

## Factors that Influence Financial Statement Fraud with Fraud Pentagon Analysis

✉ Danny Wibowo & Yusril Putra  
STIESIA Surabaya, Indonesia

### ARTICLE INFORMATION

#### Article History:

Received August 24, 2021

Revised August 24, 2021

Accepted June 15, 2023

#### DOI:

[10.21532/apfjournal.v8i1.271](https://doi.org/10.21532/apfjournal.v8i1.271)



This is an open access article under  
the [CC-BY-SA](https://creativecommons.org/licenses/by-sa/4.0/) License

### ABSTRACT

*This study has a purpose to observe what is the impact of Fraud Pentagon Theory. This includes the following opportunity (as proxied) using the industrial nature variables and ineffective monitoring, capability (as proxied by the variable of change in director), rationalization (as proxied by the variable of change in auditor), arrogance (as proxied by the variable of political connection), and pressure (as proxied by the variables of financial target and financial stability), toward financial statement fraud in an agricultural company listed on the Indonesia Stock Exchange (IDX) from 2016 - 2019, with a total sample of 72 agricultural firms. There are two kinds of quantitative approaches used in this study. First is a purposive sampling technique. Second, multiple linear regression using SPSS 24. This finding shows financial stability variables and targets cause financial statement fraud. Fortunately, those variables which not effect financial statement fraud are the industrial nature, ineffective monitoring, director changing, auditor changing, and political connection.*

**Keywords:** Financial Statement Fraud, Pentagon Fraud, F-Score, Agency Theory, Agricultural Companies.

### 1. INTRODUCTION

Public companies must publish their financial statements widely. Through these financial statements, the public can assess the company's condition as one of the considerations in investing. Companies must be able to handle various business risks and have strategies to prevent fraud. A company can be considered professional by minimizing fraud because financial conditions can significantly affect the

company's condition. The benchmarks in preparing financial statements are understandable, relevant, reliable, materiality and compatibility. According to Susanti and Yasa (2015), manipulation of financial statements indicates irrelevant information and misleads stakeholders.

This study is supported by the Association of Certified Fraud Examiners (ACFE) regarding financial statement fraud; corporations in Indonesia are

#### How to Cite:

Wibowo, D., & Putra, Y. (2023). Factors that Influence Financial Statement Fraud with Fraud Pentagon Analysis. *Asia Pacific Fraud Journal*, 8(1), 65-76. <http://doi.org/10.21532/apfjournal.v8i1.271>.

✉ Corresponding author :  
Email: [dannywibowo@stiesia.ac.id](mailto:dannywibowo@stiesia.ac.id)

Association of Certified Fraud Examiners (ACFE)  
Indonesia Chapter  
Page. 65-76

ranked second in the Asia Pacific. According to the Corruption Perception Index (CPI), Indonesia is ranked 90th out of 176 countries in terms of corruption (Transparency International, 2016). The ACFE conducted a fraud survey in Indonesia in 2016 that 51% of companies in Indonesia in all sectors have committed financial statement fraud, and the results show that Indonesia is ranked third.

A scandal of fraud in financial statements in Indonesia occurred at PT. Hanson International in 2016. At that time, PT Hanson was known not to present information on trade binding for ready-build lots in Serpong Kencana residential on July 14, 2016, regarding the Kasiba sale, which then led to a fine of Rp5.000.000.000, for violations related to Financial Accounting Standard No. 44 on Accounting for Real Estate Activities (PSAK 44). Another fraud case occurred at PT Bakrie Sumatera Plantations Tbk (UNSP), an agricultural sector company. In the 2017 financial report, UNSP showed a capital deficiency with total consolidated short-term liabilities exceeding its current consolidated assets. At the same time, the issue of UNSP's debt burden related to a loan facility of US\$ 250,000,000 from 11 financial institutions facilitated by Credit Suisse AG arose.

In its development, the American Institute of Certified Public Accountants (AICPA) issued Statement of Auditing Standards (SAS) to develop fraud detection procedures. In Germany, the International Federation of Accountants (IFAC) also developed the International Standard of Auditing (ISA), which is comparable to the American standard.

SAS No. 99: Financial Statement Audit Fraud Considerations explains how management cheats to manipulate financial statements. Factors in the Pentagon's fraud theory help analyze and identify financial statements fraud.

