International Journal of Latest Research in Humanities and Social Science (IJLRHSS)
Volume 06 - Issue 03, 2023
www.ijlrhss.com || PP. 139-147

The Effect of Pentagon Fraud on Fraudulent Financial Statement (Empirical Study on Non-Financial Companies Listed on the IDX for the Period 2019-2021)

Devy Indah Pramesti[1], Eny Kusumawati[2]
[1]*Faculty of Economics and Business,*
University of Muhammadiyah Surakarta, Indonesia
[2]*Faculty of Economics and Business,*
University of Muhammadiyah Surakarta, Indonesia

Abstract: Fraudulent financial statement is an act of fraud against financial statements. Fraud pentagon was developed by Crowe Howarth in 2011. The pentagon fraud Model by Crowe Howarth (2011) has five pentagon fraud model factors, namely pressure, opportunity, rationalization, competence, and arrogance. This study aims to analyze the influence of pentagon fraud in detecting fradulent financial statements. There are five variables in this study. The five variables come from the elements of pentagon fraud, financial stability variables, nature of industry, change in auditor, change in director, and frequent number of CEO's picture. The population of this study is non-financial companies listed on the Indonesia Stock Exchange (IDX) for the period 2019-2021. Sampling of this study was conducted by purposive sampling and obtained 520 samples. In this study, the hypothesis was tested using logistic regression. The results of this study showed that financial stability and the nature of the industry affect fraudulent financial statements. Changes in auditor, change in director, and frequent number of CEO's picture have no effect on fraudulent financial statements.

Keywords: fraudulent financial statement, fraud pentagon, financial stability, nature of industry, change in auditor, change in director, dan frequent number of CEO's picture

1. Introduction

Financial statements are one of the various information used by internal users of the company in decision-making and to inform about the financial performance and condition of the company during a certain period to users outside the company. PSAK No. 1 (2020: 2) on the presentation of financial statements defining financial statements is a structured presentation of the financial position and financial performance of an entity. Based on this definition, it appears that the financial statements are information about the financial condition related to the financial position and performance of the entity.Fraud committed by companies is commonly referred to as fraud. Fraud is an unlawful act that harms an entity or organization and benefits the perpetrator. Association of Certified Fraud Examiners (ACFE) in the Fraud Ezaminers Manual, fraud is concerned with the benefits obtained by a person by presenting something that is not in accordance with the actual circumstances (Karyono, 2013). The classification of fraud is stated by the Association of Certified Fraud Examiners or ACFE (2016) which is illustrated by the fraud tree scheme. The Fraud tree has three branches, namely corruption, asset misappropriation, and fraudulent financial statements (Agustin, 2019).

Based on the results of a survey conducted by ACFE Indonesia Chapter in 2019, it proves that the most frequent cases of fraud in Indonesia are corruption cases with a percentage rate of 64.4% selected from 239 respondents. Then followed by the deviation of state assets/wealth with a percentage of 28.9% while the deviation of the financial statements with a percentage rate of 6.7% (ACFE Indonesia Chapter, 2020). In contrast to a survey from Report to the Nations in 2018 which explained that the most frequent acts of fraud were asset irregularities with a percentage rate of 89% followed by corruption cases with a percentage rate of 38% and finally financial statement irregularities with a percentage rate of 10% by the Association of Certified Fraud Examiners (ACFE) (Christian et al, 2022).

The fraud case in Indonesia is Garuda Indonesia which has an impact on the imposition of sanctions by the Ministry of Finance to the Public Accountant (AP) Kasner Sirumapea public accounting firm (KAP) Tanubrata Sutanto Fahmi Bambang and Partners (Member of BDO International). Garuda Indonesia's financial statements for the financial year 2018 recorded a net profit of USD809.85 thousand or equivalent to Rp11.33 billion (assuming an exchange rate of Rp14,000 per US dollar). This figure jumped sharply compared to 2017 which suffered a loss of USD216.5 million, causing a polemic with the assumption that Garuda Indonesia's 2018 financial statements are not in accordance with the statement of Financial Accounting Standards (PSAK). Corporate conditions are now growing and complex compared to the past and fraudsters are now smarter and can access a variety of corporate information. The latest theory that can detect fraud is the pentagon fraud theory discovered by Crowe Howarth in 2011 which is an improvement from the theory much deeper by adding two elements namely competence (competence) and arrogance (arrogance). Thus, the elements found in the Pentagon fraud are pressure, opportunity, rationalization, competence, and arrogance. Where the element of pressure is proxied with financial stability. The element of opportunity is proxied by the nature of industry. Elements of rationalization proxied by change in auditors. The element of competence is proxied by change in directors. And the element of arrogance is proxied by the frequent number of CEO's picture.

