The Role of Audit Committee and Institutional Ownership as Moderating: Analysis Fraud Heptagon in Indonesia

IMANG DAPIT PAMUNGKAS, IRA OKTAVIANASARI,
FATHIMAH, ADINDA NABILA JASMINE
Department of Accounting, Faculty of Economics and Business,
Universitas Dian Nuswantoro,
INDONESIA

Abstract: - This study explores the influence of seven factors: pressure, opportunity, rationalization, capability, arrogance, ignorance, and greed on fraudulent financial statements using the Fraud Heptagon model analysis. Institutional Ownership and the Audit Committee serve as moderating variables. Focusing on state-owned enterprises in Indonesia from 2018 to 2022, purposive sampling produced 141 samples. Regression analysis conducted through Warp PLS software version 8.0 reveals that opportunity, capability, and ignorance hurt fraudulent financial statements, indicating potential mitigating roles. Conversely, pressure, rationalization, arrogance, and greed positively affect fraudulent financial statements. Notably, institutional ownership moderates the correlation between greed and fraudulent financial statements. These findings provide insights into the dynamics of fraudulent financial statement activities, underscoring the necessity for a comprehensive understanding and strong control mechanisms to prevent fraudulent financial statements.

Key-Words: - Fraudulent Financial Statement, Fraud Heptagon, Institutional Ownership, Audit Committee, Pressure, Rationalization, Arrogance, Greed.

Received: July 24, 2024. Revised: November 30, 2024. Accepted: December 14, 2024. Published: December 26, 2024.

1 Introduction

Fraudulent Financial statements is increasingly occurring in Indonesia. The results of the Indonesian Fraud Survey show that the fraud that occurs most frequently and causes the most significant losses in Indonesia is criminal acts of corruption. Respondents stated that fraud in the form of crime had a loss impact of between Rp. 100 million to Rp. 500 million rupiah per case. Corruption can be detected in less than 12 months. Based on the results [1], state-owned companies experienced losses of 15.9%, ranging from IDR 500 million to IDR 1 billion. In Indonesia alone, in 2019, there were 239 fraud problems found, with 167 corruption problems, 50 problems regarding misuse of assets, and 22 problems regarding Fraudulent Financial Statement. The increasing number of reported fraud cases in state-owned companies has raised concerns from various economic observers regarding the legitimacy of a company's financial statements.

Fraudulent Financial Statements like this will continue to emerge without prior prevention and detection, [2]. Fraud should be detected and prevented from the start, [3]. There are several fraud cases in financial reports in state-owned companies, namely the case at P.T. Antam Tbk, allegedly committed conspiracy in transferring I.U.P. (Mining Business License) with a loss of IDR 92.5 billion, [4]. Case of alleged corruption at P.T. Waskita Beton Precast in 2016-2020 with a loss of IDR 2.55 trillion, [5]. PT. Jiwasraya Insurance committed a Fraudulent Financial Statement by posting false profits from 2006-2020 with a loss of IDR 16.81 trillion. P.T. case. A.S.A.B.R.I. committed corruption by misusing financial management and investment funds in 2012-2019 with a loss of IDR 23.7 trillion. P.T. Garuda Indonesia committed a crime in 2022 by procuring CRJ-1000 and A.T.R. 72-600 aircraft with a loss of IDR 8.8 trillion, [6]. PT. Wijaya Karya Tbk has manipulated financial reports by hiding invoices from vendors since 2016. In 2020, W.I.K.A. received a net profit of IDR 322 billion; in 2021, it was IDR 214 billion; and in 2022, it was IDR 12.5 billion, [7]. These cases can create an unfavorable picture of business entities and the government, which are deemed to have failed to supervise the performance of state-owned companies.

