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THE EFFECT OF PENTAGON'S FRAUD ON FINANCIAL STATEMENT FRAUD

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ABSTRACT

Research on financial statement fraud is interesting to study because thera cases of accounting scandals that occur in publicly listed companies in Indonesia. This study aims to empirically examine the effect of the fraud pentagon in detecting fraudulent financial statements. The pentagon's fraud theory is a development of the fraud triangle theory by adding elements of competence and arrogance.

Fraud pentagon is proxied by seven variables consisting of three variables from the pressure element (financial stability, financial target and external pressure); one variable from the opportunity element (nature of industry); one variable from the rationalization element (total accrual); one variable from the competence element (change in director) and one variable from the element of arrogance (frequent number of CEO's picture). F-Score model is used determine fraudulent financial statement.

This research was conducted on companies listed in the LQ45 Index in the 2018-2022 period. By using multiple regression analysis, the results show that external pressure, nature of industry and total accrual have an effect on fraudulent financial statement.

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INTRODUCTION

Research on financial statement fraud is interesting to study because there have been cases of accounting scandals that have occurred in recent years by publicly traded companies in Indonesia. Some examples of these cases are PT Bank Bukopin Tbk., PT Garuda Indonesia (Persero) Tbk, and PT Hanson International. The case of PT Bank Bukopin Tbk is manipulation of credit card data that has been going on for years. These modifications caused Bukopin's credit position and commission-based income to increase inappropriately. PT case. Garuda Indonesia (Persero) Tbk started when two commissioners of PT Garuda Indonesia refused to sign Garuda Indonesia's financial reports because they did not comply with the Statement of Financial Accounting Standards (PSAK). In the case of PT Hanson International, the company was proven to have misrepresented the Annual Financial Report as of December 31 2016. The manipulation was carried out regarding the sale of ready-to-build plots, but did not disclose the binding agreement for the sale and purchase of ready-to-build plots in the 2016 financial report.

Fraud on financial reports must be minimized because it can damage trust and reduce the value of a company in the eyes of stakeholders. The role of auditors is very necessary to reduce the occurrence of fraud in financial reports. Auditors can use several theories to determine and consider the possibility of fraud occurring in the financial reports presented by a company. There are several theories that can be used to detect fraud, namely fraud triangle, fraud diamond, and fraud pentagon. The Pentagon Fraud Theory is a development of the fraud triangle theory by adding elements of arrogance and competence developed by Horwath (2011).

Many studies prove the influence between pentagon fraud and fraud in financial reports. Tessa & Harto (2016) concluded that financial stability, external pressure, and the number

of CEO photos appearing have a significant influence in detecting fraudulent financial statements. Setiawati & Baningrum (2018) concluded that financial targets influence the occurrence of fraudulent financial reports. Bayagub et al. (2018) concluded that external pressure and changes in directors influence financial statement fraud.

The problems of this research are as follows:

1. Does financial stability have a negative effect on the occurrence of fraudulent financial statements?
2. Do financial targets have a positive effect on the occurrence of fraudulent financial statements?
3. Does external pressure have a positive effect on the occurrence of fraudulent financial statements?
4. Does the nature of the industry have a positive effect on the occurrence of fraudulent financial statements?
5. Do total accruals have a positive effect on the occurrence of financial statement fraud?
6. Does changing directors have a positive effect on the occurrence of financial statement fraud?
7. Does the number of photos of the CEO displayed in financial reports have a positive effect on the occurrence of financial statement fraud?

LITERATURE REVIEW

Agency theory is a theory that explains the relationship between shareholders as principal and management as agents in a cooperative contract called the nexus of contract (Jensen & Meckling, 1976). Management as an agent is contracted to work in the interests of shareholders, therefore management has responsibilities that must be carried out. In agency theory, it is also explained that agents and principals have their own interests. These differences in interests give rise to a conflict of interest. Therefore, the principal supervises the agent, and this can also cause agency problems.

The first fraud theory was put forward by Cressey who explained the reasons why people commit fraud, known as the fraud triangle theory. Cressey (1953) explained that there are 3 factors that support someone being able to commit fraud, namely financial problems that must be kept secret (pressure), opportunities to commit fraud (opportunity), and rationalization from the perpetrator (rationalization).

