fewer boards of commissioners can result in higher levels of fraud. The research results stated previously regarding independent variables (ineffective monitoring) that affect fraudulent financial statements. A previous study conducted by Faidah & Suwarti (2018) The existence of an independent commissioner in the company can help monitor the company's performance to be more effective, which has shown a significant effect on fraudulent financial transactions.

Based on the description described above, the first hypothesis is obtained as follows:

H3 = Ineffective supervision influence on fraudulent financial statement

2.7.4 The Effect of Change In Auditor On Fraud Financial Statement

Based on the Pentagon theory, change in auditor is when the company changes the auditor uses. It may be proposed to reduce the trace of fraud detected by the latest auditor. The results of the research that had been stated earlier about the study of independent variables (change in auditor) that affect the financial statement fraud.

The company that removes its independent auditor to cover up fraud is forced to clean up the evidence, but that cannot be done after the company becomes unsatisfied with the auditor's performance. Auditors are crucial managers in financial reporting. Companies that commit fraud are more likely to replace auditors because company's management tries to limit the chance of the previous auditor detecting fake financial statements. If a corporation wants to reduce the possibility of auditors finding fraudulent financial statements, it can replace the auditors. It was supported by data done with Farmashinta, Prima Yudowati (2019) showed change in auditor has a significant effect on detection fraud.

Based on the description described above, the first hypothesis is obtained as follows:

H4 = Change of auditor influence on fraudulent financial statement

2.7.5 The Effect Change Of Directors On Fraudulent Financial Statement

Based on the pentagon theory, the change of directors is one of the factors causing fraud, and its a development of the fraud triangle theory. Changes in directors are not always good for the company. Changes of directors are not necessarily useful for the company. Changes on the board of directors could be an opportunity for the company to get rid of directors who are suspected of knowing about the fraud.

Companies who change directors increase the potential for fraud and employees who have specific intellectual or ability are assumed to be able to identify opportunities and commit fraud in accordance with their capabilities. The company wants to improve its performance to be better managed by a board of directors who is more competent than the previous one. Some findings of the research that had been stated by Wolfe & Hermanson (2004) about the change of director affect a fraudulent, it can be interpreted that the company seeks to eliminate traces of fraud or fraud trail that may have been carried out so that there needs to be a change or replacement of directors.

Based on the description described above, the first hypothesis is obtained as follows:

H5 = Change of director influence on fraud financial statement

2.7.6 The Effect of Existence of Female Director On Fraudulent Financial Statement

The relationship between agency theory in detecting fraudulent financial statements is when a company needed the Board of Directors as the main component of effective corporate governance. Board of directors has an essential role in company management. The spread of the board (diversity board) as measured by gender differences in the board has a significant effect on its performance.

Control capability has a comparatively significant function in decreasing the opportunity for fraud. financial reporting when the company has no political connections, women's boards of directors can control manipulation activities effectively because they are more risk-averse, less tolerant of opportunistic behavior, carry out active supervision, can increase the ability and effectiveness of management (Wang et al., 2017).

The higher the board structure's diversity, the more confidence that the company's decisions will maximize the value of the company (Hanani & Aryani, 2012). Research conducted by Suhartono (2020) stated that female representation on board has a significant effect on detection, a more excellent representation of females on board can reduce the possibility of fraud and improve the company's financial performance.

Based on the description described above, the first hypothesis is obtained as follows:

H6 = Existence of Female Director influence on fraudulent financial statement

2.7.7 The Effect of Frequency Appearance Of CEO Image On Fraudulent Financial Statement

According to theory of pentagon, CEO's look is a reason for fraud arrogance. Individuals who consider that internal regulation does not extend to them personally have a dominant or corrupt mentality. The CEO desires to show the company's status, position, and presence.

The CEO photo is from the company's annual CEO report. The CEO's description in a company's annual report may reflect the CEO's level of arrogance or control. They don't want to compromise status because the CEO appears to be able to exhibit his status and position in the company to others. A high level of arrogance will lead to fraud since the CEO's confidence and control lead him to feel that because of his position and presence, he will not disclose any internal regulations. There's also the risk that the CEO will do everything it takes to keep his regular positions. (Mertha Jaya & Poerwono, 2019).

Previous research conducted by Farmashinta, Prima Yudowati (2019) stated that Frequency Appearance Of CEO Image influence in detecting fraud and assumed more of the CEO's pictures in the financial statements to raise the arrogance of committing fraud despite internal regulation awareness. From these assumptions, It can be inferred that more of the CEO images shown in the financial statement indicates a high degree of CEO arrogance so that fraud can affect. Besides, there is a risk that the CEO will do anything it takes to preserve his position.

Based on the description described above, the first hypothesis is obtained as follows:

H7 = Frequency of Appearance of CEO Images affects on fraudulent financial statement

CHAPTER III

RESEARCH METHODOLOGY

3.1 Scope of Research

The scope of this proposal is fraudulent financial statements of companies engaged in financial sector companies those registered in Indonesia's Stock Exchange (IDX) for the period 2016-2020 with indicators that influence is pressure variable proxied by financial stability and free cash flow, capability variable proxied by change of director and the existence of female director. opportunity proxied by ineffective monitoring, rationalization proxied by change in auditor and arrogance proxied by the frequent number of CEO's picture.

3.2 Research Design

The types of data collected and used in this research are presented in quantitative data. This research was conducted by using secondary data from the Indonesian Stock Exchange in compatible with the needs for this research.

3.3 Type and Source of Data

This study uses the secondary source of data in the form of publication of annual reports and financial statements of banking and finance companies listing on the IDX during the period 2016-2020.

3.4 Data Collection Method

In collecting data for this study, researchers use the nonobservation participation technique because researchers observe objects studied but do not engage directly or sense the condition of the object being studied.

Research observes by accessing the Indonesia Stock Exchange (IDX) website, www.idx.co.id.

3.5 Population and Sample

3.5.1 Population

According to Lestari & Henny (2019) population is a generalization of an area consisting of objects or subjects that have the best quality determined by the researcher to be studied and then drawn a conclusion. Population is not only people, but also population objects, not only the number of objects or subjects, but includes all aspects or properties possessed by that subject or object.