Researching fraudulent financial statements holds significant importance as it aims to provide insights into the underlying causes and contributing factors that lead to such occurrences. By investigating these cases, it is anticipated that a better understanding can be gained regarding the motivations behind Fraudulent Financial statements, ultimately aiding in restoring public and stakeholder confidence, which may be compromised due to the prevalence of such incidents. There has been a decline observed in the financial statements of the company. Numerous scholars have investigated the impact of deceptive financial statements, yielding diverse outcomes. Financial fraud is a significant problem that can harm a company financially and reputationally. Various models, such as the Fraud Triangle and the Fraud Diamond, have been developed to analyze fraud. The Fraud Triangle identified three main elements: pressure, opportunity, and rationalization, and the Fraud Diamond added capability as a fourth element. The Fraud Heptagon Model, a more recent one, includes seven main factors including arrogance, ignorance, and greed to provide a more comprehensive multidimensional approach to analyzing financial fraud. According to a study conducted by [8], evidence suggests that pressure influences the occurrence of fraudulent financial statements. However, contrasting outcomes were derived from studies on pressure's impact, which yielded few favorable results regarding its influence on Fraudulent Financial Statements. The beneficial effect of opportunity on fraudulent financial statements has been noted by, [9] and, [10]. Contrasting findings were derived from a study by [11], indicating that opportunity does not influence false financial statements. Conversely, [12] reported a substantial negative relationship between opportunity and fraudulent financial statements.

Based on the findings of [11] and [13], it can be inferred that a positive association exists between rationalization and the occurrence of fraudulent financial statements. However, contrasting findings were derived from a study conducted by [14], indicating that rationalization does not influence the occurrence of fraudulent financial statements. The analysis conducted by [15] demonstrates a favorable correlation between capability and the occurrence of fraudulent financial statements. However, divergent findings were derived from a study conducted by [16], indicating that capability negatively impacts the occurrence of false financial statements. Conversely, [17] posits that capability does not influence the occurrence of fraudulent financial statements. [18], [19] proposes that there exists a positive correlation between arrogance and the occurrence of fraudulent financial statements.

Contrasting findings were seen in a study conducted by [20], which indicated that arrogance had a detrimental impact on false financial statements. Conversely, [21] found no statistically significant relationship between arrogance and fraudulent financial statements. Based on the findings of [22], it has been observed that ignorance has a detrimental impact on the occurrence of fraudulent financial statements. According to [12], greed is associated with adverse consequences on the accuracy and reliability of Fraudulent Financial Statements.

According to a study conducted by [23], the findings indicate that the presence of an audit committee plays a moderating role in the association between the pressure variable and the occurrence of Fraudulent Financial Statements. Contrary findings were derived from a study by [24], which yielded contrasting outcomes. Based on an analysis conducted by [8], the findings indicate that the presence of an audit committee has a moderating role in the association between the opportunity on fraudulent financial statements. However, contrasting findings were seen in a study conducted by, [8] and, [20]. This study is different from previous studies, with the novelty of placing Institutional Ownership and the Audit Committee serving as moderating variables in the Analysis of Fraud Heptagon in Indonesia. Their research revealed that the presence of an audit committee has a moderating role in the association between the capability and the occurrence of fraudulent financial statements. The findings of the study done by [25], [26] indicate that an audit committee plays a moderating role in the association between the rationalization of fraudulent financial statements. According to recent studies conducted by [15], [20], The findings indicate that an audit committee moderates the association between the capability variable and the occurrence of Fraudulent Financial Statements. This study explores the influence of seven factors: pressure, opportunity, rationalization, capability, arrogance, ignorance, and greed on fraudulent financial statements using the Fraud Heptagon model analysis. The benefits of this research can be useful recommendations for policymakers, auditors, and managers in formulating more effective anti-fraud policies and risk mitigation strategies.

2 Literature Review

Theories about variables that influence fraudulent financial reporting continue to develop. Theories that examine the factors that drive individuals to commit fraud are also developing. Compounded by the frequency and level of fraud, thus theories that explain the factors that cause someone to engage in fraudulent activities require continuous improvement. This study aims to improve understanding of the underlying factors that trigger fraudulent behavior. The emergence of the heptagon model as a continuation of the triangle theory and fraud diamond signifies progress in understanding the complexity of factors related to fraud. [27], establishing the foundation for the theory concerning fraudulent financial statements.

The concept of the heptagon model was formulated by [28] Including factors such as pressure, opportunity, and rationalization from the triangle theory, as well as additional components in the form of capabilities from the fraud diamond theory, and the arrogance factor from the pentagon theory, [22]. [29] This shows that the heptagon model in Indonesia is worth implementing because it has similar corporate governance ethics principles to other Asian countries.