This study was conducted because it was motivated by the phenomenon of financial reporting practices as described above to further examine how financial reporting practices in other entities whether cases of financial reporting practices that occur in one place also occur in other places considering the many cases of financial reporting fraud in Indonesia. Until now, there is still little research done to explore this case, especially by using the Pentagon fraud theory. This study develops the research of Koirunnisa, et al (2020) with the following novelties: (1) expanding the scope of observation on the classification of companies based on IDX-IC 2021, namely non-financial companies listed on the Indonesia Stock Exchange (IDX) (2) updating and extending the observation period to three years. Based on the background that has been presented, the researcher determines the title “The Effect of Pentagon Fraud on Fraudulent Financial Statement (Empirical Study on Non-Financial Companies Listed on the IDX for The Period 2019-2021)”.

2. Literature Review and Hypotheses

2.1 Teori Keaenan (Agency Teory)

Agency theory was first proposed by Jensen and Meckling (1976). An agency relationship is a contract in which one or more persons (the principal) command another person (the agent) to perform a service on behalf of the principal and authorize the agent to make decisions that are best for the principal. Fraud in financial statements occurs because of the opportunities that agents can take advantage of without being detected by the principal. In addition, fraud in financial statements occurs due to the demand that agents are able to make financial performance in accordance with predetermined targets. Situations like this can be pressure for agents to commit fraud.

2.2 Fraud

The Association of Certified Fraud Examiners (ACFE) in Abdul Halim (2015), fraud is anything that can be cleverly used to benefit by covering up the truth, cunning trick or trick and other dishonest ways. AICPA and IAI do not clearly distinguish whether the fraud is an error that results in material misstatement or not, which needs to be considered is the underlying factor of the reason for fraud or fraud, namely the underlying action of material misstatement (misstatement) if intentional means including fraud (fraud), but if unintentional means error or error (Halim, 2018). To be able to prevent, detect or investigate fraud the auditor or anyone needs to recognize and understand the types of fraud. Schematically, the Association of Certified Fraud Examiners (ACFE) classifies fraud in what is known as a fraud tree. This Fraud tree describes the branches of fraud in a working relationship along with its branches and branches. The Fraud tree has three main branches, namely corruption, asset misappropriation, and fraudulent financial statements.

2.3 Fraudulent Financial Statement

Fraud in the financial statements is a misstatement or deletion of the amount or disclosure that is deliberately carried out with the aim of deceiving its users. The vast majority of cases involve misstatements to the amounts reported versus disclosures. For example, WorlCom is reported to have capitalized millions of dollars of expenses as fixed assets, which should have been charged. Write-offs of reported amounts are a less common case, but a company can exceed its revenue by writing off accounts payable and other liabilities. Auditing Standards Section 316 (SA 316) causes of financial reporting fraud generally there are three things as follows: a. Manipulation, falsification, alteration of accounting records or supporting documents. b. Misrepresentation or omission of significant events, transactions, or information from financial statements. c. Deliberately incorrect application of accounting principles (amount, classification, presentation, disclosure) (Priantara, 2013).

2.4 Teori Fraud Pentagon

Fraud pentagon is the result of the development of the previous fraud detection theory, namely fraud triangle conducted by Cressey in 1953, this development was then continued By Wolf and Hermanson who conducted research in 2004 known as fraud diamond, after which the theory of fraud was developed by Crowe Howarth in 2011 known as fraud pentagon. The addition of a new element in the pentagon fraud theory is the element of capability (competence) which has the same meaning as the capability (capability) that previously existed in the diamond fraud theory. There is also an element of arrogance that goes into the fraud triangle theory.