The population selected in this study are companies engaged in the Indonesia Stock Exchange in 2016-2020. The election of the population is based on data analyzed by the Association of Certified Frauds of Examiners (ACFE) in 2019 The 2019 Indonesia fraud survey based on data shows that the most disadvantaged parties due to fraud are the financial and banking industries as much as 41.4%. This is in line with the results of the ACFE (2018) research which was named Report to The Nations 2018 which shows that the financial and banking industry occupies the first position of organizations that are disadvantaged due to fraud, from 50 population of financial and banking sector, there are 20 companies fulfil the criteria of sample.

3.5.2 Sample

The sampling technique is done by purposive sampling which is a sampling technique that uses certain considerations and limitations so that the selected sample is relevant to the purpose of the study. The criteria used in the study sample are:

Table 3.1 Research sample

NO	Sample Criteria	Number of Companies
1.	Companies classified in the banking and financial sector in a row during the period 2016 - 2020	50
2.	Companies who did not publish annual financial statements on the company's website or the IDX website during the period 2016 – 2020	-14
3.	Companies with incomplete financial statement data	-16
4.	Companies that are delisted during the observation period.	0
Total research sample		**20**
Period 2016-2020 (20 x 5) **Total sample observation data** **100**		

Source: Processed by author

The reason for choosing this population is because of based on data analyzed the 2019 Indonesia fraud survey based on data shows that the most disadvantaged parties due to fraud are the financial and banking industries that are disadvantaged due to fraud the total sample in this study was 100 sample observation data.

3.6 Data Analysis Methods

To test the independent and dependent variables the data analysis method is used, namely multiple linear regression calculated through the Statistical Program for Social (SP SS) software version 26.0.

3.6.1. Descriptive statistics

Tests were carried out to obtain information relating to the data used in the research. Descriptive statistics generally contain about the mean or average, standard deviation, variance, and so on. In its presentation, descriptive statistics use the form of tables, graphs, diagrams and others. This descriptive statistic provides a description or explanation of the data so that it can be clearly understood (Ghozali, 2018)

3.6.2 Classic assumption test

3.6.2.1 Normality test

Normality test is used to test whether a data has a normal distribution or not, to measure the distribution of these data normally or not used the Kolmogorov Smirnov test. In conducting the Kolmogorov-Smirnov test the significant level used was 0.05. If statistical profitability is greater than 0.05, it can be stated that the value of data distribution in a regression is normally distributed (Ghozali, 2018).

3.6.2.2 Multicollinearity Test

The multicollinearity test is a measurement of the regression model in which there is a relationship or a correlation between independent variables. A linear regression model can be said to be good if there is no correlation between independent variables (Ijudien, 2018). In measuring correlation between independent variables, it is necessary to pay attention to the value of tolerance and the value of VIF (Variance Inflation Factor).

3.6.2.3 Autocorrelation Test

The autocorrelation test aims to determine whether there is a correlation between the confounding variable in a certain period and the previous variable (Sujarweni, 2016). Regression models should be free of autocorrelation problems. The autocorrelation test can be done using the Run Test. The criteria are:

a. If the value is Asymp. Sig. (2-tailed) <0.05, then H0 is rejected. This means that there is an autocorrelation problem.
b. If the value is Asymp. Sig. (2-tailed)> 0.05, then H0 is accepted. This means that there is no autocorrelation problem

3.6.2.4 Heteroskedasticity Test

In the heteroskedasticity test, the regression model does not have a similarity between the variance of the residuals from one observation to another. A regression model can be said to be good if there is no heteroskedasticity. To test the presence or absence of heteroskedasticity, the Glejser test is used. If the Glejser test has significance between variables and absolute residuals> 0.05, it can be concluded that there is no heteroscedasticity problem. Besides, if these points form a uniform pattern or have a regulatory form, it can be concluded that heteroscedasticity occurs if otherwise there is no heteroscedasticity (Ghozali, 2018).

3.6.3 Hypothesis testing

3.6.3.1. Partial Test (T Statistical Test)

Hypothesis testing (t-test) is needed to test how each independent variable influences the dependent variable (Ghozali, 2018). In determining hypotheses whether some assumptions are accepted or rejected, they are used as follows:

1. The level of significance α = 0.05
2. Degree of freedom (df = n - 1)
3. Viewed the results of the t table

After using assumptions, conclusions can be drawn with the following conditions:

Test t_{count} ≤ α = 5% then Ho accepted and Ha rejected

Test t_{count} ≥ α = 5% then Ho rejected and Ha accepted

3.6.3.2. Coefficient of Determination (R Square)

The coefficient of determination (R^2) is used to measure how much the contribution of influence is given by the independent variable to the dependent variable. If the value of R^2 is equal to 0, then there is no influence of the independent variable on the dependent variable. Meanwhile, if the value of R^2 is equal to 1, then the dependent variable is influenced by the 100% independent variable (Suhartono, 2020).

3.6.4. Multiple Linear Regression Analysis

The data analysis method used is multiple linear regression models. The relationship between variables refers to the Skousen et al model with the regression model.

$$Y = a + b1X1 + b2X2 + b3X3 + b4X4 + b5X5 + b6X6 + b7X7$$

Information :

a = Constanta
b = Regression Coefficients of Each Independent Variable
X1 : Financial Stability Variable
X2 : Free Cash Flow Variable
X3 : Ineffective Monitoring Variable
X4 : Change In Auditor Variable
X5 : Change Of Director Variable
X6 : Existence Of Female Director Variable
X7 : Frequent Number Of CEO's Picture
e : Standart Error

3.7 Operational Definitions and Variable Measurements

3.7.1. Dependent Variable

Dependent Variable is a variable that is a focus of this research. The dependent variable will be influenced by the independent variable. Fraudulent financial statements become the dependent variable in this study (Sapulette &

Risakotta, 2013). Variable fraudulent financial statements will be measured by earnings management. Earnings management is measured by the value of DACC or disrectionary accrual Jones Modified Model. To calculate DACC the following formula is used:

1. Total Accrual Calculation

   $TA_{it} = NA_{it} - CFO_{it}$

   Information:

