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Testing The Fraud Pentagon Theory On Fraudulent Financial Reporting In The Banking Sector Indonesia 2016-2020

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A B S T R A C T

Fraudulent financial reporting is an activity that is carried out intentionally by changing the elements in the financial statements. This study aims to examine and analyze the influence of the elements of the fraud pentagon theory, namely pressure, opportunity, rationalization, capability, and arrogance against fraudulent financial reporting which is proxied by using the Altman z-score model. This research is a quantitative research using secondary data, namely financial reports, and annual reports. The population of this study is the banking sector companies listed on the Indonesia Stock Exchange (IDX) in 2016-2020. The sampling method used the purposive sampling technique to 34 samples. The technique for analyzing data is through multiple linear regression. The results showed that financial stability had a positive effect on fraudulent financial reporting. External pressure has a negative effect on fraudulent financial reporting. Ineffective monitoring, quality of external audit, change in auditor, changes in the board of directors, CEO duality, and a frequent number of CEO's pictures has no effect on fraudulent financial reporting.

Kecurangan laporan keuangan merupakan kegiatan yang dilakukan secara sengaja dengan merubah unsur yang ada dalam laporan keuangan. Penelitian ini bertujuan untuk menguji dan menganalisis pengaruh elemen teori *fraud pentagon* yaitu tekanan, peluang, rasionalisasi, kemampuan, dan arogansi terhadap kecurangan laporan keuangan yang diproksikan dengan menggunakan model Altman z-score. Penelitian ini merupakan penelitian kuantitatif dengan menggunakan data sekunder yaitu laporan keuangan dan laporan tahunan. Populasi penelitian ini adalah perusahaan sektor perbankan yang terdaftar di Bursa Efek Indonesia (BEI) tahun 2016-2020. Metode pengambilan sampel menggunakan teknik *purposive sampling* sehingga diperoleh 34 sampel. Teknik analisis data adalah melalui regresi linier berganda. Hasil penelitian menunjukkan bahwa stabilitas keuangan berpengaruh positif terhadap kecurangan laporan keuangan. Tekanan eksternal berpengaruh negatif terhadap kecurangan laporan keuangan. Pemantauan tidak efektif, kualitas audit eskternal, pergantian auditor, pergantian dewan direksi, dualitas CEO, dan jumlah foto CEO tidak berpengaruh terhadap kecurangan laporan keuangan.

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INTRODUCTION

Financial statements are a pair of binoculars for users to obtain information that is used as a benchmark for a company in measuring financial rates (Lestari & Henny, 2019). The goal of presenting financial statements according to PSAK No. 1 (2014) is to offer information on an entity's financial status, financial performance, and cash flows that is beneficial for most readers of financial statements in making economic decisions. One of the characteristics of financial statements is that they are reliable. Financial statements can be said to be reliable if they are not misleading to users and are not materially wrong (Ulfah et al., 2017). The fact is that there are still companies that do not present financial statement information correctly, thus causing errors in decision-making by users of financial statements. This is based on the important role of financial reports in the development of company performance, so there is an impetus to make financial reports as attractive as possible by manipulating certain parts (Utami & Pusparini, 2019). The form of corporate fraud in manipulating financial statement data is called fraud, and the practice of fraudulent financial reporting is called fraudulent financial reporting (Harto, 2016).

The level of fraudulent financial reporting in Indonesia continues to experience a significant increase. Survey Fraud by the Association of Certified Fraud Examiners (ACFE) in 2016 stated that fraudulent financial reporting in Indonesia had a percentage of 2%, while in 2019 it was 6,7%. In this case, if left unchecked, it is likely that the percentage of fraudulent financial reporting in Indonesia will increase even more.

Figure 1. Fraud Percentage in Indonesia

The practice of fraudulent financial reporting in Indonesia occurs in many sectors. The 2019 Indonesia Fraud Survey Report published by the Association of Certified Fraud Examiners (ACFE) Indonesia shows that the first industrial sector that commits the most fraud is the financial and banking industry with a percentage of 41,4%. This position and percentage have increased by 25,5% from the results of the 2016 Indonesia Fraud Survey Report. Initially, the financial and banking industry was in the second position and increased in 2019 to become the first position to commit the most fraud. Thus, the financial and banking industry is in an unsafe condition.
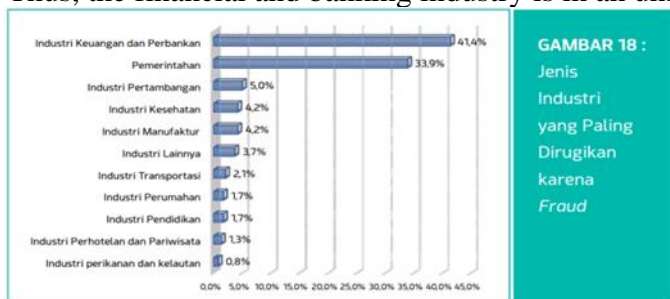
Figure 2. Percentage of Institutions Who Are Most Lost Due to Fraud