2.5 Financial Stability

Financial stability is a stable financial condition of the company. Generally, companies want their financial condition to increase or at least not decrease (stable). Investors prefer to invest in companies whose finances are stable because the risks that arise are considered lower than companies whose finances are volatile. Financial stability can be a pressure for management to maintain the financial stability of the company so as not to decline. When financial conditions are unstable, management can cover it up by conducting fraudulent financial statements (Mintara et al, 2021).

Financial stability describes the stability of the company as seen from the financial condition of the company, whether the company's finances are in good condition or in poor condition. The company gets demands and pressure from various parties to be able to have good financial stability, this is because so that investors and creditors in seeing the company's financial condition have a positive view of the company's performance so that these third parties can provide investment and smooth flow of funds to the company so that the company can maintain its viability.

Skousen et al (2008) states that asset growth is one form of indication of the manipulation of financial statements carried out by management, the percentage change in total assets is high illustrates the occurrence of high fraud as well. Therefore, the proxy to describe financial stability is the ratio of changes in total assets (Khinanti, 2021).

The research of Khinanti (2021) and Ayem, et al (2022) provides empirical evidence that financial stability has a significant effect on fraudulent financial statements. This means that the higher the financial stability, the higher the fraudulent financial statements made by management. Based on this description, the following hypotheses can be proposed:

H_1: Financial stability affects on fraudulent financial statement.

2.6 Nature of Industry

Opportunity is a condition that gives a person the possibility to do or occupy a place in a certain position. Cheating does not only occur if there is pressure but also when potential perpetrators see an opportunity to commit fraud. SAS No. 99 (AICPA, 2002), the opportunities associated with an individual to commit fraud consist of three circumstances, namely the nature of industry, ineffective monitoring, and organization structure. This research proxies opportunities with the nature of industry.

Nature of industry is the ideal state of the company in an industry or company related to risk that provides opportunities for interested parties to commit fraud on certain accounts to financial statements, so that this action can lead to a large risk of misstatement. There are several accounts in the financial statements whose balance can be determined by the company based on estimates (Mintara et al, 2021).

The state of accounts receivable is a manifestation of the nature of industry in which companies respond differently. A good company will further minimize the amount of receivables and multiply the company's cash receipts (Sihombing and Rahardjo, 2014). Receivables and inventories are accounts that need to be aware of because they are often used as fraudulent practices in financial statements and can pressure managers to commit a forgery (Summers et al, 1998). Thus, if the higher the value of the total change in receivables from that year to the previous year in the company, the higher the potential for fraud in the financial statements (Khoirunnisa et al, 2020).

The research of Khoirunnisa, et al (2020) and Mintara, et al (2021) provides empirical evidence that the nature of industry significantly influences fraudulent financial statements. This study illustrates that the higher the nature of the industry in the company, the higher the fraudulent financial statements. Based on this description, the following hypotheses can be proposed:

H_2: Nature of industry affects on fraudulent financial statement.

2.7 Change in Auditor

Rationalization is an action taken by someone in committing fraud by reassuring the perpetrator or when a person commits fraud feels he did not commit a mistake (Tuanakotta, 2013). The presence of dikap, character, or set of ethical values that allow certain parties to commit acts of fraud, or people who are in an environment that includes pressure that makes them rationalize acts of fraud.

Rationalization is measured by the turnover of auditors. SAS No. 99 (AICPA, 2002), the change of auditor conducted by the company can provide an indication of fraud that occurs within the company. Change in auditor is a change of auditor conducted by a company to audit the company's financial statements. The company's financial statements must be audited by an external auditor to obtain an opinion on the fairness of the financial statements.

Auditor turnover illustrates that there is fraud in the financial statements of a company. Therefore, the company made a change in auditor to reduce the possibility of detection by the old auditor related to fraudulent financial statements that have been done before to eliminate the traces that have been obtained by the old auditor in auditing the company's financial statements. This change of auditor may indicate the possibility of fraudulent financial statements in a company is increasing.

Research conducted by Mintara, et al (2021) provides empirical evidence that changes in auditors have a significant effect on fraudulent financial statements. Based on this description, the following hypotheses can be proposed:

H_3: Change in auditor affects on fraudulent financial statement.