The 7th President of the Republic of Indonesia, at a limited meeting regarding the formation of farmer cooperatives, said that the agricultural sector was one of the

pillars of the economy during the Covid-19 pandemic and encouraged related institutions to provide more stimulus to the agriculture and fisheries industry (Kompas, 2020). BPS Data - Statistics Indonesia, agriculture's contribution rose to 15.45% in the second quartal of 2020, compared to 13.57% in the second quartal of 2019. The agricultural sector can meet the needs of industrial raw materials, increase energy innovation, and provide employment. Thus, this makes the agricultural sector very strategic and vital to the Indonesian economy.

On the other hand, it is crucial to form human resources with integrity to work with increasing legal complexity. Human resources are a valuable tool for increasing productivity. However, companies often find it challenging to manage employees. Weak internal control systems by management or leaders allow employees to commit fraud because they feel there is an opportunity to do so. Leaders or those with high positions in a company must recognize employees' characteristics, traits, and attitudes to determine whether the business organization is free from corruption, collusion, and nepotism. Corruption, collusion and nepotism are obstacles to doing business in Indonesia, so all parties must try to prevent fraud that can occur at any time, both in the public and private sectors, ranging from small businesses to large businesses, both domestically and abroad. Fraud, such as misappropriation of company assets, can impact the company's bankruptcy and business continuity.

From the information above, researchers are interested in researching the opportunity for fraudulent practices in the presentation of financial statements, which have a detrimental impact on many parties. The fraud pentagon theory is the theoretical basis in research to analyze financial statement fraud. The problem formulation in this research consists of the following: (1) Is Financial Statement fraud influenced by the nature of the industry? (2) is financial statement fraud caused by

ineffective observation? (3) is financial statement fraud caused by the change of directors? (4) is the financial statement fraud caused by the change in auditor? (5) is the financial statement fraud caused by the political connection? (6) is financial statement fraud caused by financial stability? (7) is the financial statement fraud caused by the financial target?.

## 2. LITERATURE REVIEW AND HYPOTHESIS

### Agency Theory

Agency theory assumes a conflict of interest between managers (agent) and the owner (principal) (Jensen & Meckling, 1976). This theory explains a separation between the owner and the principal (Lintner, 1956). But on the other hand, agents have their own goals to achieve as much bonus as possible. Principals expect high investment returns, while agents try to get a large bonus as an appreciation for their work (Martantya and Daljono, 2013).

### Fraud Model

The Fraud model continues to develop. Donald R Cresser (1953) was the first to introduce a fraud model with the term Fraud Triangle which consists of pressure, rationalization, and opportunity. According to ISA No. 240, forms of fraud include rationalization, opportunity (nature of the industry and ineffective observation), & pressure (financial stability and financial targets). Competence and arrogance can influence a person to implement fraud (Crowe, 2010). Thus the term is known as the Diamond and Triangle Deception theory, later refined into the Pentagon Deception Theory, which includes opportunity, capability, rationalization, arrogance, and pressure.

### HYPOTHESES DEVELOPMENT

H<sub>1</sub>: Nature of the industry as a proxy of opportunity affects financial statement fraud

Companies tend to minimize the number of receivables and make more cash receipts, so the company's performance looks excellent (Sihombing & Rahardjo,

2014). In their research, Summers and Sweeney (1998) state that managers usually manipulate two financial statements accounts receivable and inventory. According to Nugraheni and Triatmoko (2017), nature of the industry negatively influences financial statement fraud. On the other side, the findings by Kurnia & Anis (2017) show that nature of the industry positively impacts fraudulent financial statements.

H<sub>2</sub>: Ineffective observation as a proxy of opportunity affects financial statement fraud

Potential for fraud due to weak monitoring, thus allowing agents or managers to take deviant actions by carrying out earnings management (Andayani, 2010). Some Duties of the Commissioners Board are to ensure accountability implementation, monitor business strategy and supervise the company's management. According to Tiffani (2015), ineffective monitoring negatively triggers financial statement fraud. However, according to the findings of Kartika & Triatmoko (2017), ineffective monitoring has no impact on financial statements misappropriation.

H<sub>3</sub>: Change in directors as a proxy of capability affects financial statement fraud

To optimize the company's performance, there must be a reshuffle of the board of directors. Therefore, the rotation of directors as a proxy for capability must be carried out to avoid fraudulent financial statements. Only competent people occupy board positions. In practice, board changes are made because of specific political interests (Tessa & Harto, 2016). The results of a study by Saputra and Kusumaningrum (2017) in Pardosi (2015) show that change in the directors' board may affect financial statement fraud; meanwhile, research by Tessa & Harto (2016) show that changing of directors does not affect fraud.