Hogan et al. (2008) explain that incentives to commit fraud can arise due to pressure to meet analyst estimates, compensation and incentive structures, the need for external financing, or poor performance. Siddiq & Hadinata (2016) argue that opportunity is an opportunity to allow fraud to occur. This can happen due to weak internal controls, insufficient supervision and abuse of authority. Apart from that, opportunities can also occur because of the nature of the industry, where these conditions provide opportunities to commit fraud in financial reports. SAS No. 99 in AICPA (2002) also states that there are 4 factors of opportunity that cause financial report fraud, namely nature of industry, ineffective monitoring, organizational structure, and internal control components. Albrecht et al. (2012) explained that rationalization is a mechanism that allows individuals to justify their unethical behavior. Sihombing & Rahardjo (2014) found that rationalization as measured by total accruals had an effect on financial statement fraud.

Pentagon fraud is a theory put forward by Horwath. This theory is a development of the fraud triangle theory by adding the variables of competence and arrogance. Horwath (2012) explains that competence is an employee's ability to ignore internal controls, develop concealment strategies, and control social situations for their personal interests by selling them to other parties. According to Horwath, there are 6 general characteristics of competence, namely functional authority in the organization, sufficient intelligence to understand and exploit the situation, confidence, strong coercive skills, effective deception and high tolerance for stress. Arrogance is an attitude of superiority and entitlement or greed that one has and feels that internal controls or company policies do not apply to oneself. According to Horwath, there are 5 elements of fraud regarding arrogance, namely big ego - CEO as a celebrity, thinking he can

avoid internal controls and not be caught, bullying attitude, autocrat management style and fear of losing position, status, etc.

The Australian Auditing Standard defines fraud in financial statements as intentional misstatement including the omission of amounts or disclosures in financial statements to deceive users of financial statements (Brennan & McGrath, 2007). Fraud in financial reports is intentional or negligent behavior in preparing financial reports where the financial reports presented do not comply with applicable accounting standards and the intentional or negligent nature is material so that it can influence the decisions or assessments of interested parties.

Managers face pressure to commit fraud or manipulate financial statements when their company's financial stability and profitability are threatened by the entity's economic, industry, or operating conditions. Skousen et al. (2008) stated that asset growth is an attempt to manipulate financial reports. The greater the ratio of change in total assets of a company, the higher the probability of committing fraud in the company's financial statements. Tessa and Harto (2016) stated that financial stability has a negative effect on fraudulent financial statements.

H1: Financial stability has a negative effect on financial statement fraud

Financial targets are a condition where a company sets targets that must be achieved from the effort it has expended to obtain profits. According to Skousen et al. (2008) ROA is a measure of operating performance that is widely used to show how efficiently assets have worked. When the ROA target is high, management will try hard to achieve that target. When the ROA realization shows a value below the target, it will encourage management to increase profits in the financial statements. Hidayah & Saptarini (2019) stated that financial targets proxied by ROA have a positive effect on fraud in financial reports. This statement is supported by Jaya & Poerwono (2019) and Khoirunnisa et al. (2020).

H2: Financial targets have a positive effect on financial report fraud

External pressure is pressure for a company to meet the expectations of third parties. The ability to meet stock exchange listing requirements, repay debt or fulfill debt covenants is a widely recognized source of external pressure (Skousen et al., 2008). Managers may feel pressure as a result of the need to obtain additional debt or equity financing to remain competitive. Tessa & Harto (2016) state that external pressure has a positive effect on financial report fraud. This statement is supported by Quraini & Rimawati (2018), Jaya & Poerwono (2019), and Khoirunnisa et al. (2020).

H3: External pressure has a positive effect on financial statement fraud

In the financial statements there are accounts whose balance amounts are determined by the company itself through an estimate or subjective judgment. Because there is a subjective assessment in determining the balance of these accounts, companies can use these accounts to manipulate financial reports. Jaya & Poerwono (2019) stated that the nature of the industry as proxied by receivables has a positive effect on financial statement fraud. This statement is supported by Triyanto (2019) and Khoirunnisa et al. (2020) who also stated that the nature of the industry influences financial report fraud.