Fraudulent financial reporting can lead to various risks that will occur, including the bankruptcy of the company. Every company wants to avoid the bad possibilities that will happen. Therefore, it is important to detect bankruptcy signals so that performance evaluation and improvement are given to avoid bankruptcy. Bankruptcy can be detected by using the Altman Z-

Score model. This is to prove the effect of fraudulent financial reporting on the sustainability of a bank.

Fraudulent financial reporting must be minimized to maintain a good image of the company from users of financial statements. The role of the auditor is very necessary to minimize fraud by the company by using a theory that allows fraud, namely the fraud pentagon (Khotimah et al., 2020). The fraud pentagon theory has elements that cannot be simply investigated so it requires variable proxies. The proxies used for this research are pressure proxied by financial stability and external pressure. Opportunity is proxied by ineffective monitoring and quality of external audit, rationalization is proxied by change in auditor, capability is proxied by change in board of directors, and arrogance proxied by CEO duality and frequent number of CEO's pictures.

There have been many tests on the influence of the fraud pentagon theory on fraudulent financial reporting, such as the results of Khotimah (2020) research which tested 5 elements in the fraud pentagon into several variables. From the tests carried out, it was found that the elements that affect fraudulent financial reporting are pressure (financial stability), opportunity (ineffective monitoring) and rationalization (change in auditor). Another study was conducted by Widyatama (2020) with the results of his research that these 2 elements that affect fraudulent financial reporting are capability (change in board of directors) and arrogance (frequent number of CEO's pictures). Previous research shows that each element of the fraud pentagon on fraudulent financial reporting has a different effect. Therefore, researchers are interested in testing to determine the effect of the elements of the fraud pentagon on fraudulent financial reporting in the banking sector in 2016-2020.

RESEARCH METHODS
Population and Sample
The population in this study are banking sector companies were listed on the Indonesia Stock Exchange (IDX) in 2016-2020.sampling technique used is the purposive sampling method with the following criteria:
1. Banking sector companies listed on the Indonesia Stock Exchange during 2016-2020.
2. Banking sector companies that publish audited annual financial reports on the Indonesia Stock Exchange (IDX) website for 2016-2020 with the period ending December 31.
3. Banking sector companies that publish annual reports.
4. Companies in the banking sector that present financial statements in rupiah.
5. Banking sector companies provide complete information on data related to research variables.

Table 1. Purposive Sampling

No	Information	Amount
1	Banking sector companies listed on the IDX	47
2	Banking sector companies that have not been listed on the IDX for the 2016-2020 period	(1)
3	Banking sector companies that have not published audited financial statements for the 2016-2020 period	(9)
4	Banking sector companies that have not published annual reports	(0)
5	Banking sector companies that do not present financial statements in rupiah	(0)
6	Banking sector companies that do not present data related to research variables	(3)
	Banking sector companies that meet the criteria	34
	Research period	5
	Number of samples used in the study	170

Sources: processed secondary data, 2022.

Data Collection Techniques

     Data collection techniques in this study were using literature and documentation studies. Literature study is a form of researcher's effort in gathering relevant information through various sources by reading and understanding the research topic. Documentation is a form of research effort in collecting the necessary data. Then carry out sample processing by taking data that can be used by researchers as needed.