2.8 Change in Director

Competence is the amount of power and capacity of a person to commit fraud in the corporate environment. Competence has the same meaning as the ability variable in the diamond fraud theory by Wolfe and Hermanson (2004). Wolfe and Hermanson (2004), the opportunity to commit a fraud or fraud will not occur if there is no individual/group that has the ability to take advantage of the opportunity. Therefore, positions such as CEO, Board of directors, and division heads are the most powerful things in preventing or making the most use of their abilities in committing financial report fraud (Mintara et al, 2021).

As explained in the research conducted by Tessa and Harto (2016) stated that management wants to improve the performance of the previous board of directors by changing the organizational structure of the company or by recruiting new directors who are considered more competent for the progress of the company. Thus competence is proxied by the change of directors (change in director).

Changes in the board of directors can lead to stress periods and open opportunities for fraud in financial statements. Change in director is the transfer of duties and authority of the old board of directors to the new board of directors with the aim to maintain the growth of a company and also to refresh the company. However, if the board of directors fails in carrying out their duties, the increasing fraud in the company's financial statements by managers. So get the conclusion that if the change of directors often occurs, the potential for financial statement fraud will be higher.

The research of Kusumawati, et al (2021) and Ayem, et al (2022) provides empirical evidence that change in auditors has a significant effect on fraudulent financial statements. Based on this description, the following hypotheses can be proposed:

H_4: Change in director affects on fraudulent financial statement.

2.9 Frequent Number of CEO’s Picture

Arrogance is an excessive attitude shown by a person. Pride is a reflection of pride because he has more abilities than others. If a person has high arrogance, then he will be more likely to commit fraud (Muhsin et al, 2018). Arrogant attitude is usually more directed at someone who has a high position in a company. in this study proxies arrogance variable with the frequent number of CEO's picture.

The number of CEO photos contained in a company's annual financial statements can indicate the level of arrogance of the CEO. The more photos there are, the more the CEO wants to show his status and position in the company because he does not want to lose his position. The power possessed by the CEO can also give rise to an arrogant nature because it assumes that no one is able to stop its actions including the company's internal control policy (Mintara et al, 2021).

Research conducted by Siddiq et al (2017) states that interference from CEO’s will affect the manipulation of financial statements. The level of arrogance can reflect the fruity number of the CEO's picture, because the CEO is a management position at the very top of the company. Thus a high level of arrogance can lead to fraud in financial statements.

The research of Susilo, et al (2021) and Triastuti K, et al (2020) provides empirical evidence that the frequent number of CEO's picture has a significant effect on fraudulent financial statements. Based on this description, it can be proposed as follows:

H_5: Frequent number of CEO’s picture affects on fraudulent financial statement.

3. Research Methods

3.1 Population, Sample, and Sampling Methods

The population in this study is the financial statements of non-financial companies listed on the IDX during the period 2019-2021. Sampling techniques in this study using purposive sampling techniques, namely sampling techniques by considering the criteria. The data used in this study are secondary data obtained from the Indonesian Stock Exchange (www.idx.co.id) and financial statement data that has been audited by independent auditors by downloading the profile of each company sampled.

Table 1: Results of Purposive Sampling

No.	Criteria	Total
1.	Non-financial companies listed on the IDX during the period 2019-2021	608
2.	Non-financial companies that do not publish a complete annual report during the period 2019-2021	(139)
3.	Non-financial companies that suffered losses during the observation period 2019-2021	(251)
4.	Non-financial companies that do not present the required information data during the observation period 2019-2021	(31)
	Samples that meet the criteria for one year	187
	Total units of analysis for three years	561
	Outlier	(41)
	Total units of analysis for three years processed	520

Source: Data Analysis Results, 2023

In this study using two variables, the dependent variable and the independent variable. The dependent variable in this study is fraudulent financial statements. Measurement of fraudulent financial statements in this study using beneish m-score. While the measurement for independent variables as follows:

Table 2: Measurement of Operational Variables

Variable	Indicator	Sources
Financial Stability	$\mathrm{FS} = \frac{\mathrm{Total\,Assets(t)} - \mathrm{Total\,Assets(t-1)}}{\mathrm{Total\,Assets(t)}}$	Mintara et al., 2021
Nature of Industry	$\mathrm{NI} = \frac{\mathrm{Receivable(t)}}{\mathrm{Sales(t)}} - \frac{\mathrm{Receivable(t-1)}}{\mathrm{Sales(t-1)}}$	Mintara et al., 2021
Change in Auditor	Dummy variable where the change of Auditors is given the number 1 and the number 0 for companies that do not change their auditors	Khoirunnisa et al., 2020
Change in Director	Dummy variable where the change of director is given the number 1 and the number 0 for companies that do not replace the director	Khoirunnisa et al., 2020
Frequent Number of CEO's Picture	Counting the number of CEO photos in a company's annual report	Khoirunnisa et al., 2020

3.2 Data Analysis Techniques

This study uses logistic regression analysis test, this technique is used because the financial statement fraud is a dummy variable. The feasibility of the regression model was determined based on Hosmer and Lemeshow's Goodness of Fit Test to assess the overall model fit based on the -2 Log Likelihood function of the model. Furthermore, to assess the coefficient of determination used Nagelkerke's R Square. This study uses a significance value of 5%, with the following regression model:

$$\mathrm{FFS} = \propto + \beta 1\mathrm{FS} + \beta 2\mathrm{NI} + \beta 3\mathrm{AUDCHANGE} + \beta 4\mathrm{DCHANGE} + \beta 5\mathrm{CEOPIC} + \mathrm{e}$$

4. Result and Discussion

4.1 Descriptive Statistical Analysis

Table 3: Results of Descriptive Statistical Analysis

Variable	N	Minimum	Maximum	Mean	Std. Dev
Financial Stability	520	-,402	,852	,07312	,132574
Nature of Industry	520	-1,011	1,352	,00580	,113340
Change in Auditor	520	0	1	,07	,251

Change in Director	520	0	1	,09	,287
Frequent Number of CEO’s Picture	520	0	32	7,53	4,551
Valid N (listwise)	520				

Source: Data Output SPSS, 2023

Financial stability (FS) variable measured by descriptive statistical analysis has a minimum value of -0.402. While the maximum value of financial stability (FS) of 0.852. Standard deviation value of 0.132574. The average value of financial stability (FS) of non-financial companies in 2019-2021 is 0.07312. The value can be interpreted that the rate of change in total assets of non-financial companies amounted to 7.312%. Variable nature of industry (NI) measured by descriptive statistical analysis has a minimum value of -1.011. While the maximum value of nature of industry (NI) of 1.352. The standard deviation is 0.113340 and the average value of nature of industry (NI) of non-financial companies in 2019-2021 is 0.00580. The value can be interpreted that the rate of change in total receivables of non-financial companies is 0.580%. Variable change in auditor (AUDCHANGE) measured by descriptive statistical analysis has a minimum value of 0. While the maximum value of change in auditors (AUDCHANGE) of 1. The standard deviation amounted to 0.251 and the average value of change in auditors (AUDCHANGE) of non-financial companies in 2019-2021 amounted to 0.07. The value can be interpreted that the average non-financial companies pass the auditor turnover of 7%. Variable change in director (DCHANGE) measured by descriptive statistical analysis has a minimum value of 0. The maximum change in director (DCHANGE) is 1. The standard deviation was 0.287 and the average change in director (DCHANGE) of non-financial companies in 2019-2021 was 0.09. The value can be interpreted that the average non-financial companies perform auditor turnover of 9%. The variable frequent number of CEO's picture (CEOPIC) measured by descriptive statistical analysis has a minimum value of 0. While the maximum value of the frequent number of CEO's picture (CEOPIC) is 32. The standard deviation was 4.551 and the average value of the frequent number of CEO's picture (CEOPIC) of non-financial companies in 2019-2021 was 7.53. The value can be interpreted that the average non-financial company has a large number of CEO photos by 753%.