H<sub>4</sub>: Change in auditor as a proxy of rationalization affects financial statement fraud

Changing auditors or switching auditors is necessary to maintain auditors' independence. According to Andri's research (2014), Auditor turnover positively influences financial statement fraud. Conversely, according to Tiffani (2015), it showed oppositely that changing auditors has no impact on financial statement fraud.

H<sub>5</sub>: Political connection as a proxy of arrogance affects financial statement fraud

Knowing the background of the company president about political relations, whether he is a politician or not (Simon et al., 2015). CEO and directors of the Company related to political relationships that can be the object of research. The dual roles played by the CEO and the Board of Commissioners (BoC) open gaps to be exploited. Aidil and Kurnia (2017) state that political connections affect financial report fraud. However, Zelin's research (2018) results show that political connections don't affect financial statement fraud.

H<sub>6</sub>: Financial stability as a proxy of pressure affects financial statement fraud

A good company will show a stable financial condition. This is one of the company's strategies to attract investors. Funds and investments that flow into the firms can affect the business performance. Therefore, managers are constantly pressured to present good financial reports. This has the potential to manipulate financial statements to make them appear stable, so investors are attracted to invest in the companies. The findings of Tiffani & Mariah (2015) and Sihombing & Rahardjo (2014) prove that financial stability variables has a positive influence on financial statement fraud, while Arisandi's research (2017) shows that financial stability has no impact on fraudulent financial statements.

H<sub>7</sub>: Financial target as a proxy of pressure affects financial statement fraud

Managers have the responsibility to be able to meet financial targets by planning.

Therefore, any pressure factors may cause managers to engage in fraudulent practices. Skousen et al. (2008) stated that financial targets affect the occurrence of fraudulent financial statements. Meanwhile, research by Tiffani (2015) and Sihombing & Rahardjo (2014) shows the results of the financial target variable do not affect financial statement fraud.

### 3. METHODS

#### Population

This research uses quantitative methods. By Sugiyono (2018), quantitative research methods grounded in the philosophy of positivism are used to research specific populations. This research uses instruments to collect data by testing predetermined hypotheses. Determination of the research population refers to data from agricultural sector companies listed on the Indonesia Stock Exchange (IDX) for 2016-2019.

#### Data Collection Technique

Secondary data obtained from the annual reports of agricultural sector companies can be accessed at IDX. Sampling using purposive sampling, a technique that selects specific criteria. The population criteria that have been determined are as below:

- a. Agricultural sector companies registered on the IDX during the period 2016-2019, and
- b. Agricultural companies that published annual reports consecutively from 2016-2019.

Based on specified criteria, data were obtained from 18 companies for four years of observation from 2016 to 2019 with 72 financial statements.

#### Dependent Variables

Financial statement misappropriation is calculated with the F-score by Dechow et al. in 2011. According to Skousen (2009), the F-score model summarises two-component variables: financial performance and accrual quality.

$F\text{-Score} = \text{Accrual quality} + \text{Financial Performance}$   
Accrual quality can be counted using

RSST accruals (Richardson et al., 2005), while financial capability can be calculated using changes in earnings before interest and taxes, changes in trade receivables, and changes in cash sales receivables.

$$RSST\ Accrual = \frac{\Delta WC + \Delta NCO + \Delta FIN}{Average\ Total\ Assets}$$

Explanation:

Working Capital (WC) = (Current Assets – current liability)

Non – Current Operating Accrual (NCO) = (Total assets – current assets – investment and advances) – (total liabilities – current liabilities – long term debt)

Financial Accrual (FIN) = (Total investment – total liabilities)

Average Total Assets (ATS) = (Beginning total asset + end total assets)/2

Financial Performance = (Change in receivable + inventories + change in cash sales + change in earning)

Explanation:

Changes in Receivable =  $\Delta \text{Receivable} / \text{Average total assets}$

Changes in Inventory =  $\Delta \text{Inventory} / \text{Average total assets}$

Changes in Cash Sales =  $\Delta \text{Sales} / \text{Sales}(t) - \Delta \text{Receivable} / \text{Receivable}(t)$  or  $\text{Earning}(t) / \text{Average total asset}(t)$

Changes in Earnings = (Average total asset (t-1))

### Independent Variable

#### Opportunity

Nature of the industry shows the normal condition of a corporation. Companies tend to minimize receivables and increase cash receipts. This action is taken so that the firm's performance looks great (Sihombing & Rahardjo, 2014). Accounts receivable that may be manipulated are bad debts and obsolete inventory. Researchers use the total receivables ratio to test the nature of the industry. The formula used by Skousen (2009) is as follows:

$$RECEIVABLE = \frac{\text{Receivable}(t)}{\text{Sales}(t) - \text{Receivable}(t-1) / \text{Sales}(t-1)}$$

Ineffective monitoring can create opportunities or loopholes for individuals carrying out improper actions for personal gain. This experiment measures

monitoring inadequacy using the independent commissioner value (IND) proportion (Skousen et al., 2009).