Data Analysis Methods

     Data analysis methods in this study include descriptive statistical analysis, classical assumption test, multiple regression, and hypothesis testing. Descriptive statistics are used to provide a general picture of the data studied through the process of collecting, processing data, and presenting data in a form that is easier to understand and draw conclusions. The classical assumption test is used to test the suitability of the data used so that it can see whether or not a regression model is used. In this study, the classical assumption test includes a normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test. Multiple regression analysis was conducted to assess whether there was a positive or negative effect between the independent and dependent variables. The multiple regression formula for this research is as follows:

$$Y = a + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5 + \beta 6X6$$

Description:
Y = Fraudulent Financial Reporting
a   = Constant
b   = Variable Coefficient
X1 = Financial Stability
X2 = External Pressure
X3 = Ineffective Monitoring
X4 = Change in Auditor
X5 = Change in Board of Directors
X6 = Frequent Number of CEO's Pictures

     Hypothesis testing is useful to prove whether the hypothesis is accepted or rejected. Hypothesis testing includes the partial regression test (t-test), simultaneous regression test (F test), and coefficient of determination test (R^2).

RESULTS AND DISCUSSION
Analysis Result
Descriptive Statistics
Following are the results of descriptive statistics:

Table 2. Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ACHANGE (X1)	170	-.3409	1.1454	.107702	.1690488
LEV (X2)	170	.2755	1.0000	.811869	.1100992
BDOUT (X3)	170	.0000	1.0000	.548155	.1286534
AUD (X4)	170	.00	1.00	.5588	.49799
CPA (X5)	170	.00	1.00	.2412	.42906
DCHANGE (X6)	170	.00	1.00	.5588	.49799
DCD (X7)	170	.00	1.00	.1176	.32314
CEOPIC (X8)	170	2.00	15.00	4.7294	2.58529
FRAUD (Y)	170	-1.2994	7.8992	1.547474	1.3164895

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FRAUD (Y)	170	-1.2994	7.8992	1.547474	1.3164895
Valid N (listwise)	170				

Source: processed secondary data, 2022.

Table 2 shows that there are 170 samples used in the study. The dependent variable in the form of fraudulent financial reporting (FRAUD) is proxied by the Altman Z-Score model and the results of the descriptive analysis are obtained, namely the minimum value of -1,2994 which reflects that the company has a strong potential for bankruptcy and the maximum value of 7,8992 reflects that the company is considered safe from bankruptcy. The average value of the FRAUD variable is 1,547474 and the standard deviation is 1,3164895.

Variable financial stability (ACHANGE) shows a minimum value of -0,3409 which reflects that poor profitability is due to a decrease in total assets of -34%. The maximum value of the ACHANGE variable is 1,1454, which reflects that profitability is good because it has an increase in total assets of 115%. The average value of the ACHANGE variable is 0,107702 which reflects the average rate of change in the company's assets of 11%. The standard deviation value is 0,1690488.

Variable external pressure (LEV) shows a minimum value of 0,2755 which reflects the level leverage of 27%. The maximum value of the LEV variable is 1,0000 which reflects the leverage of 100%. The average value of the LEV variable is 0,811869 which reflects the ability that the company must have in paying its debts by 83%. The standard deviation value is 0,1100992.

Variable ineffective monitoring (BDOUT) shows a minimum value of 0,0000 which means that there is no independent commissioner so that the supervision carried out is not effective and a maximum value of 1,0000 which means that the entire board of commissioners consists of independent commissioners only so that the supervision carried out is very effective. The average value of the BDOUT variable is 0,548155 which reflects that the company has an effective supervision of 58%. The standard deviation value is 0,1286534.

Variable quality of external audit (AUD) shows a minimum value of 0,00 and a maximum value of 1,00. The AUD variable is proxied by a dummy variable. A value of 0 for companies that do not use KAP BIG 4 services and a value of 1 for companies that use KAP BIG4. The average value of the AUD variable is 0,5588 which reflects 56% of companies that use BIG 4 KAP services and 44% of companies that do not use BIG 4 KAP services. The standard deviation value is 0,49799.

Variable change in auditor shows a minimum value of 0,00, a maximum value of 1,00. The CPA variable is proxied by a dummy variable. A value of 0 is for companies that do not change audit services and a value of 1 is for companies that do change audit services. The average value of the CPA variable is 0,2412 which reflects 24% of companies that change audit services and 76% of companies that do not change audit services. The standard deviation value is 0,42906.

Variable change in board of directors (DCHANGE) shows a minimum value of 0,00 and a maximum value of 1,00. DCHANGE variable is proxied by dummy variable. A value of 0 is for companies that do not change directors and a value of 1 is for companies that do change directors.

The average value of the DCHANGE variable is 0,5588, which reflects 56% of companies that change directors and 44% of companies that do not change directors. The standard deviation value is 0,49799.