4.2 Discussion

The first step of logistic regression analysis is to assess the overall regression model. From the model shows that the overall model fit test at -2 Log Likelihood Block Number = 0 shows a decrease in the -2 Log Likelihood Block Number = 1 of 22.51. This decrease indicates a better regression model or in other words a model that is hypothesized to be fit with the data. NagelKarke value R2 can be interpreted as the value of R2 in multiple regression. In the results of the summary model shows the value of NagelKarke R2 0,107. This means that the variability of the dependent variable that can be explained by the independent variable of 10.7% while the remaining 89.3% is explained by other variables that are not used in this study. The value of Hosmer and Lameshow test is 0.689. From these results, it can be said that H_0 is accepted, since the significant value obtained is more than 0.05. Because the significance value is further above 0.05, it can be interpreted that the model is able to predict the value of the observation or it can be said that the model is acceptable because it is in accordance with the observation. From the results of the classification test shows that the ability of the model in predicting the occurrence of fraudulent financial statements or not occur fraudulent financial statements is equal to 93.5%. The likelihood of a company committing fraudulent financial statements is 5.6% of the total sample of 520 data. While companies that did not commit fraudulent financial statements amounted to 100.0% of the total sample of 520 data.

Table 4: Results Of Logistic Regression Analysis

Variable	B	Sig.	Description
Financial Stability	3,315	,001	H_1 Accepted
Nature of Industry	4,105	,002	H_2Accepted
Change in Auditor	-,919	,379	H_3Rejected
Change in Director	,601	,293	H_4 Rejected
Frequent Number of CEO’s Picture	-,017	,684	H_5 Rejected

Source: Process Data, 2023

Based on Table 4, the results of logistic regression analysis of pressure variables proxied with financial stability from the test results in Table 4.8 can explain that financial stability has a significant effect on fraudulent financial statements. This is indicated by a significance value of 0.001 less than $\alpha = 0.05$. Since the significance value is less than $\alpha = 0.05$ then **H_1 is accepted**. This means that increasing the stability of the company through the growth of its assets also increases the indication of the possibility of fraud to cover up the actual financial condition of the company. The results of the study support the theory of the agency that when management feels its performance fails or is unable to ensure the stability of the company's business, the manager will be motivated to commit fraud because of the pressure to prove that management has worked to maximize the interests of the principal. This study provides empirical evidence that financial stability affects fraudulent financial statements. This result is consistent with research by Khinanti (2021) and Ayem, et al (2022) which provides empirical evidence that financial stability has a significant effect on fraudulent financial statements.

The nature of the industry has a significant effect on fraudulent financial statements. This is indicated by a significance value of 0.002 less than α = 0.05. Since the significance value is less than α = 0.05 then **H_2 is accepted**. The Nature of industry is used by companies to commit financial report fraud practices. The incident occurred due to industry regulations that require companies to have special expertise to estimate accounts that are calculated based on subjective values. This proves that the subjective assessment of certain accounts is inevitable from the natural activities within the company so that it is not considered as a gap opportunity to commit fraudulent financial statements. This study provides empirical evidence that the nature of industry affects fraudulent financial statements. This result is consistent with the research of Khoirunnisa, et al (2020) and Mintara, et al (2021) which provide empirical evidence that the nature of industry has a significant effect on fraudulent financial statements.

Changes in auditors have no significant effect on fraudulent financial statements. This is indicated by the significance value of 0.379 more than α = 0.05. Because the significance value is more than α = 0.05 then **H_3 is rejected**. This situation occurs due to the fact that few companies change auditors in the year of observation. The auditor's job is not only to find fraud but also to supervise and provide advice for financial statements such as applicable regulations. So that the change of auditor does not affect the fraudulent financial statement. This study provides empirical evidence that change in auditor has no effect on fraudulent financial statements. This is consistent with research by Oktaviani et al (2022) and Lestari et al (2021) which provide empirical evidence that change in auditors has no effect on fraudulent financial statements.

Change in director has no significant effect on fraudulent financial statements. This is indicated by the significance value of 0.293 more than α = 0.05. Since the significance value is more than α = 0.05 then **H_4 is rejected**. The change of directors in a company does not necessarily indicate that the directors concerned have committed financial statement fraud. The change can occur when the company seeks to improve performance by replacing more skilled directors. This condition occurs in non-financial companies that change directors on the grounds of accelerating business transformation. This study provides empirical evidence that change in director has no effect on fraudulent financial statements. This is consistent with the research of Khoirunnisa et al (2020) and Khinanti (2021) which provide empirical evidence that change in director has no effect on fraudulent financial statements.