   TA_{it} = total accrual of the company in period t

   NA_{it}= net income

   CFO_{it}= Operating cash flow

   (Sapulette & Risakotta, 2013)

2. Calculation of Accrual Directioner (DA)

   $\frac{TA_{it}}{A_{it-1}} = \alpha \frac{1}{A_{it-1}} + \beta_1 \left\{ \left[\frac{\Delta REV_{it}}{A_{it-1}} \right] \right\} + \beta_2 \left(\frac{PPE_{it}}{A_{it-1}} \right) + \varepsilon_{it}$

   Information:

   TA_{it} = total accrual of the company in period t

   A_{it-1} = total assets of the company in the period t

   ΔREV_{it}= change in company income in the period t

   PPE_{it}= total fixed assets of the company in period t

   ε_{it} = eror

   (Sapulette & Risakotta, 2013)

3. Calculation of Non Accrual Directioner (NDA)

Non-Accrualary Accruals can be calculated using this formula:

$$NDA_{it}=\alpha \frac{1}{A_{it-1}}+ \beta_1\left\{\left[\frac{\Delta REV_{it}- \Delta REC_{it}}{A_{it-1}}\right]\right\}+ \beta_2\left(\frac{PPE_{it}}{A_{it-1}}\right)+\varepsilon_{it}$$

Information:

NDA_{it} non discretionary accrual of the company in period t

ΔREC_{it}= Changes in company receivables in period t

(Sapulette & Risakotta, 2013)

4. Discretionary Accrual Calculation

This is a measurement of earnings management with the following formula:

$$DA_{it}=\frac{TA_{it}}{A_{it-1}}- NDA_{it}$$

(Sapulette & Risakotta, 2013)

3.7.2. Independent Variable

The independent variables in this study were arranged in accordance with five fraud risk factors in the Fraud Pentagon Theory, there are several independent variables tested in this study:

1. Financial Stability

A situation that describes the company's finances in a stable state. Assessment of the stability of the condition company finances can be seen from how the state of its assets. The total assets owned by the company describe its wealth owned by the company. Financial stability is measured by ACHANGE, which is the ratio of changes in assets for two years (Faradiza, 2019a).

$$\text{ACHANGE}=\frac{\text{Total } Asset\ t - Total\ Asset\ t-1}{Total\ Asset\ t-1}$$

(Faradiza, 2019)

2. External Pressure

External pressure is excessive pressure felt by the management of the requirements or expectations of the third party. Companies need additional debt or external sources of finance to remain competitive, including financing for research and development or capital expenditures to overcome these pressures (Skousen et al., 2008).

$$FREEC = \frac{\text{T}otal\ \text{Net Income Generated From Operational Activities – Cash Dividend} - \text{capital expenditurs}}{\text{Total Asset}}$$

(Skousen et al., 2008)

3. Ineffective Monitoring

Ineffective monitoring is an organizational situation without an effective supervision Skousen et al (2008) said that this happened because the audit committee and the board of directors didn’t perform their duties as internal controllers of the company. This situation will open a gap for someone to take an action outside the boundary for example a fraud. This research measures ineffective monitoring with a ratio of the number of independent commissioners (BDOUT) whose data is contained in the annual report and is calculated by:

$$\text{BDOUT}= \frac{Number\ of\ Independent\ Board\ of\ Commissioners}{Total\ Number\ of\ Board\ of\ Commissioners}$$

(Skousen et al., 2008)

4. Change in Auditor

The frequency of changing company auditors will lead to speculation that the company is indicated to have committed fraud. This is a proxy of Rationalization with Changes auditor in banking companies and financial sector on IDX as measured by dummy variables, if there is a change in auditor during the study period it is worth 1, if there is no change in auditor then it is worth 0 (Damayani et al., 2019).

5. Change in Director

The board of directors in an organization is someone who is responsible of internal control. However, the board of directors not always a man inside of the company. Change in directors is a way that companies do to improve the performance of previous directors, but the change of directors will have an assumption that the company is trying to cover up the practice of fraud that had occurred. Because the board of directors is someone who knows more about supervision in the company and knows more about the practice of fraud. Measurement of change in director variable is measured through dummy variable, in further observation, banking companies and finance sector in 2014-2019 are proven to have made changes to the board of directors (DCHANGE), they will receive code 1 and if its not, they will receive code 0 and the data also have from annual report in the financial sector companies (Septriyani & Handayani, 2018).

6. Existence of Female Director

The board of directors is an important component in the implementation of good corporate governance. The board of directors has an important role in company management, the spread of the board (diversity board) as measured by gender differences in the board, has a significant effect on the company's performance. This is a proxy of capability as measured by dummy variable, if there is a female director in financial sector companies it is worth 1, if there is no female director then it is worth 0 (Nalikka, 2009).

7. Frequent Number of CEO’s Picture

The more often the frequency of CEO publish photos in the report, the level of arrogance that is owned by the CEO will be higher. It will make the CEO feel that he has the highest position in the company. The CEO also thinks that he is free from internal supervision and control because of the sense of arrogance that the CEO has. In this research arrogance is measured by the number of pictures or photos of the CEO displayed in the published annual report in financial sector companies on 2016-2020 (Apriliana & Agustina, 2017).

CHAPTER IV

RESEARCH AND DESCRIPTION

4.1 Data Analysis

In this study, descriptive statistics were used as the method of analysis. Descriptive statistics is a method for gathering and presenting data in order to provide helpful information. The minimum, maximum, average, and standard deviation of each research variable were examined using descriptive statistical analysis in this study. Furthermore, the classical assumption test is performed to guarantee that the regression equation obtained is unbiased and consistent in the estimate. The hypothesis test was therefore performed. This hypothesis test is used to provide a basis for gathering evidence in the form of data in order to determine if the statements or assumptions stated are accurate or not. The influence of the independent variables Financial Stability, Effective Monitoring, Change in Auditors, Change of Directors, and the Frequent Number of CEOs on the dependent variable, Fraudulent Financial Reporting, is predicted utilizing SPSS software.

4.2. Descriptive Statistics

Descriptive statistical analysis gives an overview of each research variable's minimum, maximum, average, and standard deviation. Table 4.1 shows the findings of the descriptive statistical analysis.