H4: The nature of the industry has a positive effect on financial statement fraud

Rationalization is an attitude, character or set of ethical values that allows certain parties to commit acts of fraud, or different people in an environment that makes them rationalize acts of fraud (Manurung & Hadian, 2013). Francis & Krishnan (1999) argue that accruals represent management decision making and provide insight into rationalization in corporate financial reporting. This opinion was reinforced by Sihombing & Rahardjo (2014) who found that rationalization as measured by total accruals had a positive effect on financial statement fraud. These results are supported by Septriani & Handayani (2018) and Khoirunnisa et al. (2020).

H5: Total Accruals have a positive effect on financial statement fraud

Wolfe & Hermanson (2004) explain that many frauds, especially those worth billions of dollars, would not occur without the right people with the right skills. Employees who have certain

intellectual or abilities are considered capable of identifying opportunities and committing fraud according to their abilities. Therefore, the replacement of new, more competent directors is considered capable of committing acts of fraud. Bayagub et al. (2018) stated that changing directors has an effect on financial statement fraud. This statement is supported by Quraini & Rimawati (2018) and Hidayah & Saptarini (2019).

H6: Change of Directors has a positive effect on fraudulent reporting

Frequent number of CEO's picture is the number of photos of the CEO displayed in the company's annual report. Horwath (2011) stated that a study by COSO found 70% of fraudsters had a profile that combined pressure with arrogance. A high level of arrogance can lead to fraud because with arrogance and superiority, a CEO feels that internal control does not apply to him. There is also the possibility that the CEO will do whatever it takes to maintain his position and position in the company, so the CEO also has an interest in maintaining the company's performance so that it continues to exist so that his position is safe. Tessa & Harto (2016) and Siddiq et al. (2017) stated that the number of CEO photos displayed had a positive effect on financial report fraud.

H7: The number of CEO photos displayed in the Annual Report has a positive effect on financial report fraud.

RESEARCH METHODS (Century Gothic, 12 pt, Bold)

The population in this research is the financial reports of companies listed on the Indonesia Stock Exchange for 2016 - 2020. The sampling method that will be used in this research is the purposive sampling method, where not all elements have the same opportunity to be taken as samples. Sampling was carried out using the following criteria:

1. Companies included in the LQ45 list on the Indonesia Stock Exchange (BEI) during the 2018-2022 period consecutively.
2. The company presents its financial reports on the company website or IDX website for the 2018-2022 period.
3. The company is not included in the banking company category.

The dependent variable used in this research is financial statement fraud which is measured using the F-Score model developed by Dechow et al. (2011). The F-Score model is the sum of two variable components in the fraud score model, namely accrual quality and financial performance (Skousen & Twedt, 2009), with the formula:

$$\boldsymbol{F\text{-}Score = Accrual\ Quality + Financial\ Performance}$$

The Accrual Quality variable is proxied by RSST Accrual. RSST Accrual includes non-cash and non-equity changes in the company's balance sheet as accruals and differentiates the reliability characteristics of working capital, non-current operating and financial accruals as well as the components of assets and liabilities in the accrual type. The financial performance variable looks at changes in receivables accounts, changes in cash sales accounts and changes in earnings before interest and taxes (Richardson et al., 2005).

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

WC = (Current Assets – Cash and Short-Term Investments) – (Current Liabilities – Debt in Current Liabilities)

NCO = (Total Assets – Current Assets – Investment and Advances) – (Total Liabilities – Current Liabilities – Long Term Debt)

FIN = (Short Term Investments + Long Term Investments) – (Long Term Debt + Debt in Current Liabilities + Preferred Stock)

ATS = (Beginning total assets + end total assets) / 2

Financial Performance = changes in receivables + changes in inventories + changes in cash sales + changes in earnings

The independent variable used in this research is the fraud pentagon with the components Pressure, Opportunity, Rationalization, Competence, and Arrogance. These components cannot be studied directly, so variables are needed to measure these components, namely:

1. Pressure is proxied by financial stability (X1), financial targets (X2), and external pressure (X3).

2. Opportunity is proxied by the nature of the industry (X4).
3. Rationalization is proxied by total accruals (X5).
4. Competence is proxied by change of directors (X6).
5. Arrogance is proxied by the number of CEO photos displayed in the financial report (X7).