Variable CEO duality shows a minimum value of 0,00 and a maximum value of 1,00. DCD variable is proxied by dummy variable. A value of 0 is for companies that do not have a family relationship between the commissioners and the main directors and a value of 1 is for companies that have a family relationship between the commissioners and the main directors. The average value of the DCD variable is 0,1176 which reflects 12% of companies that have a family relationship between the commissioners and the main directors and 88% of companies that do not have a family relationship between the commissioners and the main directors. The standard deviation value is 0,32314.

Variable frequent number of CEO's pictures (CEOPIC) shows a minimum value of 2,00 and a maximum value of 15,00, which means the number of photos of directors has a value range of 2 to 15. The average value of the CEOPIC variable is 4,7294 which reflects the number of occurrences photo of the board of directors in the annual report. The standard deviation value is 2,58529.

Classic Assumption Test
Normality Test
Following are the results of the normality test:

Table 3. Normality Test
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		170
Normal Parameters[a],[b]	Mean	.0000000
	Std. Deviation	.90461182
Most Extreme Differences	Absolute	.049
	Positive	.049
	Negative	-.032
Kolmogorov-Smirnov Z		.641
Asymp. Sig. (2-tailed)		.806

a. Test distribution is Normal.

b. Calculated from data.

Source: processed secondary data, 2022.

Table 3 shows the value of Asymp.Sig is greater than 0,05, which is 0,806, which means that the data is normally distributed.

Multicollinearity Test
Following are the results of the multicollinearity test:

Table 4. Multicollinearity Test
Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	ACHANGE (X1)	.960	1.041
	LEV (X2)	.983	1.018

		.958	1.044
BDOUT (X3)		.958	1.044
AUD (X4)		.962	1.039
CPA (X5)		.954	1.049
DCHANGE (X6)		.956	1.046
DCD (X7)		.924	1.082
CEOPIC (X8)		.985	1.015

a. Dependent Variable: FRAUD (Y)

Source: processed secondary data, 2022.

Table 4 shows that all independent variables have a tolerance value > 0,10 and a VIF value < 10, which means the data passes the multicollinearity test.

Autocorrelation Test
Following are the results of the autocorrelation test:

Table 5. Autocorrelation Test

Model Summary[b]

Model	Durbin-Watson	dU	4-dU
1	1.870[a]	1.848	2.152

a. Predictors: (Constant), CEOPIC (X8), BDOUT (X3), ACHANGE (X1), LEV (X2), AUD (X4), DCHANGE (X6), CPA (X5), DCD (X7)

b. Dependent Variable: FRAUD (Y)

Source: processed secondary data, 2022.

Table 5 shows that the Durbin-Watson value is 1,870 with a dU value of 1,848 and a 4-dU value of 2,152. DW values are in the range of dU values and 4-dU values (dU < d < dL). So it can be concluded that there is no autocorrelation problem found.

Heteroscedasticity Test
Following are the results of the heteroscedasticity test:

Table 6. Heteroscedasticity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	.750	.366		2.049	.042
	ACHANGE (X1)	.047	.271	.014	.174	.862
	LEV (X2)	-.128	.426	-.025	-.300	.764
	BDOUT (X3)	-.140	.364	-.032	-.385	.701
	AUD (X4)	.069	.099	.061	.702	.484
	CPA (X5)	.010	.112	.008	.093	.926
	DCHANGE (X6)	-.012	.093	-.010	-.126	.900
	DCD (X7)	-.007	.142	-.004	-.048	.962

| CEOPIC (X8) | .021 | .017 | .096 | 1.206 | .230 |

a. Dependent Variable: absresid

Table 6 shows that all independent variables have a significance value of more than 0,05. So, it can be concluded that the independent variable used in this study is homoscedasticity or there is no indication of heteroscedasticity.