Table 4.1 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Earning Mgt	100	-.05	.14	.0071	.02770
ACHANGE	100	-.34	.78	.1020	.17150
FEEC	100	-35.94	31.78	1.1896	11.3674
BDOUT	100	.25	1.00	.5262	.12689
ADCHANGE	100	.00	1.00	.1400	.34874
DCHANGE	100	.00	1.00	.3800	.48783
Female Director	100	.00	1.00	.8100	4.03475
CEOPIC	100	.00	22.00	4.9400	.02770

Table 4.1 the result of descriptive statistics show that Bank BTPN Syariah has the lowest risk level of financial statement fraud in 2020, with a minimum value of -0.05, and Bank BTPN Syariah has the highest risk level of financial statement fraud in 2017, with a maximum value of 0.14. Earning Management's mean value for the fraudulent financial statement is 0.0071. The mean level of fraudulent financial statement in banking and finance sectors is shown in this figure, followed by a high risk of financial statement fraud, represented by a standard deviation value of 0.02770. Based on Skousen et al (2008) research, if the resulting average is low while the standard deviation is high, the potential for fraud will be high.

Variable financial stability proxied by Change in assets (ACHANGE) shows that the minimum value is found in Bank Pembangunan Daerah Banten in 2020 with a minimum value of -0.34 because total assets of the current year were smaller than total assets of the previous year. The highest risk level of financial statement fraud is Bank BTPN, with a maximum value of 0.78 because the total asset of the current year is much larger than the previous year's total assets. The average value is 0.1020 and the standard deviation value is 0.17150 greater than the average value. This shows that the data variation in the financial stability variable research is classified as high or heterogeneous data.

External pressure variable calculated through free cash flow during the period 2016 – 2020, it can be seen that the minimum FREEC value is in the QNB Indonesia Syariah Bank in 2020 with a minimum value of -35.94, while the highest FREEC is in BFI Finance Indonesia in 2020 with a maximum value of 31.78, the average FREEC value is 1.1896 and the standard deviation value is 11.36749 greater than the average value. This shows that the data variation in the financial stability variable research is classified as high or heterogeneous data.

Ineffective supervision variable determining using the independent board of commissioners' ratio from 2016-2020, the minimum BDOUT value is 0.25 from Bank BTPN Syariah in 2018 and 2017. The maximum value is 1.00 from the Bank Pembangunan Daerah Banten in 2020 and 2019 due to having the same number of independent commissioners and total boards of commissioners. The average value is 0.5262, and the standard deviation value is 0.12689 less than the average value. This shows that the data variation in the financial stability variable research is classified as homogeneous data.

Table 4.2 Descriptive Statistics of Variable Change Of Auditor

		Frequency	Percent
Valid	There is no change o auditors	86	81.2
	There is a change of auditors	14	18.8
	Total	100	100.0

Rationalization variable proxied by the change of auditor variable assessed by the existence change of auditors between 2016 - 2020. This is a dummy variable in which companies with auditor changes are coded 1 and companies with no auditor changes are coded 0. It can be seen that of the 100 research samples, 14 samples had changes of auditors, whereas the others 86 samples did not. For companies that do not have auditor changes, the proportion of each code is 81.2 percent, although for companies that do have auditor changes, the number is 18.8 percent.

Table 4.3 Descriptive Statistics of Variable Change of Directors

		Frequency	Percent
Valid	There is no change of directors	62	56.2
	There is a change of directors	38	43.8
	Total	100	100.0

Proxy for competence is the change of director variable, measured by the existence or absence of a change of directors between 2015 and 2020. It uses a dummy variable in which firms with a change of directors have coded one and companies with no change of directors are coded 0. Table 4.3, as a reference, shows that 38 of the 100 samples in the analysis had a change of directors, whereas the remaining 62 examples did not. Companies that do not have a change of directors have a rate of 56.2 percent, whereas companies that do have a change of directors have a percentage of 43.8 percent.

Table 4.4 Descriptive Statistics of Variable Existence of Female Director

		Frequency	Percent
Valid	There is no Existence of Female Director	19	18.8
	There is Existence of Female Director	81	81.2
	Total	100	100.0

Competence variable is also proxied by the Existence of a Female Director, measured by the existence of a female director from 2016 - 2020. This is a dummy variable in which companies with female directors are coded 1 and companies with male directors are coded 0. It can be seen that of the 100 samples of the study, 81 samples had female directors, while 19 other samples had not existence of female director. The percentage of each code is 18.8 percent for companies that do not have the existence of female directors and 81.2 percent for companies that have a existence of female director.

Arrogance variable is proxied by the frequency of appearance of the Chief Executive Officer (CEOPIC) image, this can be determined by examining the frequency of CEO photos in annual reports from 2016 to 2020. The least value is 0, and the greatest value is 22. The photo of the CEO on the financial statement can be official photos or a documentary about the company's activity. The average value is 4.9400 and the standard deviation value is 0.02770 less than the average value.

CHAPTER V

ANALYSIS AND DISCUSSIONS

5.1. Analysis Data

This study aimed to determine how the influence of a fraud pentagon on fraudulent financial statements. The objects studied were banking and finance companies in the IDX consecutively listed on the IDX from 2016 to 2020. This object also must have fulfilled the required criteria in this study. The steps in this study were to test the normality and the hypothesis test.

5.1.1 Normality Test

The normality test is used to see if the data being tested is normally distributed. When the data being tested has a normal distribution, it makes for a good regression model. The Kolmograv-Smirnov (K-S) non-parametric statistical test was performed to determine whether the data were normal. The results of the normality test are shown in Table 5.1..