1. Financial Stability (X1)
Financial stability is a condition that describes the financial condition of a company in a stable condition. Skousen et al. (2008) explains that financial stability can be measured by the asset change ratio which is calculated by:

$$A\_CHANGE = \frac{Total\ Assets\ (t) - Total\ Assets\ (t-1)}{Total\ Assets\ (t-1)}$$

2. Financial Target (X2)
Pressure to achieve financial targets can cause management to commit fraud in financial reports. According to Summers & Sweeney (1998), ROA can significantly differentiate between companies that commit fraud or not. ROA as a ratio to measure target financial variables, with the formula:

$$ROA = \frac{Earnings\ After\ Interest\ and\ Tax}{Total\ Assets}$$

3. External Pressure (X3)
External pressure is pressure for a company to meet the expectations of third parties. In this research it is measured using the leverage ratio. Leverage ratio is a ratio used to determine a company's ability to pay all its obligations with the assets it owns (Skousen et al., 2008). Leverage ratio is calculated using the formula:

$$LEV = \frac{Total\ Debt}{Total\ Assets}$$

4. Nature of Industry (X4)
Summers & Sweeney (1998) explain that accounts receivable are often involved in fraudulent acts in financial reports. Therefore, this study proxies the nature of the industry with the ratio of total receivables using the formula (Skousen et al., 2008):

$$REC = \frac{Receivable\ (t)}{Sales\ (t)} - \frac{Receivable\ (t-1)}{Sales\ (t-1)}$$

5. Total Accrual (X5)
Skousen et al. (2008) explains that the rationalization variable which is proxied by the total accrual ratio can be measured by the formula:

$$TACC = \frac{Working\ Capital - Cash - Current\ Liab. - Depreciation\ \&\ Amortization}{Sales}$$

6. Change of Directors
Changes in directors generally give rise to conflicts of interest because changes in directors are full of political content and the interests of certain parties (Sihombing & Rahardjo, 2014). Wolfe & Hermanson (2004) explain capability as one of the variables behind the occurrence of fraud, concluding that changing directors can indicate the occurrence of fraud. Change of directors is measured using a dummy variable where if there is a change of directors the number 1 (one) is given and the number 0 (zero) for companies that did not change directors during the research period.

7. Number of CEO photos

Yusof et al. (2015) explained that the number of CEO photos displayed in financial reports can be used to measure the arrogance variable. This CEO photo shows a way for CEOs to gain publicity and treat themselves as celebrities, which has been described by Horwath (2011). The formula used to measure the number of CEO photos displayed is:
CEO = number of CEO photos displayed in the annual report.
In this research, a multiple linear regression model is used to predict the influence of the independent variable on the dependent variable. The regression model used is:

$$F\text{-}SCORE = \beta0 + \beta1A\_CHANGE + \beta2ROA + \beta3LEV + \beta4REC + \beta5TACC + \beta6DIR\_CHANGE + \beta7CEO + e$$

F-SCORE = Financial Statement Fraud
β0 = Constant
A_CHANGE = Change in Total Aset
ROA = Return on Assets
LEV = Leverange
REC = Ratio of Total Receivables to Operating Income
TACC = Total Accruals
DIR_CHANGE = Change of Board of Director
CEO = Number of CEO Photos Appeared in Annual Reports
e = Error

The normality test is used to test whether confounding or residual variables are normally distributed (Ghozali, 2018). The normality test used in this research is the One-Sample Kolmogorov-Smirnov Test. One of the conditions for using multiple linear regression equations is the fulfillment of classical assumptions consisting of heteroscedasticity, autocorrelation and multicollinearity tests. The Heteroscedasticity aims to test the difference in residual variance from one observation period to another observation period. The autocorrelation test aims to test whether in the linear regression model there is a correlation between confounding errors in period t and confounding errors in period t-1. The multicollinearity test is intended to determine whether there is a significant relationship between the independent variables used in the regression model (Ghozali, 2018).
The accuracy of the sample regression model in estimating actual values can be measured from its goodness of fit. The F test is carried out to test whether the regression model used is fit. The t statistical test is carried out to show the effect of one independent variable on the dependent variable.