Multiple Linear Regression Results

This study has met the multiple linear regression test. These results can be seen in the following table:

Table 7. Multiple Linear Regression Results

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	7.173	.575		12.465	.000
	ACHANGE (X1)	1.523	.426	.196	3.577	.000
	LEV (X2)	-8.083	.670	-.676	-12.061	.000
	BDOUT (X3)	.818	.573	.080	1.427	.155
	AUD (X4)	.278	.155	.105	1.793	.075
	CPA (X5)	-.167	.176	-.055	-.950	.343
	DCHANGE (X6)	-.088	.146	-.033	-.601	.549
	DCD (X7)	.070	.224	.017	.314	.754
	CEOPIC (X8)	.053	.027	.104	1.936	.055

a. Dependent Variable: FRAUD (Y)

Based on the results of multiple linear regression tests, the regression equation in this study can be generated as follows:

FRAUD = 7,173 + 1,523 ACHANGE – 8,083 LEV + 0,818 BDOUT + 0,278 AUD – 0,167 CPA – 0,088 DCHANGE + 0,070 DCD + 0,053 CEOPIC

The following is an explanation of the results of multiple linear regression analysis:

1. The constant value is 7,173 with a positive value, this indicates that the Y value which is fraudulent financial reporting will be 7,173 if all independent variables or the independent variable is 0.
2. The regression coefficient value for the financial stability (ACHANGE) is 1,523, which means that each increase in financial stability 1% with the assumption that if the other independent variables remain, the fraudulent financial reporting increase by 1,523.
3. The regression coefficient value for the external pressure (LEV) is -8,083, which means that for every external pressure 1% fraudulent financial reporting increase by -8,083.
4. The value of the regression coefficient for the ineffective monitoring (BDOUT) is 0,818, which means that each increase in ineffective monitoring is 1% with the assumption that if the other independent variables remain, the fraudulent financial reporting increase by 0,818.

5. The regression coefficient value for the quality of external audit (AUD) variable is 0,278, which means that each increase in the quality of external audit is 1% with the assumption that if the other independent variables remain, the fraudulent financial reporting increase by 0,278.
6. The regression coefficient value for the change in auditor (CPA) variable is -0,167, which means that for every change in auditor 1% fraudulent financial reporting increase by -0,167.
7. The regression coefficient value for the change in board of directors (DCHANGE) variable is -0,088 which means that with every change in board of directors 1% fraudulent financial reporting increase by -0,088.
8. The regression coefficient value for the CEO duality (DCD) variable is 0,070 which means that for every CEO duality 1% fraudulent financial reporting increase by 0,070.
9. The regression coefficient value for the frequent number of CEO's pictures (CEOPIC) variable is 0,053, which means that each increase in the frequent number of CEO's pictures is 1% with the assumption that if other independent variables remain, fraudulent financial reporting increase by 0,053.

Hypothesis Testing
Partial Regression Test (T-Test)
Following are the results of the partial regression test:

Table 8. T-Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	7.173	.575		12.465	.000
	ACHANGE (X1)	1.523	.426	.196	3.577	.000
	LEV (X2)	-8.083	.670	-.676	-12.061	.000
	BDOUT (X3)	.818	.573	.080	1.427	.155
	AUD (X4)	.278	.155	.105	1.793	.075
	CPA (X5)	-.167	.176	-.055	-.950	.343
	DCHANGE (X6)	-.088	.146	-.033	-.601	.549
	DCD (X7)	.070	.224	.017	.314	.754
	CEOPIC (X8)	.053	.027	.104	1.936	.055

a. Dependent Variable: FRAUD (Y)

Source: processed secondary data, 2022.

Table 8 shows that variables financial stability (ACHANGE) and external pressure have a significance value of less than 0,05, which means they have an effect on fraudulent financial reporting. While the variables ineffective monitoring (BDOUT), quality of external audit (AUD), change in auditor (CPA), change in board of directors (DCHANGE), CEO duality (DCD), frequent number of CEO's pictures (CEOPIC) have a higher significance value. of 0,05 which means it has no effect on fraudulent financial reporting.

Simultaneous Regression Test (F Test)

The following are the results of the simultaneous regression test:

Table 9. F Test

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	162.793	8	20.349	25.181	.000[a]
	Residual	130.109	161	.808		
	Total	292.901	169			

a. Predictors: (Constant), CEOPIC (X8), CPA (X5), DCHANGE (X6), BDOUT (X3), ACHANGE (X1), DCD (X7), LEV (X2), AUD (X4)

b. Dependent Variable: FRAUD (Y)

Source: processed secondary data, 2022.

Table 9 shows that independent variables simultaneously or jointly have a significant effect on the dependent variable because they have a significance value of less than 0,05, which is 0,000.

Coefficient of Determination Test (R^2)

Following are the results of the coefficient of determination test:

Table 10. Determination Coefficient Test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.746[a]	.556	.534	.8989595

a. Predictors: (Constant), CEOPIC (X8), CPA (X5), DCHANGE (X6), BDOUT (X3), ACHANGE (X1), DCD (X7), LEV (X2), AUD (X4)

Source: secondary data processed, 2022.