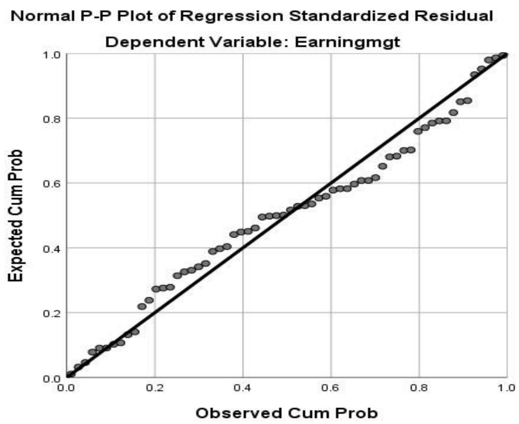
Table 5.1 Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		100
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.84871950
Most Extreme Differences	Absolute	.086
	Positive	.086
	Negative	-.067
Test Statistic		.086
Asymp. Sig. (2-tailed)		.200[c,d]

Source: Processed by author

Figure 5.1 Normality Test Results



Source: Processed data, 2021

The normality test using the Kolmogorov Smirnov test has also a significance value of 0.200. Because this value is more than 0.05, the data in this research were regularly distributed.

5.1.2 Multicollinearity Test

The multicollinearity test is used to determine whether the independent variables are correlated. The independent variables should not be correlated with the regression model. Table 5.2 shows the results of the multicollinearity test.

Table 5.2 Multicollinearity Test

Model	Tolerance	VIF
ACHANGE	.898	1.114
FREEC	.851	1.175
AUDCHANGE	.837	1.194
DCHANGE	.935	1.070
Female Director	.945	1.058
CEOPIC	.962	1.039
Earning management	.986	1.014

VIF values are smaller than 10, and all tolerance values are more than 0.10. According to the findings of the multicollinearity test, all tolerance values are greater than 0.10. It is possible to conclude that the independent variables have no connection and that the data evaluated in the study does not have a multicollinearity problem.

5.1.3 Autocorrelation Test

The autocorrelation test is a test to detect whether autocorrelation occurs or not. Whether there's a connection, it indicates there is a problem with autocorrelation. As a result, an autocorrelation test is required to determine whether the examined data has a correlation problem. The autocorrelation test utilizing the Run Test produced the following findings.

Table 5.3 Autocorrelation Test

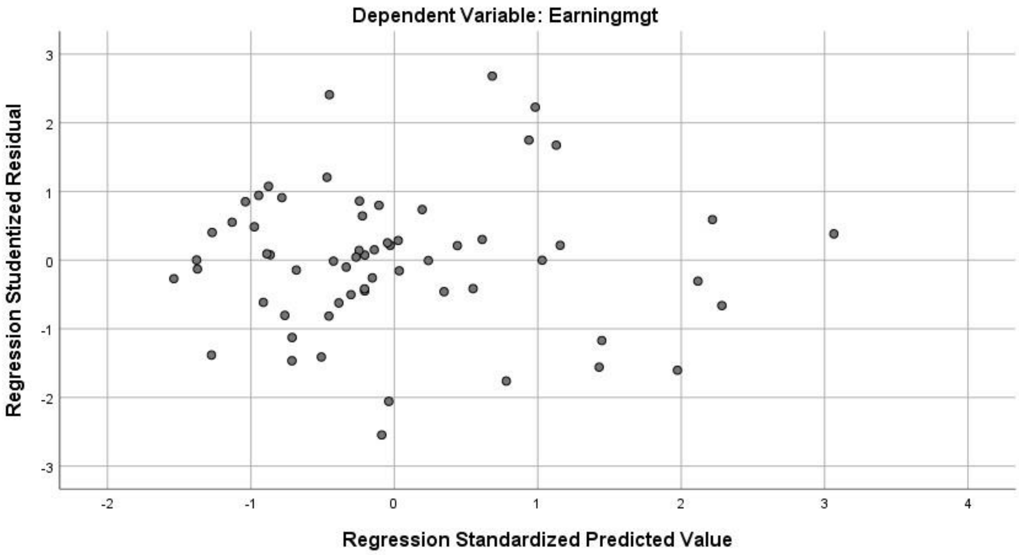
Runs Test

	Unstandardized Residual
Test Value[a]	-.00085
Cases < Test Value	50
Cases >= Test Value	50
Total Cases	100
Number of Runs	46
Z	-1.005
Asymp. Sig. (2-tailed)	.315

The significance value for the run test is 0.315, as shown in Table 5.3 above. Because this result is more significant than 0.05, it may be stated that the data tested in the study has no autocorrelation problem.

5.1.4. Heteroscedasticity Test

Figure 5.2 Heteroscedasticity Test



Source: Processed by author

The Scatterplot image pattern can be used to perform a heteroscedasticity test. There is no heteroscedasticity in a good regression model. The scatterplot image in the file shows the results of this test, which are as follows:

a. The data points were distributed above, below, or in the surroundings of the 0

b. Data points are not clustered just above or below the surface.

c. The data points do not form a wavy pattern that widens, narrows, and widens again.

d. There are no patterns in the data distribution.

As a result, the data examined in the study show no evidence of heteroscedasticity.

5.2 Hypothesis Testing

Hypothesis testing is performed to ensure that data analysis results are correct and that the study's hypotheses are supported. The t statistical value and the coefficient of determination are used to evaluate this hypothesis test.

5.2.1 Partial Regression Coefficient Testing (Statistical t-Test)

The purpose of testing is to determine how much the independent factors' effect explains the dependent variable on its own. Table 5.4 presents the results of the t statistical test:

Table 5.4 Statistical t-Test Results

Model	Unstandardized Coefficients B	Standardized Coefficients	T	Sig.
Constant	-4.736		0.679	.000
ACHANGE	3.372	.488	4.364	000
FREEC	-.011	-.088	-.802	.426
BDOUT	-.242	-.023	-.214	.831
AUDCHANGE	.330	-.108	-.956	.343
DCHANGE	-.644	.283	-.2.523	.015
Female Director	-.118	-.039	-.349	.728
CEOPIC	-.013	-.051	-.470	.640

As its study's independent variables represent a variety of measuring scales, regression coefficients as seen from standardized coefficients are used, resulting in the following regression equation:

$$Y = - 4,736 + 3,372X1 - 0,423X2 - 0,242X3 + 0,330X4 - 0,644 - 0,118 - 0,13$$

The t statistic showed that there can be one positive independent variable, according to the results. Financial stability is this variable (ACHANGE) and change in director (DCHANGE). Therefore indicates that the independent variable is related to fraudulent financial accounts in a positive way. Meanwhile, other independent variables are negative, which means that these variables negatively correlate with fraudulent financial statements. The five variables are Free Cash Flow, Ineffective Monitoring, Change in Auditor, and the Frequent Number of CEO.