RESEARCH RESULTS AND DISCUSSION

The research objects used in this research are companies listed on the Indonesia Stock Exchange (BEI) and included in the LQ45 index list during 2016-2020. Based on this population, this research used several samples determined using the purposive sampling method. From the total population, only 20 companies met the criteria as samples. The following table shows the results of descriptive statistics:

Table 1. Descriptive Analysis Results

	N	Minimum	Maximum	Mean	Std. Deviation
F-Score	91	-.125164	.889202	.41654348	.235607249
A_CHANGE	91	-.127305	1.676057	.12444623	.228461851
ROA	91	.002162	.466601	.11623220	.098104571
LEV	91	.105590	.751309	.37070333	.173280481
REC	91	-.166902	.473313	.01284645	.064626245
TACC	91	-1.011195	.612699	-.16422121	.318813483
DIR_CHANGE	91	0	1	.68	.469
CEO	91	1	19	4.97	3.719
Valid N (listwise)	91				

In testing normality using the One-Sample Kolmogorov-Smirnov Test, the Asymp value was first produced. Sig. (2-tailed) of 0.000 or below 0.05. These results can be concluded that the residual data in this regression model is not normally distributed. To obtain the best results, the data is cleaned from outliers. The results of the normality test after carrying out outliers in table 2 can be concluded that the residual data is normally distributed.

Table 2. Normality Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized
N		91
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.15287456
Most Extreme Differences	Absolute	.085
	Positive	.085
	Negative	-.060
Test Statistic		.085
Asymp. Sig. (2-tailed)		.117[c]

a. Test distribution is Normal.

b. Calculated from data.

Heteroscedasticity testing in this study used the Glejser test. From table 3 below, it shows that the sig value is > 0.05, so it can be concluded that there are no symptoms of heteroscedasticity in the regression model.

Table 3. Heteroscedasticity Test

Coefficients[a]

Model		Unstandardized B	Unstandardized Std. Error	Standardize Beta	t	Sig.
1	(Constant)	.080	.033		2.397	.019
	A_CHANGE	-.041	.051	-.092	-.810	.420
	ROA	.045	.123	.044	.369	.713
	LEV	.069	.073	.117	.943	.348
	REC	.247	.175	.157	1.411	.162
	TACC	-.048	.040	-.151	-1.190	.237
	DIR_CHANGE	-.002	.024	-.010	-.088	.930
	CEO	.000	.003	-.012	-.102	.919

a. Dependent Variable: Abs_RES

The autocorrelation test was carried out using the Durbin Watson model. Based on table 4 below, it shows that the Durbin Watson (DW) value is 1.908 with a significance level of 0.05 and the independent variable is 7 (k = 7) and the sample size is n = 91. It is known in the Durbin Watson table that the du value = 1.8273. So, based on the decision making du < dw < 4-du is 1.8273 < 1.908 < 2.1727, it can be concluded that there is no positive or negative autocorrelation in this study.

Table 4. Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.761a	.579	.543	.159190607	1.908

a. Predictors: (Constant), CEO, DIR_CHANGE, REC, A_CHANGE, ROA, LEV, TACC
b. Dependent Variable: F-Score

The multicollinearity test in this study used the Tolerance Value and Variance Inflation Factor (VIF). Based on table 5 below, it shows the tolerance value > 0.10 and the VIF value < 10. Thus it can be stated that the independent variables used in the regression model of this research are free from multicollinearity.