The frequent number of CEO’s has no significant effect on fraudulent financial statements. This is indicated by the significance value of 0.684 more than α = 0.05. Since the significance value is more than α = 0.05 then **H_5 is rejected**. The function of attaching a photo of the CEO to the annual financial statements is to inform the reader of the financial statements who serves as the CEO of the company. In addition, due to the increasing number of photos of the company's CEO, it will show the many roles and ideas of the CEO in running the company and being responsible to external parties so as not to indicate a fraudulent financial statement. This study provides empirical evidence that the frequent number of CEO's picture has no effect on fraudulent financial statements. This is consistent with the research of Oktaviani et al (2022) and Khinanti (2021) which provide empirical evidence that the frequent number of CEO's picture does not affect fraudulent financial statements.

5. Conclusion

This study aims to obtain empirical evidence about the effect of pressure, namely financial stability, opportunity, namely the nature of industry, rationalization, namely change in auditors, competence, namely change in directors, and arrogance, namely frequent number of CEO's picture on fraudulent financial statements in non-financial companies listed on the Indonesia Stock Exchange for the period 2019-2021. Of the five hypotheses tested using logistic regression analysis, it was concluded as follows: Financial stability affects fraudulent financial statements. The higher the value of financial stability, the higher the fraudulent financial statements. The Nature of the industry affects fraudulent financial statements. The higher the value of the nature of the industry, the fraudulent financial statements are also higher. Change in auditor has no effect on fraudulent financial statement. Change in director has no effect on fraudulent financial statement. Frequent number of CEO's picture has no effect on fraudulent financial statement. Based on the conclusions of this study, the researchers provide the following suggestions: researchers can further extend the research period, for example, five years to seven years so that the results can better describe long-term conditions and provide more accurate results. The next researcher is expected to add independent variables to analyze pentagon fraud in detecting fraudulent financial statements that have not been used in this study.

References

[1] ACFE Indonesia Chapter. (2020). *Survei Fraud Indonesia 2019.* Jakarka: ACFE INDONESIA CHAPTER.

[2] Agustin, S. (2019). *Pengaruh Fraud Pentagon Terhadap Kecurangan Pelaporan Keuangan di Indonesia Pada Tahun 2018.* Surabaya: Skripsi Program Studi Akutansi Fakultas Ekonomi dan Bisnis Islam Universitas Islam Negri Sunan Ampel Surabaya.

[3] American Institute of Certified Public Accountants. (2002). *Statement on Auditing Standart No. 99.* New York: AICPA.

[4] Christian, N., & Veronica, J. (2022). *Dampak Kecurangan pada Bidang Keuangan dan Non-Keuangan Terhadap Jenis Fraud di Indonesia*. Jurnal Riset Akuntansi Mercu Buana, 91-102.

[5] Elder, R., Beasley, M., Arens, A., & Jusuf, A. (2008). *Jasa Audit dan Assurance: Pendekatan Terpadu (Adaptasi Indonesia) Buku 1.* Jakarta: Pearson Education.

[6] Halim, M.B.A., Akt, P. (2018). *AUDITING Dasar-Dasar Audit Laporan Keuangan.* Yogyakarta: UPP STIM YKPN.

[7] Jao, R., Mardiana, A., Holly, A., & Chandra, E. (2021). *Pengaruh Financial Target dan Financial Stability terhadap Financial Statement Fraud*. YUME : Journal of Management, 27-42.

[8] Karyono. (2013). *Forensic Fraud, ed. by Dewibertha Hardjono.* Yogyakarta: C.V. Andi Offset.

[9] Khinanti, C. (2021). *Analisis Fraud Pentagon dalam Mendeteksi Financial Statement Fraud (Studi Empiris pada Perusahaan Pertambangan yang Terdaftar di Bursa Efek Indonesia Tahun 2016-2019).* Surakarta: Skripsi Universitas Muhammadiyah Surakarta.

[10] Khoirunnisa, A., Rahmawaty, A., & Yasin. (2020). *Fraud Pentagon Theory dalam Mendeteksi Fraudulent Financial Reporting pada Perusahaan yang Terdaftar di Jakarta Islamic Index 70 (JII 70) Tahun 2018*. BISNIS: Jurnal Bisnis dan Manajemen Islam, 97-110.