IND = Number of an independent board of commissioners / Total Number of commissioners

### Capability

Changing directors can impact stress, which in turn creates opportunities for fraud. Likewise, changing the CEO indicates fraud (Wolfe & Hermanson, 2004). The change of directors variable is assessed with the dummy method. Suppose the company reshuffles its board of directors structure over the observation interval. In that case, the value is 1, but if there is no reshuffle of the board of directors during the observation, the value is 0.

### Rationalization

Auditor switching by the company will likely eliminate traces of fraud that the previous auditor may have known. Therefore, switching auditors becomes a strategy to cover up fraud committed by the company (Sihombing & Rahardjo, 2014). Rationalization is proxies with change in auditor variables, measured by a dummy model. If the firm changes the auditors during observation, the value is 1. But if the firms do not change the auditors during the observation period, the value is 0.

### Arrogance

Arrogance is the behaviour of superiority over the rights possessed by a person that can lead to a desire for power (Crowe, 2011). Arrogance is generally addressed to someone with a high rank in the organization. Arrogance is proxies with political connection variable. According to Kurnia and Anis (2017), the CEO and the board of commissioners can use political power when the company is experiencing difficult times. The political connection variable is measured using the dummy method. If the directors and commissioners have a political connection during observation, the value is 1. The value becomes 0 if the company's directors

and commissioners do not have a political connection.

#### Pressure

Financial stability represents the company's stable financial situation. Financial performance can be seen from the company's assets. Changes in company assets tend to allow someone to manipulate that part (Skousen, 2009). This study uses ACHANGE with the formula:

$$\text{ACHANGE} = (\text{Total assets (t)} - \text{Total assets (t-1)}) / \text{Total assets (t-1)}$$

The Return on Assets (ROA) ratio measures financial target variable to determine the level of profitability, which calculates profit against assets (Skousen et al., 2008). The formula calculates ROA:

$$\text{ROA} = \text{Earning after interest and tax} / \text{Total assets}$$

## 4. RESULTS AND DISCUSSION

### Normality Test

Two methods are used in the normality tests: the Kolmogorov-Smirnov Test and the Probability plot graph. The normality test is calculated using the Kolmogorov-Smirnov Test formula based on the significance value. If the significance value is  $> 0.05$ , the data can be categorized as normally distributed (Table 1).

### Multicollinearity Test

The correlation between the independent variables and the regression model is measured using the Multicollinearity test. To determine the allegations of multicollinearity in the research data can be seen by the Variance Inflation Factor (VIF)  $< 10$  and Tolerance  $> 0.10$  (Table 2).

Table 1. Data Normality Test - One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		72
Normal Parameter <sup>s,b</sup>	Mean	,0000000
	Std. Deviation	1.30693221
Most Extreme Differences	Absolute	,162
	Positive	,115
	Negative	-,162
Kolmogorov Smirnov Z		,162
Asymp. Sig. (2 tailed)		,098