Table 5. Multicollonearity Test

Coefficients[a]

	Collinearity Statistics	
Model	Tolerance	VIF
1 (Constant)		
A_CHANGE	,853	1,173
ROA	,790	1,266
LEV	,719	1,391
REC	,900	1,111
TACC	,695	1,440
DIR_CHANGE	,920	1,087
CEO	,830	1,205

a. Dependent Variable: F-Score

Multiple linear regression analysis is used to test the influence of two or more independent variables on the dependent variable.

Table 6. Results of Multiple Linear Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.575	.052		11.077	.000
	A_CHANGE	.123	.080	.119	1.541	.127
	ROA	.084	.192	.035	.437	.663
	LEV	-.595	.114	-.438	-5.209	.000
	REC	-1.588	.274	-.436	-5.803	.000
	TACC	.181	.063	.245	2.870	.005
	DIR_CHANGE	.070	.037	.139	1.874	.064
	CEO	.008	.005	.125	1.604	.113

a. Dependent Variable: F-Score

Based on table 6, the following regression model is obtained:

F-SCORE = 0,575 + 0,123A_CHANGE + 0,084ROA - 0,595LEV – 1,588REC + 0,181TACC + 0,070DIR_CHANGE + 0,008CEO

The coefficient of determination (adjusted R^2) measures the model's ability to explain variations in the dependent variable.

Table 7. Coefficient of Determination

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate

1	.761a	.579	.543	.159190607

a. Predictors: (Constant), CEO, DIR_CHANGE, REC, A_CHANGE, ROA, LEV, TACC

b. Dependent Variable: F-Score

From table 7 above, it can be seen that the Adjusted R^2 value is 0.579. These results indicate that financial statement fraud as proxied by the F-score can be explained by the independent variable, namely the fraud pentagon which is proxied by financial stability, financial targets, external pressure, industry nature, total accruals, change of directors, and number of CEO photos displayed in the report. finance amounted to 57.9%.

In this research, to find out whether the regression model used is appropriate or fit is by using the F significance test.

Table 8. F Test Result

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.893	7	.413	16.306	.000[b]
	Residual	2.103	83	.025		
	Total	4.996	90			

a. Dependent Variable: F-Score

b. Predictors: (Constant), CEO, DIR_CHANGE, REC, A_CHANGE, ROA, LEV, TACC

The results of the model feasibility test (F test) show a significance value of 0.000, so that the regression model in this research can be said to be feasible and can be used to explain the influence of the independent variable on the dependent variable.

The t test was carried out to see the significance of each independent variable on the dependent variable. The t test results are as follows:

Table 9. t-test Result

Coefficients[a]

Model		t	Sig.
1	(Constant)	11.077	.000
	A_CHANGE	1.541	.127
	ROA	.437	.663
	LEV	-5.209	.000
	REC	-5.803	.000
	TACC	2.870	.005
	DIR_CHANGE	1.874	.064
	CEO	1.604	.113

a. Dependent Variable: F-Score

1. The influence of financial stability on fraudulent financial statements

Table 8 shows that the significance value of financial stability is 0.127 which is greater than a = 0.05. These results indicate that financial stability as measured by the asset change ratio has no effect on financial statement fraud. The research results are in accordance with Damayani et al. (2017), Setiawati & Baningrum (2018), Quraini & Rimawati (2018), and Jaya & Poerwono (2019). This happens because the company has a good monitoring system so that the high and low ratio of asset changes that occur is in accordance with the conditions experienced by the company. An unstable company condition can occur if changes in total assets are too high or too low because management cannot manage assets properly. However, unstable financial conditions do not create pressure for management to manipulate the company's financial reports.

2. The influence of financial targets on fraudulent financial statements
Table 8 shows that the financial target significance value of 0.663 is greater than a = 0.05. These results indicate that financial targets as measured by ROA have no effect on financial statement fraud. The results of this research support research conducted by Tessa & Harto (2016), Damayani et al. (2017), and Quraini & Rimawati (2018). An increase in company profitability can be caused by improving the quality of company operations such as improving information systems, recruiting potential workers and appropriate board policies. This is in accordance with the opinion of Sihombing & Rahardjo (2014) who say that an increase in the ROA ratio does not cause significant pressure for company management, because the increase is accompanied by an increase in operational quality.