In the heptagon model paradigm, fraudulent acts are propelled by various factors encompassing both financial and non-financial pressures, individuals to engage in fraudulent activities. The opportunity involves the circumstances or conditions that enable an individual to participate in fraudulent activities, creating an environment conducive to fraud commission without detection. Rationalization occurs when a person attempts to justify fraudulent behavior by suppressing feelings of shame and perceiving it as morally acceptable. Capabilities pertain to individual attributes and competencies that significantly contribute to the commission of fraud. Arrogance emerges when someone feels superior to others and believes they are exempt from internal rules and limitations. Ignorance is manifested when a person clings to false or erroneous beliefs, actively avoiding seeking the truth. Consequently, they may only embrace accurate information if they recognize the importance of understanding a specific issue. Greed represents the desire to maintain a lifestyle that surpasses one's financial capabilities.

2.1 Hypothesis Development

According to the heptagon model, pressure is one of the elements that can induce a Fraudulent Financial Statement. External pressure can originate from the immediate surroundings or the perpetrator himself [30], [31]. This may occur due to the company setting an excessively ambitious goal or imposing management obligations concerning the capacity to repay debts. Management frequently engages in fraudulent activities by manipulating figures or exploiting preexisting circumstances [12], [32].

Research conducted by [8] demonstrates that Fraudulent Financial Statement is positively impacted by duress. This demonstrates that managers will incite fraudulent activities due to the company's substantial debt burden to maintain financial stability. This assertion is consistent with the findings of a study [23], indicating that fraudulent financial statements are influenced by duress. The influence of pressure on Fraudulent Financial Statements is

H1: Pressure Affects Fraudulent Financial Statement

According to the heptagon model, opportunity is one of the factors that can incite fraudulent activities in financial reports. As stated by [15], [33], fraudulent actions transpire when an individual perceives a shortage of sufficient oversight, allowing them to execute fraudulent schemes undetected. Poor oversight or inadequate internal controls constitute the leading cause of Fraudulent Financial Statement. The limited presence of an independent board of commissioners, whose responsibility is to oversee the company's operational activities, contributes to the absence of oversight over the organization, [34]. A diminished presence of a board of commissioners within an organization will result in ineffective oversight, thereby increasing the likelihood of fraudulent activities.

As stated by [9], fraudulent financial statements are positively impacted by opportunity. Faults in financial reports may result from inadequate oversight and ineffectual internal control. This is consistent with the findings of an investigation by [10] that fraudulent financial statements are influenced by opportunity.

H2: Opportunity Affects Fraudulent Financial Statement

Rationalization is the third component of the fraud pentagon that can induce fraudulent activity in financial reports. As defined by [35], rationalization refers to the cognitive process by which an individual attempts to justify deceitful actions or undertakings. Rationalization arises due to divergent interests between shareholders and management, which compels management to provide justifications for its actions or decisions. The change in auditors serves as a metric for quantifying the rationalization variable. An auditor change refers to a substitution of the Public Accounting Firm (K.A.P.) by a company, which may be mandated by the company itself or by government regulations. By implementing this modification, any traces of fraudulent activity in financial reports discovered by K.A.P. or previous auditors could be concealed or eliminated.

As per a study conducted by [36], Fraudulent Financial Statement is influenced by the outcomes of director changes. A change in auditor and subsequent transfer of responsibility to a new auditor may indicate that Fraudulent Financial Statement has transpired. The assertion is substantiated by a study conducted by [13], which establishes that rationalization positively impacts deceptive financial statements. An increase in management rationalization corresponds to a corresponding rise in the degree of accounting irregularities discovered through auditor modifications during the audit of financial reports.

H3: Rationalization Affects Fraudulent Financial Statement

Capability is one of the factors that, according to the heptagon model, can induce deception in financial reports. Capability emerges as a characteristic in fraudulent activities when confronting emerging challenges, justifications, and prospects, [37]. There are indications that the company's previous directors' deceptive actions were concealed due to the change in directors, [38]. Predictions indicate that a change in directors will result in enhanced company performance, typically when the previous directors' capabilities are no longer commensurate with the organization's standards. Hence, incumbent directors determined to be non-compliant with the organization's criteria will be substituted with new directors considered to possess superior capabilities compared to the former.

According to the findings of a study [39], capability positively influences Fraudulent Financial Statements. An excessively lengthy term of office for a director may also engender suspicions of fraudulent activity, as the directors' tenure at the organization may imply that they have acquired the necessary expertise to perpetrate fraudulent activities. This finding is consistent with the research conducted by [9], suggesting that financial report fraud is influenced by capability.