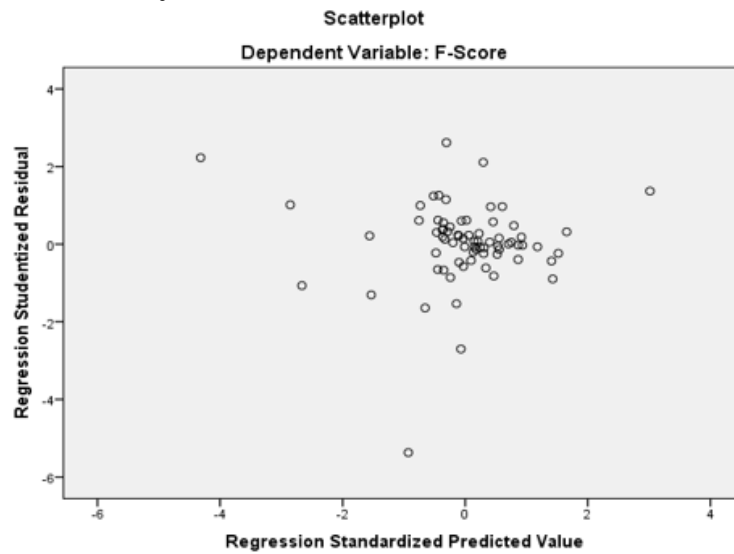
Source: Data Processed

Table 2. Multicollinearity Test

Variabel	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Receivable	.874	1.144
IND	.841	1.189
CiD	.909	1.100
CiA	.860	1.163
Politics	.807	1.239
ACHANGE	.406	2.465
ROA	.423	2.366

Source: Data Processed

Figure 1. Heteroscedasticity Test Results



Source: Data Processed

Table 3. Descriptive Statistics

	N	Min	Max	Mean	Standard Deviation
Receivable	72	-.171	.134	.001	.049
IND	72	.200	.800	.392	.098
CiD	72	.000	1.000	.306	.464
CiA	72	.000	1.000	.264	.444
Politic	72	.000	1.000	.208	.409
ACHANGE	72	-3.616	.719	-.039	.463
ROA	72	-1.015	.262	-.016	.174
F - Score	72	-7.636	3.452	.006	1.435
Valid N	72				

Source: Data Processed

Table 4. Results of the Coefficient of Determination - Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.513 <sup>a</sup>	.340	.091	1.37655	2.085

Source: Data Processed

**Heteroscedasticity Test**

Heteroscedasticity test detects residual variance imbalance in regression model. If the regression model shows heteroscedasticity, then it is not good, it can be seen from the pattern produced by the scatterplot graph between SRESID and ZPRED, where the Y axis is the Y prediction, and The X axis is the standardized residue (Figure 1).

**Descriptive Statistical Analysis**

Descriptive statistical analysis presents an informative picture with a more concise presentation of the data (Table 3). The measurements used in the descriptive statistics of the data include the mean, variance, maximum, minimum, sum, range, skewness and kurtosis, and standard deviation (Ghozali, 2016).



Table 5. **Model Feasibility Test Results**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	24.880	7	3.554	15.678	.000 <sup>b</sup>
Residual	121.273	64	1.895		
Total	146.153	71			

Source: Data Processed

Table 6. **Hypothesis Test Results**

Variable	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.493	.740		.667	.507
Receivable	5.691	3.601	.357	1.533	.130
IND	-.902	1.824	.097	-.587	.559
CiD	-.148	.369	.067	-.862	.392
CiD	-.047	.397	.103	-.546	.587
Politic	.654	.445	.308	1.089	.280
ACHANGE	-1.205	.554	-.274	2.483	.016
ROA	4.749	1.448	.724	-3.162	.002

Source: Data Processed

### Coefficient of Determination Test (Adjusted R<sup>2</sup>)

The coefficient of determination test (Adjusted R<sup>2</sup>) is used to measure the model's ability to describe the variance of the independent variable. Adjusted R<sup>2</sup> values are 0 and 1 ( $0 < R^2 < 1$ ). The relatively small value of R<sup>2</sup> has limited ability when the independent variable explains the dependent variable (Table 4).

### Model Feasibility Test (F-Test)

Model Feasibility test (F test) is used to test the model that will be used in regression analysis which is usually shown in the ANOVA table on the data processing results using SPSS. This test determines whether the significance value is greater or less than the standard statistic of 0.05 (Table 5).

### Hypothesis Test (T-Test)

Hypothesis testing to measure the dependent variable and the independent variable. Hypothesis testing is done using t-test (Table 6).

## DISCUSSION

### The Effect of the Nature of Industry on financial statement fraud

Hypothesis testing nature of the industry is conducted by comparing the probability and significant level. The t-test results indicate that nature of industry has a value of 1.533 with a significance of  $0.130 > 0.05$ , which means that the nature of industry variable has no impact on financial statement fraud. According to Table 3, the nature of the industry variable has an average of 0.001, with a minimum score of -0.171 and a maximum score of 0.134.

This is similar to the findings of Tiffani & Marfuah (2015), Iqbal and Murtanto (2016), and Sasangko and Wijayantika (2019) that the nature of industry variables does not affect financial statement fraud. However, it is different from the results of research by Putriasih, Herawati & Wayuni (2016) and Devi Cahyanti (2020) that the nature of industry variables significantly affects financial statements fraud.