3. The influence of external pressure on financial statement fraud
Table 8 shows that the significance value of external pressure of 0.000 is smaller than a = 0.05. These results indicate that external pressure as measured by the leverage ratio has a negative and significant effect on financial statement fraud. The results of this study support research conducted by Bayagub et al. (2018) and Hidayah & Saptarini (2019). This happens because the company has the ability to pay its debts, so there is no pressure for managers to commit financial report fraud, but managers are under pressure to seek additional capital other than the debt agreement. Many companies prefer to issue shares to obtain additional capital without having to enter into new debt agreements which cause the company's debt burden to be large.

4. The influence of industry characteristics on financial statement fraud
Table 8 shows that the significance value for industrial characteristics of 0.000 is smaller than a = 0.05. These results indicate that the nature of the industry as measured using the ratio of receivables to sales has a negative and significant effect on financial statement fraud. The results of this study support research conducted by Damayani et al. (2017), Hidayah & Saptarini (2019), and Khoirunnisa et al. (2020). Receivables usually have a vulnerability to overstatement, because more receivables means there has been an increase in sales and profits. If changes in receivables are large, the auditor can anticipate the possibility of material misstatements occurring by confirming receivables from customers. This is what causes the opportunity for management to commit financial report fraud to be smaller.

5. The effect of total accruals on financial statement fraud
Table 8 shows that the significance value of total accruals is equal to a = 0.05. These results indicate that total accruals as measured by the total accrual ratio have a significant positive effect on financial statement fraud. The results of this research are in accordance with the research of Sihombing & Rahardjo (2014), Septriani & Handayani (2018), and Khoirunnisa et al. (2020). These results indicate that the total accrual ratio can be used to detect financial statement fraud. Accrual is an accounting method where receipts and expenses are recognized or recorded when transactions occur, not when cash is received or paid. The concept of discretionary accruals means that management can manipulate income by recording when transactions occur, even though they have not yet made expenditures or receipts. This indicates that if the discretionary accrual value increases, the possibility of financial statement fraud becomes greater, conversely, if the discretionary accrual value decreases, the possibility of financial statement fraud becomes smaller.

6. The effect of changing directors on financial statement fraud
Table 8 shows that the significance value for changing directors is 0.064, which is greater than a = 0.05. These results indicate that changing directors has no effect on financial statement fraud. The results of this research are in accordance with the research of Sihombing & Rahardjo (2014), Quraini & Rimawati (2018), and Khoirunnisa et al. (2020). This happens because of supervision by the board of commissioners regarding the performance of each director. Apart from that, the change of directors allows for changes in management performance to be better than before, due to the recruitment of more competent directors. Shareholders want to improve company performance by recruiting directors who are considered more competent and have better innovation than the previous board of directors (Sihombing & Rahardjo, 2014).

7. The effect of the number of CEO photos on financial statement fraud
Table 8 shows that the significance value for the number of CEO photos is 0.113 which is greater than a = 0.05. These results indicate that the number of CEO photos displayed in financial reports has no effect on financial report fraud. The results of this research are in accordance with the research of Damayani et al. (2017), Setiawati & Baningrum (2018), Quraini & Rimawati (2018) and Khoirunnisa et al. (2020). This is because the photo of the CEO displayed in the financial report is the company's way of showing who the CEO of the company is and proving that the CEO is involved in company activities (Quraini & Rimawati, 2018). However, this research does not support research conducted by Tessa & Harto (2016) which states that the number of CEO photos displayed in financial reports has an effect on financial report fraud.

CONCLUSION

From the results of the discussion, the following conclusions can be drawn:
1. External pressure variables, industry characteristics, and total accruals influence financial statement fraud.
2. The variables financial stability, financial targets, change of directors, and number of CEO photos have no effect on financial statement fraud.

This research was conducted in the 2018 – 2022 period, where from 2020 to 2022 the Covid-19 pandemic occurred, so that company financial report data became unstable due to restrictions so that companies experienced a decline in economic activity. The results of this study cannot be generalized, because the sample only includes companies in the LQ45 index. Recommendations for further research are to add or change other indicators as proxies for pentagon fraud.

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