H4: Capability affects fraudulent financial statements

According to the heptagon model, arrogance is one of the elements that can precipitate financial report deception. A photograph of the C.E.O. is one of the surrogate indicators of arrogance. The C.E.O.'s arrogance is evident in the picture of the C.E.O. featured in the company's annual report, as it signifies an attempt to garner public recognition, [16]. This is done to preserve their privacy, status, and position and also to prevent them from having their rank or position revoked by company management. Due to his superiority and arrogance, a C.E.O. with a high degree of arrogance may believe that internal controls do not pertain to him because of his status and position, [10]. As a consequence, fraud may occur. Fraudulent Financial Statement is positively impacted by arrogance, according to research conducted by, [18]. By exhibiting the C.E.O. profile, it is possible to provide investors with an account of the manager's accomplishments and history. This statement aligns with a study conducted by [19], which indicates that Fraudulent Financial Statement is influenced by Arrogance. As the degree of hubris increases, so does the prevalence of fraudulent activities.

H5: Arrogance affects fraudulent financial statements

According to the heptagon model, ignorance is one factor that can precipitate financial report deception. Ignorance occurs when an individual lacks knowledge and information regarding a particular subject. This trait is frequently disregarded and likely conceals the truth, which can result in fraudulent conduct, [22]. Consequently, members of the board of directors must strive to mitigate the appearance of ignorance or lack of knowledge concerning corporate governance, as this attribute may incentivize an individual to engage in fraudulent activities under the pretext of being uninformed about the company's condition. As manager illiteracy increases, so does the prevalence of fraudulent activities involving financial reports.

H6: Ignorance affects fraudulent financial statements

Greed is the state of an individual who is unhappy with his circumstances. The presence of desire or avarice may motivate managers to partake in fraudulent activities to achieve predetermined compensation goals for the organization. Greed sometimes blinds an individual to the consequences of his actions, rationalizing any method to satisfy his material desires. In their study, [22] establish a correlation between avarice and compensation, serving as a surrogate for its quantification. Remuneration encompasses the entire financial benefits employees receive, in addition to bonuses, commissions, and overtime payments. Compensation is provided in response to an employee's exemplary performance and the organization's successful attainment of specific objectives. Thus, an increase in avarice corresponds to a rise in fraudulent activities.

H7: Greed affects fraudulent financial statements

2.2 Audit Committee Moderates Heptagon Fraud Model on Fraudulent Financial Statement

[40] classify fraud into three categories, namely corruption, misuse of assets, and fraudulent financial statements. Three factors influencing fraud, namely pressure, opportunity, and rationalization, have been explained in [27] triangle theory, which appeared in 1953. After that, this theory was expanded to include the variables of capability and arrogance, [39]. To reduce fraud sometimes increases, a strategy or regulation is needed to control this fraud.

The audit committee assists the board of directors or supervisory board in carrying out supervisory functions, strengthening the accounting system, controlling risks, and creating a good company regulatory system. The supervisory function of the audit committee is likely to minimize the occurrence of fraudulent financial statements, [41]. An audit committee that functions effectively in a company can ensure that company management has made decisions based on corporate governance that applies to any situation. Research conducted by [20] the audit committee's moderating role is crucial in reducing the influence of the heptagon model on fraudulent financial statements. Pressure, a key factor in the heptagon model, can drive managers to commit fraud to portray excellent company growth. The demand for favorable reports and stakeholder attention creates pressure on management. Strict supervision by the audit committee in preparing financial reports acts as a deterrent, preventing managers from engaging in fraudulent activities, [9]. The role of an audit committee that runs effectively can help control management from deviant actors. Based on research conducted by [17], [8] The results show that the audit committee moderates the relationship between the pressure variable and fraudulent financial statements.

H8: Audit Committee moderates pressure on fraudulent financial statements

According to [42], the opportunity for fraudulent financial statements to occur arises due to the company's lack of effective monitoring systems. A weak monitoring system can trigger management because there is an opportunity to make fraudulent financial statements. The company's board of directors is usually responsible for this. Company stakeholders cannot access as much information as management, so supervision is needed to ensure that management aligns with stakeholder interests, [8]. Apart from that, weak internal control in a company will be an opportunity or loophole for someone to commit fraud. Effective supervision from the audit committee can minimize management's opportunities to commit fraudulent financial statements, [8]. Based on research conducted by [8], [9] results show that the audit committee moderates the relationship between the opportunity variable and fraudulent financial statements.