Two independent factors have a significant effect on fraudulent financial statements, according to the results of the t statistical test. If the Sig < 0.05 is shown to have a significant impact, the hypothesis for two independent variables is accepted while the other five variables' hypothesis is rejected.

5.2.2 Coefficient Determination (R2)

The coefficient of determination (R2) is a measurement of what the independent variable affects the dependent variable. The coefficient of determination test produced the following results.

Table 5.5 Determination Coefficient Test Results

Model	R	R Square	Adjusted R Square	Std. Error of The Estimates
1	.625[a]	.391	.312	.90205

According to table 5.5, the R2 value is 0.39, or 39%. This result indicates that the dependent variable can explain for 39% of the variance in the independent variable. Financial stability, free cash flow, ineffective supervision, changes in auditors, changes in directors, the number of female directors on boards of directors, and also the regularity with which CEO photos appeared in financial reports all influence 39 percent of the risk of financial fraudulent financial reporting in banking and financial companies. However, other variables not examined have an affect on the remaining 61%.

5.3. Discussion

Based on the analytical test that has been carried out, The fraudulent financial statement can be shown to be affected on pressure and capability, while the opportunity, rationalization, and arrogance variables have no effect on the fraudulent financial statement, which will be explained below.

5.3.1. The Effect of Financial Stability On Fraudulent Financial Statement

Financial stability has an effect on fraudulent financial statements, or H1 is accepted, according to the hypothesis investigated in this study. Table 5.4 shows the results of the t test, which show that the financial stability significance value is 0.000, which is less than the 0.05 level of significance. which means the first hypothesis is accepted which states that financial stability is increasingly significant with the percentage change in the company's total assets, increasing the possibility of financial statement fraud.

In agency theory, financial stability in a company as the agent will do whatever it takes to get a good assessment of its performance from the principal even if it has to commit fraud. The company tries to improve its good outlook, one of which is by tampering with data about the value of its assets. This is done because management is constantly under pressure to show that the company can manage assets well to obtain high profits and provide high returns for the investors.

The results of this study are in line with research by Skousen et al (2008) and Cahyanti (2020) which found that financial stability affects fraudulent financial statements. Companies with limited assets or substantial assets but large cash outflows might manage their financial stability to appear stable. The limited amount of total assets held by the company in the past can encourage it to raise its total assets. However, the company sometimes makes this pressure to manipulate financial statements to show a significant increase in assets in achieving these goals.

The results of this study are not in line with research by Norbarani & Rahardjo (2012), Financial stability has no effect on identifying fraudulent financial statements, according to the study. This can happen because when their company's annual growth rate is lower than the industry average, managers are less likely to manipulate financial reports to improve the company's performance. After all, this will cause problems on the company's finances in the future. Profit manipulation causes the financial statements not to reflect the actual financial condition of the company. When global economic conditions threaten a company, this situation will make it difficult for the company to get funding or investment assistance from stakeholders to save the company. This can hamper the company's development and can also worsen the company's stability in the future. This research is also in line with Yesiariani & Rahayu (2017) study, The company may have an outstanding level of supervision carried out by the Board of Commissioners to monitor and control the capacity to act that are directly responsible for business departments such as finance, according to the study, which found that financial stability has no significant effect in detecting fraudulent financial statements. Therefore, even if management is under pressure when financial stability is endangered by financial, industrial, and economic situations, the financial statements will be unaffected by the operational entity's condition.

5.3.2. Effect of Free Cash Flow on Fraudulent Financial Statement

The hypothesis tested in this study H2 is rejected if free cash flow has no influence on misleading financial statements. Table 5.4 present the data of the t test, which show that free cash flow has a significance value of 0.426, that is higher than the 0.05 standard of significance. which means the second hypothesis is rejected that state the finding of free cash flow does not have an impact on earnings management and that companies with high free cash flow are not always obtained from manipulating earnings but it can also be obtained from investment activities carried out by companies and investors are more interested in free cash flow information to shows the company's ability to pay dividends.

In agency theory, principals and managers have different interests in using some free cash flows owned by the company. The principals are interested in maximizing their wealth, so they want the free cash flow to be distributed as dividends.

However, managers prefer that the free cash flow is used to finance investments. Managers are incentivized to enlarge the company beyond its optimal size so that they continue to invest even though, in the end that the investment does not generate sufficient profitability or produces a negative net present value.

The results of this study support Dewi & Priyadi (2016) findings Because investors are more interested in free cash flow statistics, which also shows the company's ability to distribute dividends, companies with high free cash flow will not manipulate earnings.

This study's findings contradict those of Yogi & Damayanthi (2016) research. A company that has positive free cash flow indicates that it is better able to survive a bad situation because it has the opportunity to invest and spend capital on maintaining its ongoing operations. In addition, positive free cash flow also provides a positive signal for investors because investors consider that the company is performing well and has more cash for dividend distribution. So, the company will be able to increase its share price without taking earnings management action.

5.3.3. The Effect of Ineffective Monitoring On Fraudulent Financial Statement

The hypothesis tested in this study is H3 is rejected if free cash flow has no influence on misleading financial statements. Table 5.4 present the data of the t test, with a significance value of 0.831 for free cash flow is higher than the 0.05 level of significance, which means the third hypothesis is rejected. This result is not appropriate if the company with a small number of independent commissioners indicates that fraud often occurs, but the large number of independent commissioners also cannot be the main cause of ineffective monitoring in companies that can cause fraud to occur easily. therefore a good internal control required in the company as a preventive dick is a manual or automated process designed unruk stop fraud activity and detective controls are manual or automated process designed to identify undesirable events that have occurred.

Following the agency theory, the agent must have an effective internal control mechanism in the presence of an impartial board of commissioners in the company. Independent commissioners from outside the company have no direct relationship with the owner of the company. Supervision will be more efficient with the involvement of the board of commissioners in the company so that investors will ensure that there is good internal monitoring in that company.