Table 10 shows that all independent variables have an influence or relationship with the dependent variable of 0,556 or 55,6% and the remaining 44,4% is influenced by other factors not used in this study.

DISCUSSION

The Effect of Financial Stability on Fraudulent Financial Reporting

The results showed the significance value of the financial stability (ACHANGE) of 0,000 was smaller than the alpha value of 0,05 and had a positive direction indicated by the B value of 1,523. This means that financial stability has a positive effect on fraudulent financial reporting so that H1 is accepted. According to Financial Accounting Standards Board (FASB) assets are defined as future economic guarantees obtained by an entity for past transactions. This shows that the increase or decrease in asset value can be used as a measurement to see the financial stability of a company. A good company condition is when it has stable finances because it does not have the risk of rising and falling asset values. Management will experience pressure from various parties when assets in the previous period have low values so management tries to maximize the value of assets in the next period by conducting fraudulent financial reporting. Low asset values are considered to hinder the flow of funds obtained from investors and creditors. In addition, low asset values are also considered not to provide benefits for investors and creditors. Therefore, investors and creditors will be interested in financial statements that look stable to avoid risks that are considered detrimental.

The results of this study are in line with the results of research from Khotimah (2020), Lestari (2019), and Bawekes (2018) which state that financial stability has an effect on fraudulent financial reporting.

The Effect of External Pressure on Fraudulent Financial Reporting

The results showed that the significance value of the external pressure (LEV) variable was 0,000, which was smaller than the alpha value of 0,05 and had a negative direction indicated by a B value of -8,083. This means that external pressure has a negative effect on fraudulent financial reporting so that H2 is accepted. External pressure is the impetus for management to carry out fraudulent financial reporting. This aims to reduce the pressure exerted by creditors on the existence of high credit risk due to a large number of loans. Creditors need financial statements as material for consideration related to lending. This consideration is carried out by creditors to assess whether the company is able to repay its obligations or not. The results of this study indicate that the average value of the LEV variable is 0,811869, which means that the total debt owed by the company is much greater than the company's total assets. This makes management have much greater pressure to pay off all debts to creditors with total assets that are lower than the total debt. Therefore, the greater the leverage possibility for managers to commit fraudulent financial reporting. The results of this study are in line with the results of research from Dwi Maryadi (2020), Lestari (2019), and Bawekes (2018) which state that external pressure affects fraudulent financial reporting.

The Effect of Ineffective Monitoring on Fraudulent Financial Reporting

The results showed that the significance value of the ineffective monitoring (BDOUT) was 0,155, which was greater than the alpha value of 0,05. This means that ineffective monitoring has no effect on fraudulent financial reporting so H3 is rejected. The percentage comparison between the number of independent commissioners and the number of members of the board of commissioners in this study does not affect the occurrence of fraudulent financial reporting. So, it can be interpreted that the minimum number of independent commissioners is not an opportunity for a person or group of people to commit fraudulent financial reporting. Independent commissioners are expected to be able to provide effective supervision. However, the supervisory effectiveness factor does not only come from the number of independent commissioners, because there are still internal commissioners who also provide the same supervision. In addition, management also has an important role in the effectiveness of supervision, namely as control of deviations that occur. Circular No. 05/22/DPNP regarding internal control is useful to avoid ineffective monitoring. The results of this study are in line with the results of research from Dwi Maryadi (2020), Pratiwi (2018), and Ulfa (2017) which state that ineffective monitoring has no effect on fraudulent financial reporting.

The Effect of Quality of External Audit on Fraudulent Financial Reporting

The results showed the significance value of the quality of external audit (AUD) variable was 0,075, which was greater than the alpha value of 0,05. This means that the quality of external audit has no effect on fraudulent financial reporting so H4 is rejected. The results showed that the quality of the external auditor is not an indication of fraudulent financial reporting. KAP BIG4 and KAP Non-BIG4 have the same competence in conducting their audits, namely based on auditing standards. In addition, the thing that underlies public accountants not to commit fraudulent financial reporting is the existence of sanctions for violations committed. The results of this study are in line with the results of research from Dwi Maryadi (2020), Lindasari (2019), and Ulfa (2017) which state that the quality of external audit has no effect on fraudulent financial reporting.