H9: Audit Committee moderates opportunity on fraudulent financial statements

Rationalization is a person's attitude that makes them justify their fraudulent actions and consider them not crimes. When someone commits an act of fraud, they will tend to rationalize their actions by looking for justifications, [43]. According to [9], managers will never consider themselves cheaters because they feel they are doing a good job. They think that what they report in the financial report is correct because the manager knows about all the transactions in the report. On the other hand, the audit committee has an essential role in maintaining the quality of the company's financial reports. A company independent auditor's report that describes the company's condition over a certain period is an example of a solid economic statement. According to [44], Changing auditors is one way that can be done to eliminate signs of fraud or what can be called a "fraud trail". Changing company auditors can result in audit failures and misalignment between the auditor's opinion and the company. Companies that commit fraud will tend to change auditors more frequently because management tries to minimize detection by auditors regarding fraudulent financial statements. The audit committee's function in supervising external auditors in preparing financial reports is crucial in reducing the risk of fraudulent financial statements. Based on research conducted by [9], The results show that the audit committee moderates the relationship between the rationalization variable and fraudulent financial reports.

H10: Audit Committee moderates rationalization on fraudulent financial statements

Capability can be interpreted as employees' skills in carrying out their duties and roles in the company by their respective goals and interests. There are six components in capability: positioning, intelligence, confidence/ego, coercion skill, effective lying, and stress management. Change of directors is an indicator in describing the ability to carry out stress management, [36]. According to [45], Changes in directors can cause stress periods, and have an impact on opening up opportunities to commit fraud. Changing directors is one of the company's efforts to improve the performance of previous directors and replace them with new, more competent directors.

Changing directors requires time to adapt to the environment, situation, and overall performance within the company. Therefore, a monitoring mechanism is needed so that the financial reporting process can run well, and is carried out by the audit committee. The supervisory function carried out by the audit committee can narrow the space for directors to carry out fraudulent financial statements, [20]. The audit committee is tasked with reviewing risk management implementation activities carried out by the board of directors, and they are also responsible for overseeing the follow-up actions carried out by the board of directors regarding the findings provided by the internal auditors, [46]. Based on research conducted by [8], [20] The results show that the audit committee moderates the relationship between the capability on fraudulent financial statements.

H11: Audit Committee moderates capability on fraudulent financial statements

Arrogance is behavior that indicates that someone feels that they are not bound by internal controls, policies, or regulations within a company, so they feel free to commit fraud without feeling guilty, [47]. High levels of arrogance in managers can contribute to fraud as their belief in superiority may lead them to think that internal controls don't apply to them. The frequent inclusion of a CEO's photo in various publications, such as annual financial reports, reflects this arrogant attitude. CEOs use these images to showcase their status and position in the company. Oversight from both internal and external parties, particularly institutional ownership, becomes crucial.

Institutional shareholders who have significant ownership stakes in a company play a critical role in overseeing management. The role in this case is to review financial statements, ensure ethical practices, and prevent fraud. Furthermore, using their voting rights to hold companies accountable for compliance and integrity. By monitoring the companies they invest in, reviewing financial statements, and conducting independent audits, they then propose changes in practices to reduce the risk of fraud.

H12: Institutional ownership moderates arrogance on fraudulent financial statements

A manager who is less concerned about compliance and integrity issues may not be active when reviewing financial statements. This is due to a lack of understanding of the importance of complying with applicable rules and regulations. Furthermore, institutional shareholding plays a role in controlling the quality of a company's financial statements, [48]. Institutional shareholders with significant company holdings can be essential in monitoring and maintaining compliance. Institutional shareholders who care about a company's integrity can use their influence to examine financial reports and ensure compliance with rules and regulations, [14]. Institutional shareholders will try not to give managers opportunities to commit fraud because they want to get good financial reports, not ones that depict false profits. Institutional shareholders can also use their voting rights at corporate shareholder meetings to influence corporate policy and demand accountability regarding compliance and integrity.

H13: Institutional ownership moderates ignorance of fraudulent financial statements.