If a company is in ideal conditions, the management will not commit fraudulent acts on financial reporting. However, when the company is in a non-ideal condition, management tends to commit fraudulent acts by manipulating financial statements (Agusputri and Sofie, 2019). Management usually misestimates and manipulates the related accounts to make the financial statements appear healthy. This falls under fraud.

#### **The Effect of Ineffective Monitoring on Financial Statement Fraud**

The t-test results on the ineffective monitoring variable proxied by IDN show a regression coefficient value of -0.587 with a significance of 0.599, this shows that ineffective variable monitoring does not affect fraudulent financial statements. Monitoring by independent commissioners of agricultural companies is adequate and maximum. The BoC is guided by Good Corporate Governance (GCG) principles in developing appropriate performance for investment and operational activities. In addition, the board of commissioners has carried out supervisory duties as an advisor to the company in making decisions on the strategy of lending to banks, as well as auditing at the end of each period which keeps the companies' performance under monitoring.

The results of this study are in line with Kartika & Triatmoro (2017) and Wahyuni (2016) that the ineffective monitoring variable does not affect fraudulent financial statements. However, findings by Tessa & Harto (2016) and Agusputri & Sofir (2019), show that the ineffective monitoring variable is significant to fraudulent financial statements because weak supervision impacts fraudulent financial statements.

#### **The Effect of Change in Directors on Financial Statement Fraud**

The results of the hypothesis test of the variable change in directors show a regression coefficient of -0.862 with a significance of 0.392, this shows that the change of directors has no impact on fraudulent financial statements, and

according to Table 3, shows an average value of 0.306, and seven data years the company made a change of directors. For the remaining 11 data years, the company did not change the board of directors during the observation period. The reshuffle of the board of directors is only carried out due to the retirement of board members and the change of structural positions within the company. The change of directors is intended to improve management performance.

#### **The Effect of Changing Auditor on Financial Statement Fraud**

The results of descriptive analysis on auditor switching variables show that from 72 samples, six companies perform auditor switching, while the remaining 12 do not. According to Parasastie and Gamayuni (2015), there is a relationship between auditors and company managers. When conducting an audit, sometimes there is a misunderstanding or misinterpretation between the external auditor and management. Auditor changes made by managers are not solely to eliminate traces of fraud by corporates. The company also objectively considers the client satisfaction level with the auditor's performance and independence. Thus, the auditor switching variable does not affect financial statements fraud.

#### **The Effect of Political Connection on Financial Statement Fraud**

The SPSS 24 test results obtained a regression coefficient of 1.089 with a significance of 0.280, and the political connection variables have no impact on financial statement fraud. The BoC with a political background is likely to act arrogantly by manipulating financial statements. This can happen because these interested parties can control the arrogance level to separate corporate and political interests. This may also be due to the company's internal policy, which may not include the positions or political relationships held by directors or commissioners. The findings of Cintia Zelin's (2018) contradict this study, which

states that there is no substantial evidence that political connections can affect fraudulent financial statement.

### **The Effect of Financial Stability on Financial Statement Fraud**

The t-test results show a regression coefficient of -2.483 with a significance of 0.016, meaning that the financial stability variable affects financial statement fraud. The descriptive analysis results on the financial stability variable indicate an average of 0,039 which means that the ACHANGE ratio is high, so the company's financial condition looks less stable with a min score of -3,616 and a max score of 0.719, which shows significant and unstable changes. The findings of this study state that agents are responsible for corporate governance towards principals. Unstable corporate situations will impact management under pressure due to poor performance appraisals and the inability to maximize corporate assets as shareholders expect.

The financial stability correlate with financial statement fraud. The company's unstable financial condition will increase financial statement fraud opportunities. According to Sokuosen et al. (2009), Financial stability can be reflected by changes in asset. The larger the ratio of changes in total assets, the lower the firm's performance, so it does not provide the maximum return value for investors. This can open up opportunities for management to misuse financial report to improve company performance and look good.

### **The Effect of the Financial Target on Financial Statement Fraud**

The financial target variable calculated by ROA shows a regression coefficient of 3.162 with a significance of 0.002, means that the financial target variable can affect financial statement fraud. The higher the financial targets in the companies, the higher the risk of financial statement fraud. ROA is a profitability ratio to determine the company's effectiveness in generating profit. The higher the ROA value, the

greater the potential for companies to carry out earnings management in financial reports.