This study is in line with Lestari & Henny (2019) research, effective monitoring is often used as a variable of opportunity. The study found no statistically significant results from effective financial statement fraud detection in financial sector companies listed on IDX between 2011 and 2015.

This study's findings differ from those (Bawekes, 2018). An opportunity has a high 55 effect on financial misstatements, according to the findings of this study. Four variables were used to estimate opportunity: effective monitoring, the nature of the industry, board of director change, and various directors. The measurement from Hasnan et al (2014) determine that ineffective monitoring affect on fraudulent financial statement. This research applies a different approach to sampling because it includes firms that aren't in the banking, property, real estate, or construction industries.

5.3.4. Effect of Change Of Auditor On Financial Statement Fraud

The hypothesis examined in this research is that changing auditors has no influence on financial statements that seem to be fraudulent, or H4 is rejected. Table 5.4 shows the results of the t test, with a significance value of 0.343 for free cash flowBecause the company does not want to get off of the auditors who know about fraud in the company, the significance level is higher than the 0.05 level of significance, but it could also be because of the regulation that the length of services provided by the auditors is only for five years, therefore there are frequent changes of auditors in the company and cannot significantly indicate the existence of fraud reports finance.

According to agency theory, management is a party hired by the investors to work in the form of profits. They would then assume responsibility for the success of the shareholders and management's relationship with the auditor. Management rationalization to make conditions in the company remain good with new auditor changes that can detect traces of fraud in the previous year.

The findings of this research are consistent with the research by Mukhtaruddin et al (2020). The connections between both studies could be attributed to the fact that they both used the same sample method, which included financial companies. He indicated that replacing the company's independent auditor was not done to conceal the found fraudulent firms, but rather to comply with Indonesian government rules. According to the regulation, the Office, as a public accountant, might provide audit services on financial information for an entity for a maximum of five years in a row.

The findings of this study differ from Lestari & Henny (2019). Because the regulations for the term of assignment of independent auditors in Indonesia include Article 22 of Government Regulation Number 20 of 2015 covering the principles of public accounting, which became active in April 2015, there is a variation in the regulatory environment. Independent auditors could previously operate for up to six years in a row under previous laws. Furthermore, new restrictions limit the duration of an attachment to only five years. As a result, it's possible that the disparity in results is due to variances in the regulatory environment around the organizations studied at the time of the study.

5.3.5. Effect of Change In Director On Fraudulent Financial Statement

The hypothesis examined in this research is that a change in auditor has an impact on fraudulent financial statements, or H5 is accepted. These findings of the t test, where the significance value of free cash flow is 0.015, are shown in table 5.4. is higher than the 0.05 level of significance which states that a directors is authorized to take decisions on policies and strategies related to the enterprise resource both for long term and short term, because the directors in a company will do anything to get a good assessment on the performance of the principal despite having to commit fraud.

According to the agency theory, the board of directors in a company as the agent will do whatever it takes to get a good assessment of its performance from the principal even if it has to commit fraud. The results of this study indicate that the number of the total board of directors in a company can influence the possibility of fraud.

The board of directors has the authority to make decisions regarding policies and strategies regarding the company's resources for both the long and short term (Ghandur et al., 2019). Each company also has a board of directors in their respective fields. Some of the positions on the board of directors include managing, marketing, and operational director, finance director, and others. There are adjusted to the company's interests, each board of directors in a company has their respective responsibilities in carrying out their duties. The company changes a director to eliminate directors suspected of knowing about the fraud committed, not merely because the board of directors' period has come to an end.

This study's findings are in line with previous studies from (Ghandur et al., 2019). The board of directors is responsible for making short-term and longterm decisions, so it can be said that the board of directors' decision on a company is essential. If the objectives of the board of directors are not achieved, it will encourage them to make wrong decisions, such as manipulating financial reports. The board of directors' deception can conceal the company's problems and mistakes.

These research findings contrast those of a previous study (Cahyanti, 2020). There are no official rules regarding the ideal number of boards of directors in a company. The number of directors cannot be used as a basis for assessing the possibility of fraud because the appointment of directors is adjusted to the needs of each company, each board of directors also has its respective functions separately.

5.3.6. Effect of Existence Female Director On Fraudulent Financial Statement

The hypothesis tested in this study is that existence female director has not effect on fraudulent financial statements or H6 is rejected. Table 5.4 present the data of the t test, which show that free cash flow has a significance value of 0.728, which is higher than the 0.05 standard of significance. The presence of female directors in the company does not always guarantee that the company does not commit fraud, but it returns to the principle of each individual to have good morals and carry out obligations in accordance with regulations, not taking advantage of a high position in the company as an opportunity for personal gain.

The hypothesis tested in this research states that the Existence Female Director does not affect fraudulent financial statements, or H6 is rejected. In agency theory, management as an agent pays attention to the board of directors' ability as something important because the board of directors is responsible for motivating and overseeing all activities and decisions made by the chief executive officer and management capability has a comparative responsibility to minimize the opportunity for fraudulent financial statements.

The findings of this study are consistent with previous research by (Putri & NR, 2019). The presence of a female board of directors has no impact on the extent of noncompliance with financial reporting regulations. This is due to the fact that the finance director is more likely to be involved in financial analysis and corporate control. At the same time, the decision-maker and management strategy lies with the principal director as the company leader. The tendency for women leaders to be more democratic when women are in jobs that men

The results of this study are not in accordance with the research conducted by Nalikka (2009), which proves that the presence of women on the board of directors will result in better performance because the decisions made by the board of commissioners and the board of directors are an attempt to achieve maximum performance. Hanani & Aryani (2012) stated that women on the board of directors would carry out teamwork to reduce attendance problems in board meetings. This is because women directors attend more meetings so that they can produce decisions that the company needs. Suhartono (2020) also argue that women directors can provide opinions and opinions from different perspectives in solving a problem.

5.3.7. Effect of Frequent Number of CEOs Picture On Fraudulent Financial Statement

The hypothesis tested in this study is that frequent number of CEOs has not effect on fraudulent financial statements or H6 is rejected. Table 5.4 shows the results of the t test, with a significance value of 0.640 for free cash flow. which is higher than the 0.05 level of significance. The more often the ceo photo in the financial statements is not meant to indicate the ceo arrogance towards its position and commit fraud, but it could be to promote the company's ceo for more and more investors are interested and considers that the company has a regulatory and active in the activities of the company.