Several factors can cause the existence of cases of fraudulent financial statements. First, Fraudulent Financial statements can occur due to employee greed. This is confirmed by opinions [49], [50]. The greed factor, a significant individual trait, is linked to perpetrating fraud. Driven by the desire for material gains, individuals may compromise ethical boundaries. This inclination, particularly prevalent among those in managerial roles, often leads to data manipulation for personal benefit, such as securing promised bonuses. The intensity of greed directly correlates with the likelihood of fraudulent actions. Institutional shareholders, holding substantial ownership, play a vital role in overseeing and controlling managerial behavior [48], [51]. Institutional shareholders must adhere to ethics and integrity, and they can also use their influence to check the company's financial reports and ensure compliance with rules and regulations.

H14: Institutional ownership moderates greed on fraudulent financial statements

3 Method

3.1 Population and Sample

This study uses a quantitative approach to analyze financial reporting fraud in state-owned companies during the period 2019-2023. The objects of this study are companies operating during the period 2019-2023 and have complete financial information. The sampling method applied is purposive sampling, by selecting companies that meet the criteria of data relevance and completeness. Data analysis was carried out using WarpPLS software version 8.0, with structural equation modeling (Structural Equation Modeling) to test the relationship between variables and theoretical models. Purposive Sampling Sampling Criteria are explained in Table 1.

Table 1. Purposive Sampling Criteria

No	Sample Selection Criteria	Total
1	State-owned companies in Indonesia	41
2	State-owned companies that are not registered on the IDX during the 2018-2022 period	(17)
3	Companies that do not present financial data regularly during the required period	24
4	Companies that do not have complete data	(7)
5	State-owned companies that publish complete annual reports and have complete data to calculate M-Score for the 2018-2022 period	29
SAMPLE NUMBER (29 Companies x 5 Years)		145
OUTLIER DATA		(4)
TOTAL		141

3.2 Operational Definition of Variables

The dependent variable of this research is the Fraudulent Financial Statement (Y); this variable is measured using the Beneish M-Score to detect the potential for Fraudulent Financial Statements to occur in the company's financial statements. Companies with M > -2.22 indicate the possibility of F.F.R. occurring, symbolized by the number 1. Meanwhile, companies with M < -2.22 indicate the probability of not carrying out F.F.R. and are represented by 0 (Beneish, 1999). The Fraudulent Financial Statement variable also uses time series data for 2019-2022. The independent variables of this research are Pressure (X1), Opportunity (X2), Rationalization (X3), Capability (X4), Arrogance (X5), Ignorance (X6), Greed (X7). This research also uses Audit Committee (Z1) and Institutional Ownership (Z2). Variables Measurement are explained in Table 2 and Operational definitions of variables are presented in Table 3.

Table 2. Variable Measurement

No.		DEPENDENT VARIABLE (Y)	SOURCE
1.	D.S.R.I.	((Receivables t)/(Sales t))/((Receivables t-1)/(Sales t-1))	[52]
2.	G.M.I.	(((Sales-1)-(COGS t-1))/(Sales t-1))/((Sales t-COGS t)/(Sales t))	[52]
3.	AQI	(1-(CAf PPE t)/(Tottal Asset t))/(1-((CA t-1)-(PPE t-1))/(Tottal Asset t-1))	[52]
4.	S.G.I.	(Sales t)/(Sales t-1)	[52]
5.	D.E.P.I.	((Depreciation-1)/((Depreciation t-1)+(PPE t-1)))/((Depreciation)/(Depreciation t+PPE t))	[52]
6.	SGAI	((SGA t)/(Sales t))/((SGA t-1)/(Sales t-1))	[52]
7.	L.V.G.I.	((Current Liabilities-LTDD t)/(Tottal Assets t))/(((Current Liabilities-1)-(LTD t-1))/(Tottal Assets t))	[52]
8.	TATA	(Income Before Extraordinary Items-Cash from Operations)/(Total Assets t)	[52]
9.	M-Score	-4,84 + (0,929 DSRI) + (0,528 GMI) + 0,404 AQI) + (0,892 SGI) + (0,115 DEPI) – (0,172 SGAI) – (0,327 LVGI) + (4,697 TATA)	[52]