By to Putriasih (2016) states that financial statement fraud is caused by measuring financial targets. ROA is defined as a bonus, stock return, or wage increase. Therefore, a high ROA in the previous period means the business can generate high profits, so it becomes a reference for the company to set higher financial targets in the next period.

## **5. CONCLUSION**

This observation aims to determine the effect of the fraud pentagon theory, which consists of opportunity (as proxied by the variables of nature of industry and ineffective monitoring), capability (as proxied by the variable of change in director), rationalization (as proxied by the variable of change in auditor), arrogance (as proxied by the variable of political connection), and pressure (as proxied by the variables of financial target and financial stability), on financial statement fraud in agricultural companies listed on the IDX from 2016 to 2019, with a total sample of 72 agricultural companies. The findings show (1) H1 is rejected because it can not be found any effect of nature of industry variable on financial statement fraud; (2) H2 is rejected because it can not be found any effect of the ineffective observation variable on financial statement fraud; (3) H3 is rejected because it can not be found any effect of the change in director variable on financial statement fraud; (4) H4 is rejected because it can not be found any effect of the auditor switching variable on financial statement fraud or; (5) H5 is rejected because it can not be found any effect of the political connection variable on financial statement fraud or; (6) H6 is accepted because the financial stability variable affects financial statement fraud; (7) H7 is accepted because the financial target variable affects financial statement fraud.

## REFERENCE

- Hanifah, A., dan Sofie. (2019). Faktor-faktor yang Berpengaruh Terhadap *Fraudulent Financial Reporting* dengan Menggunakan Analisis *Fraud Pentagon*. *Jurnal Informasi Perpajakan, Akuntansi dan Keuangan Publik*, 14(2), 105-124.
- AICPA. (2002). *AU Section 316 Consideration of Fraud in a Financial*. SAS.
- Andayani, T. D. (2010). Pengaruh Karakteristik Dewan Komisaris Independen terhadap Manajemen Laba (Studi pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia). *Tesis*. Fakultas Ekonomi Universitas Diponegoro.
- Annisya, M., Lindrianasari, & Asmaranti, Y. (2016). Pendeteksian Kecurangan Laporan Keuangan Menggunakan *Fraud Diamond*. *Jurnal Bisnis dan Ekonomi (JBE)*, 23(1), 72-89.
- Aprilia. (2017). Analisis Pengaruh *Fraud Pentagon* terhadap Kecurangan Laporan Keuangan Menggunakan *Beneish Model* pada Perusahaan yang Menerapkan Asean Corporate Governance Scorecard. *Jurnal Aset (Akuntansi Riset)*, 9(1), 101-132.
- Arisandi, D., dan Verawaty. (2017). *Fraud Pentagon* dalam Mendeteksi Kecurangan Laporan Keuangan pada Perusahaan Keuangan dan Perbankan di Indonesia. *Seminar Nasional Global Competitive Advantage*. Universitas Bina Darma.
- Cahyanti, D., dan Wahidahwati. (2020). Analisis *Pentagon* Sebagai Pendeteksi Kecurangan Terhadap Laporan Keuangan. *Jurnal Ilmu dan Riset Akuntansi*, 9(4), 1-24.
- Crowe, H. (2011). *Why the Fraud Triangle is No Longer Enough*. Crowe LLP.
- Dumaria, N., dan Majidah. (2019). Pengaruh *Fraud Pentagon* Terhadap Deteksi *Fraudulent Financial Reporting* dengan Menggunakan Metode *Beneish MScore Model*. *e-Proceeding* 6(2), 3148.
- Harto, P., dan Chyntia, T. G. (2016). *Fraudulent Financial Reporting: Pengujian Teori Fraud Pentagon* pada Sektor Keuangan dan Perbankan DiIndonesia. *Simposium Nasional Akuntansi XIX, Lampung*.
- Hidayatullah, A., dan Sulhani. (2018). Pengaruh Manipulasi Laporan Keuangan dan Karakteristik *Chief Financial Officer* terhadap Ketepatanwaktuan Pelaporan Keuangan dengan Kualitas Audit Sebagai Variabel Pemoderasi. *Jurnal Dinamika Akuntansi dan Bisnis*, 5(2), 117-136.
- Ihsanuddin. (2020). Jokowi: Pertanian Penyumbang Tertinggi Pertumbuhan Ekonomi di Tengah Pandemi. <https://kompas.com/nasional/read/2020/10/06/10304311/jokowi-pertanian-penyumbang-tertinggi-pertumbuhan-ekonomi-di-tengah-pandemi>. 10 Oktober 2021.
- IAI. (2020). *Standar Akuntansi Keuangan*. Ikatan Akuntansi Indonesia.
- International Accounting Standard Commuttee (IASC). (2013). *Fair Value Measurement: Unquoted Equity Instruments Within The Scope of IFRS 9 Financial Instrument*. UK-IASB. London.
- Iqbal, M., dan Murtanto. (2016). Analisa Pengaruh Faktor-faktor *Fraud Triangle* terhadap Kecurangan Laporan Keuangan pada Perusahaan *Property* dan *Real Estate* yang Terdaftar di Bursa Efek Indonesia. *Seminar Nasional Cendekiawan*.