[11] Kurniawati, D., & Nurmala, P. (2020). *Pengaruh Tekanan Eksternal, Tingkat Kinerja, Efektifitas Pengawasan Audit Terhadap Financial Statement Fraud (Studi Empiris Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Periode Tahun 2013-2017)*. Eko Preneur, 257-276.

[12] Kusumawati, E., Yuliantoro, I. P., & Putri, E. (2021*). Pentagon Fraud Analysis in Detecting Fraudulent Financial Reporting*. Jurnal Riset Akuntansi dan Keuangan Indonesia, 74-89.

[13] Lamawitak, P. L., & Goo, E. E. (2021). *Pengaruh Fraud Diamond Theory Terhadap Kecurangan (Fraud) Pada Koperasi Kredit Pintu Air*. Jurnal Penelitian Ekonomi Akuntansi (JENSI), 56-67.

[14] Lestari, U. P., & Jayanti, F. D. (2021). *Pendeteksian Kecurangan Laporan Keuangan dengan Analisis Fraud Pentagon*. Jurnal Proaksi, 38-49.

[15] Mintara, M. B., & Hapsari, A. N. (2021). *Pendeteksian Kecurangan Pelaporan Keuangan Melalui Fraud Pentagon Framework*. Perspektif Akuntansi, 35-54.

[16] Muhsin, Kardoyo, & A Nurkhin. (2018). *What Determinants of Academic Fraud Behavior? From Fraud Triangle to Fraud Pentagon Perspective*. KnE Social Sciences, 154–167.

[17] Nabila, A. (2020). *Analisis Pengaruh Fraud Pentagon Terhadap Kecurangan Laporan Keuangan (Studi Empiris pada Perusahaan Manufaktur yang Terdaftar di BEI Periode 2016-2018).* Yogyakarta: Skripsi Fakultas Bisnis dan Ekonomika, Universitas Islam Indonesia.

[18] Oktaviani, H., & Istiqomah, D. F. (2022). *Teori Fraud Pentagon: Peran dalam Mendeteksi Kecurangan Laporan Keuangan (Studi pada Perusahaan Sektor Keuangan Tahun 2018-2020).* Jurnal Ilmiah Mahasiswa Ekonomi Akuntansi (JIMEKA), 190-200.

[19] Prakoso, D., & Setiyorini, W. (2021). *Pengaruh Fraud Diamond terhadap Indikasi Kecurangan Laporan Keuangan (Studi pada Perusahaan Perkebunan yang Terdaftar di Bursa Efek Indonesia Tahun 2015-2019).* Jurnal Akuntansi dan Perpajakan, 48-61.

[20] Priantara, D. (2013). *Fraud Auditing and Investigation.* Jakarta: Mitra Wacana Media.

[21] Sari, S. P., & Nugroho, N. K. (2020). *Financial Statements Fraud dengan Pendekatan Vousinas Fraud Hexagon Model: Tinjauan pada Perusahaan Terbuka di Indonesia*. Proceedings of 1st Annual Conference on IHTIFAZ: Islamic Economics, Finance, and Banking (ACI-IJIEFB), 409-430.

[22] Siddiq, F. R., & Suseno, A. E. (2019). *Fraud Pentagon Theory Dalam Financial Statement Fraud Pada Perusahaan Terdaftar Di Jakarta Islamic Index (Jii) Periode 2014-2017 (Perspektif F-Score Model).* Jurnal Nusantara Aplikasi Manajemen Bisnis, 128-138.

[23] Suheni, V., & Arif, M. F. (2020). *Mendeteksi Financial Statement Fraud dengan Menggunakan Model Beneish M-Score (Studi pada Perusahaan Sektor Manufaktur yang Terdaftar di Bursa Efek Indonesia).* Jurnal Akuntansi & Ekonomi FE UN PGRI Kediri, 92-99.

[24] Tuanakotta, T. (2013). *Akuntansi Forensik & Audit Investigatif.* Jakarta: Salemba Empat.
[25] Tuanakotta, T. (2019). *Audit Internal Berbasis Risiko.* Jakarta: Salemba Empat.
[26] Yuliana, E. S., Nugroho, Y. A., & Rukmi, M. P. (2021). *Beneish M-Score Model untuk Mendeteksi Kecurangan Keuangan BUMN di Indonesia*. JIP Jurnal Inovasi Penelitian, 765-774.