According to agency theory, a company's CEO wants to appear more capable of showing the company's prestige and role to others. These characteristics are in line with the needs of the arrogance element. Arrogance is characterized by a large ego and a desire to be recognized as superior and famous. The quantity of CEO photos in the annual report, on the other hand, is not always a sign of narcissism. The high quantity of CEO photos is related to good traits, such as self-assurance. Success and achievements, learned life skills, firmly held principles and standards, and attention are shown to others, contributing to self-confidence (Damayani et al., 2019).

The findings of this study agree with those of Lestari & Henny, (2019) They discovered that the variable CEO's image had a similar effect. According to the findings, a CEO's image has no influence on a fraudulent financial statement. The photograph in the yearly report reflects the activity's results. The appearance of a photo of the CEO in the activity indicates that he or she is involved in all aspects of the business.

The results of this study differ from those of Bawekes (2018) because its population includes all firms registered on the Indonesia Stock Exchange between 2011 and 2015. The result is different because this study used finance sector companies as the object of research. While financial sector companies are regulated and supervised, particularly by the Financial Services Authority, directors are expected to be extra cautious (OJK). The CEO's influence as top management causes a tendency to show his career and achievements to others. Top management or the CEO will try to maintain its good name and position to remain safe in the company. So, the management or CEO may do everything they can to maintain company stability when the company experiences conditions that can harm the company.

CHAPTER VI

CONCLUSIONS AND REMARKS

6.1 Conclusion

The objective of this research was to considered how effective the fraud pentagon theory is at detecting fraudulent financial statements. The pentagon fraud theory includes pressure, external pressure, opportunity, rationalization, competence, and arrogance. These sample companies are banking and financial companies listed on the IDX during the 2015-2020 period, with 55 banking companies and 45 financial companies. Based on the data collected and the results of tests that have been done, the following conclusion can be drawn:

1. Financial stability affects the tendency of companies to commit fraud by earnings management.
2. Change in director affect the tendency of companies to do fraud by earnings management.
3. Free cash flow, board of commissioners, change in auditors, the existence of female directors, and CEO's photo frequency were not proven to influence detecting earnings management or financial report fraud.

6.2 Limitations

This study has limitations that can be used as consideration for further research to get better results. These limitations include:

1. The value of R square is relatively small so that there are many other factors outside the research variables that can affect the possibility of earnings management.
2. Because many companies did not provide some of the information required for this study, it was limited to a sample of 20 financial sector companies during a five-year period.

6.3. Suggestion

The authors make several suggestions based on the study's limitations in order to achieve optimum possible findings.

1. Other financial statement fraud measurement techniques, such as M-Score or Z-Score should be used by future researchers. Beneish M-Score helps uncover companies that are likely to commit fraud on revenue recorded in the financial statements. Beneish M-Score consists of several variables, namely as follows Index of the number of days in receipt of receivables on sales, Gross Margin Index, Asset Quality Index, Sales Growth Index, Total Accruals to Total Assets. ZScore formula to measure the financial health of a company. five types of financial ratios that can be combined to see the difference between bankrupt and non-bankrupt companies, the Z-Score is

determined using the formula Working Capital to Total Assets, Retained Earnings to Total Assets, Earnings Before Interest and Taxes to Total Assets, Market Value Equity to Book Value of Total Debt, Sales to Total Assets.

2. Future research is intended to utilize a dummy to categorize organizations into two groups to determine the level of financial statement fraud, code 1 for companies that have been proven to have committed fraud due to violations of OJK legislation containing components of fraud and sanctions and code 0 for companies that do not conduct fraud, to make the expected results more valid.

3. Independent variable, namely pressure, can be proxied using other measurements such as Net Profit Margin, Return On Investment, etc. Variable opportunity can be proxied by internal control weakness, and arrogance variable can be proxied by dualism position.

4. Further research is recommended not just in the financial sector and banking companies but also in other manufacturing, real estate, and other industries.

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APPENDIX

Appendix 1 Table Previous Research

NO	Researcher	Variable	Result
1	L. Tiffani & Marfuah (2015)	Independent Variable: financial stability and external pressure. Dependent variable: financial statement fraud	Financial stability and external pressure which have a positive effect on financial statement fraud
2	Annisya et al (2016)	Independent Variable: financial stability and external pressure. Dependent variable: financial statement fraud	Financial stability variable has a positive influence on financial statement fraud
3	Farmashinta, Prima Yudowati, (2019)	Independent Variable: financial stability, external pressure, and frequent number of CEO's. Dependent variable: financial statement fraud	Only variable Financial stability, external pressure, and frequent number of CEO's picture have a positive influence on financial statement fraud

4	Lestari & Henny (2019)	Independent Variable: Auditor Substitution and Auditor Opinion Dependent variable: financial statement fraud	Auditor Substitution Variable and Auditor Opinion influential in detecting the occurrence of fraudulent financial statements
5	Apriliana & Agustina (2017)	Independent Variable: Financial stability, quality of external auditors and frequent numbers of CEOs Dependent variable: financial statement fraud	Financial stability, quality of external auditors and frequent numbers of CEOs are indicated to have a positive effect in detecting the occurrence of fraudulent financial statements
6	Damayani et al (2019)	Independent Variable: nature of industry Dependent variable: financial statement fraud	Only the nature of industry affects the fraudulent financial statements
7	Septriyani & Handayani (2018)	Independent Variable: financial stability and external pressure Dependent variable: financial statement fraud	Only financial stability, external pressure which has a positive effect on financial statement fraud.

8	Setiawati & Baningrum (2018)	Independent Variable financial target Dependent variable: financial statement fraud	Only the financial target variable has an influence on financial statement fraud
9	Vivianita & Indudewi (2019)	Independent Variable: return on asset Dependent variable: financial statement fraud	Only the ROA variable affects financial statement fraud
10	Faradiza (2019)	Independent Variable: competence, pressure and opportunity Dependent variable financial statement fraud	Variable competence, pressure and opportunity have an influence on fraud.