- Jensen, M. C., dan H. W. Meckling. (1976). Theory of the Firm: Manajerial Behavior, Agenxy Costs and Ownership Structure. *Journal of Financial Economic*, 3(4).
- Kurniawan, A. (2017). Pengaruh Manajemen Laba Terhadap *Financial Distress* Melalui Terjadinya *Fraud*. *Jurnal Akuntansi Manajemen*, 6(2), 152-166.
- Putriasih, K., Herawati, N., dan Wahyuni, M. (2016). Analisis *Fraud Diamond* dalam Mendeteksi *Financial Statement Fraud*: Studi Empiris Pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia (BEI). *E-Journal Universitas Pendidikan Ganesha*, 6(3), 1-12.
- SAK IAI. (2020). *Pengesahan Kerangka Konseptual Pelaporan Keuangan dan Standar Akuntansi Keuangan*. <http://www.iaiglobal.or.id/v03/standar-akuntansi-keuangan/sak-efektif-4-pengesahan-kerangka-konseptual-pelaporan-keuangan-dan-standar-akuntansi-keuangan>.
- Siddiq, F. R., dan Hadinata, S. (2016). *Fraud Diamond* dalam Kecurangan Laporan Keuangan. *Jurnal Bisnis dan Manajemen Islam*, 4(2).
- Sihombing, K. S., dan Rahardjo, S. (2014). Analisis *Fraud Diamond* dalam Mendeteksi Kecurangan Laporan Keuangan: Studi Empiris pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek di Indonesia (BEI) Tahun 2010-2012. *Diponegoro Journal of Accounting*, 3(2), 1-12.
- Skousen, J.C., Wright, J.C., dan Smith K. R. (2009). *Detecting and Predicting Kecurangan Laporan Keuangan: The Effectiveness of The Fraud Triangle dan SAS No. 99*. Corporate and Firm Performance Advances in Financial Economics.
- Summers, S. dan J. Sweeney. (1998). Fraudulently Misstated Financial Statements and Insider Trading: An Empirical Analysis. *The Accounting Review*, 3(1), 131-146.
- Tessa, G. C. dan P. Harto. (2016). *Fraudulent Financial Reporting: Pengujian Teori Fraud Pentagon* pada Sektor Keuangan dan Perbankan di Indonesia. *Simposium Nasional Akuntansi XIX* 1-21.
- Triyanto, D. N. (2020). Detection of Financial Reporting Fraud: The Case of Socially Responsible Firms. *Journal of Economics, Business, and Accountancy Ventura*, 22(3), 399-410.
- Wibowo, R. A (2015). Mencegah Korupsi dalam Pengadaan Umum: Apa yang Telah Dilakukan dan Apa yang harus Dilakukan? Komisi Pemberantasan Korupsi (KPK). *Jurnal Integrasi*, 1(1), 37-60.
- Widarti. (2015). Pengaruh *Fraud Triangle* Terhadap Deteksi Kecurangan Laporan Keuangan pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia (BEI). *Jurnal Manajemen dan Bisnis Sriwijaya*, 13(2), 229-244.
- Wolve, D. T., and Hermanson. (2004). The Fraud Diamond: Considering The Four Element of Fraud. *The CPA Journal*, 74(12), 38-42.
- Zaki, N. M. (2017). The Appropriateness of Fraud Triangle and Diamond Models in Assessing The Likelihood of Fraudulent Financial Statements-an Empirical Study on Firms Listed in the Egyptian Stock Exchange. *International Journal of Social Science and Economic Research*, 2(2), 2403-2433.
- Zelin, C. (2018). Analisis *Fraud Pentagon* dalam Mendeteksi Kecurangan Laporan Keuangan dengan Menggunakan *Fraud Score Model*. *Skripsi*. Fakultas Ekonomi Universitas Islam Indonesia.