The Effect of Change in Auditor on Fraudulent Financial Reporting

The results showed the significance value of the change in auditor (CPA) variable was 0,343, which was greater than the alpha value of 0,05. This means that a change in auditor has no effect on fraudulent financial reporting so H5 is rejected. The results of this study do not support the theory

of fraud pentagon in the element of rationalization (rationalization) which is proxied by change in auditor. Companies can change auditors because they want to comply with Government Regulation of the Republic of Indonesia No. 20 of 2015 article 11 paragraph (1) which states that the provision of audit services by public accountants on the financial statements of an entity is limited to 5 consecutive years. In addition, auditor turnover can also be caused by company policies and company dissatisfaction with the previous auditor's performance. The results of this study are in line with the results of research from Lestari (2019), Lindasari (2019), and Pratiwi (2018) which state that ineffective monitoring has no effect on fraudulent financial reporting.

The Effect of Change in Board of Directors on Fraudulent Financial Reporting

The results showed the significance value of the change in board of directors (DCHANGE) variable was 0,549 which was greater than the alpha value of 0,05. This means that the change in the board of directors has no effect on fraudulent financial reporting so H6 is rejected. The results of this study do not support the theory of fraud pentagon in the element of capability (ability) which is proxied by change in board of directors. The company can change the board of directors due to the lack of maximum performance of the previous directors. It aims to improve the company's performance by placing more competent people. The change of directors is carried out based on the decision of the GMS by taking half of the total votes of the shareholders present. So that the change of directors is not something that happens because of fraud. The results of this study are in line with the results of research from Dwi Maryadi (2020) and Lindasari (2019) which state that change in the board of directors has no effect on fraudulent financial reporting.

The effect of CEO Duality on Fraudulent Financial Reporting

The results show the significance value of the CEO duality (DCD) variable is 0,754, which is greater than the alpha value of 0,05. This means that CEO duality has no effect on fraudulent financial reporting so H7 is rejected. The results of this study do not support the theory of fraud pentagon in the element of arrogance (arrogance) which is proxied by CEO duality. Only 12% of the banking sector companies listed on the IDX have family relationships between directors and commissioners, as evidenced by the average DCD variable value of 0,1176. This means that as many as 88% of companies in the banking sector do not have family relationships between directors and commissioners so that fraudulent financial reporting can be avoided. Many banking companies avoid having family relationships between directors and commissioners because they want to avoid potential bad things that will happen, including fraudulent financial reporting. The results of this study are in line with the results of research from Jullani (2020) which states that CEO duality has no effect on fraudulent financial reporting.

The Effect of Frequent Number of CEO's Pictures on Fraudulent Financial Reporting

The results showed that the significance value of the frequent number of CEO's pictures (CEOPIC) variable was 0,055, which was greater than the alpha value of 0,05. This means that the frequent number of CEO's pictures has no effect on fraudulent financial reporting so H8 is rejected. The results of this study do not support the theory of fraud pentagon in the element of arrogance (arrogance) which is proxied by frequent number of CEO's pictures. In the annual report, the CEO often appears in the photo section of important events related to the activities and achievements of the company. This aims to prove that the CEO has a responsibility in carrying out his duties as evidenced by his participation in every activity carried out by the company. The high position of the CEO makes him have a great responsibility so fraudulent financial reporting is believed to be difficult for himself and has a negative impact on the company he leads. The results of this study are in line with the results of research from Khotimah (2020), Lindasari (2019), and Pratiwi (2018) which state that the frequent number of CEO's pictures has no effect on fraudulent financial reporting.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of research and discussion, it can be concluded that financial stability has a positive effect on fraudulent financial reporting, external pressure has a negative effect on fraudulent financial reporting, ineffective monitoring has no effect on fraudulent financial reporting, quality of external audit has no effect on fraudulent financial reporting, change in auditor has no effect on fraudulent financial reporting, change in board of directors has no effect on fraudulent financial reporting, CEO duality has no effect on fraudulent financial reporting, frequent number of CEO's pictures has no effect on fraudulent financial reporting.

Suggestions from this study are that future researchers are expected to be able to examine other objects besides the banking sector. This is because each sector has different financial management and policies. In addition, further researchers are expected to consider other variables that may affect the occurrence of fraudulent financial reporting and consider the proxy variable fraudulent financial reporting which has more accurate results. This is to improve the results of the study.

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