Table 3. Operational definitions of variables

INDEPENDENT VARIABLES (X)	INDICATOR	SOURCE
Pressure	Leverage Ratio= Total Liabilities/Total Assets	[22]
Opportunity	Independent of the Board from the Board of Commissioners Ratio= (Number of Independent Commissioners Ratio)/(Total Commissioners)	[29]
Rationalization	Measured using a dummy variable, if there is a change of auditor during 2019 – 2023, then the code is 1, but if not, then the code is 0	[29]
Capability	Measured using a dummy variable, if there is a change of directors during 2019 – 2023, then the code is 1, but if not, then the code is 0	[29]
Arrogance	C.E.O.P.I.C. = Total photos displayed in an annual report	[52]
Ignorance	Directors = Corporate Governance Courses/Number a Total Number of BONDs	[22]
Greed	Executive Director Remuneration (Ratio)= Actual Amounts Executive Directors Ruminations/Profits	[52]
Independent Commissioner	Independent of the Board from the Board of Commissioners Ratio= Number of Independent Commissioners Ratio/Total Commissioners	[52]

4 Result and Discussion

4.1 Result

Table 4. Descriptive Statistics Results

Variable	n	Means	SD	Min	Max
Fraudulent Financials Statements (Y)	141	0.25	0.39	0.00	1.00
Pressure (X1)	141	0.59	0.27	0.00	1.24
Opportunities (X2)	141	0.47	0.18	0.20	1.00
Rationalization (X3)	141	0.10	0.30	0.00	1.00
Capabilities (X4)	141	0.34	0.47	0.00	1.00
Arrogance (X5)	141	7.00	2.50	0.00	13.00
Ignorance (X6)	141	12.97	8.75	0.91	37.50
Greed (X7)	141	0.14	0.68	-0.26	5.69
Audit Committee (Z1)	141	4.15	1.18	3.00	8.00
Institutional Ownership (Z2)	141	11.42	9.89	0.00	38.54

The study focuses on Fraudulent Financial Statements (Y), a binary variable denoting the presence of fraud, with a mean value of 0.252, indicating fraud occurrence in around 25.2% of cases. Details of Descriptive Statistics Results information are presented in Table 4. Y's standard deviation (S.D.) is 0.395, suggesting moderate variation in fraud instances across samples. Pressure (X1), measuring stress in FFS cases, has a mean of 0.595 and an SD of 0.276, indicating a moderate stress level with some variation. Opportunity (X2) assesses the likelihood of FFS, with an average of 0.473 and SD of 0.189, implying a moderate perception of FFS possibility. Rationalization (X3) measures how individuals justify FFS, with a mean of 0.105 and SD of 0.309, indicating a relatively low average level of rationalization with significant variation. Capability (X4), gauging perceived ability for FFS, has a mean of 0.342 and SD of 0.478, indicating an average perceived capacity with considerable variation in the sample.

Arrogance (X5) gauges the arrogance level in potential FFS, with a mean of 7.000 and SD of 2.503, suggesting a moderately arrogant stance with some variation. Ignorance (X6) measures indifference to FFS consequences, showing a high average of 12.972 and a relatively high SD of 8.755, indicating an average ignorance level with significant case differences. Greed (X7) assesses greediness, while The Audit Committee's (Z1) effectiveness in reducing FFS risk has a mean of 4.158 and SD of 1.189, reflecting an acceptable average effectiveness level with considerable variation. Institutional Ownership (Z2) has the highest mean of 11.422 and SD at 9.897.

Table 5. Model Fit Test Results

Model Fit and Quality Indices	Index	Criteria	Results
Average Path Coefficient (A.P.C.)	0.158, P=0.038	P< 0,05	Fit Models
Average R-Squared (A.R.S.)	0.282, P=0.002	P< 0,05	Fit Models
Average Adjusted R-Squared	0.117, P=0.073	P< 0,05	Unwell
Average Block Variance Inflation Factor (A.V.I.F.)	1.752	If < = 5, ideally < = 3.3	Fit Models
Average Full Collinearity V.I.F. (A.F.V.I.F.)	2.827	If < = 5, ideally < = 3.3	Fit Models
Tenenhaus GoF (GoF)	0.531	Small >= 0.1, Medium > = 0.25 Large > = 0.36	Large
Simpson's Paradox Ratio (S.P.R.)	0.786	acceptable if >= 0.7, ideally = 1	Fit Models
R-Squared Contribution Ratio (R.S.C.R.)	0.885	acceptable if >= 0.9, ideally = 1	Unwell
Statistical Suppression Ratio (S.S.R.)	0.643	acceptable if > = 0.7	Unwell
Nonlinear Bivariate Causality Direction Ratio (N.L.B.C.D.R.)	0.607	acceptable if > = 0.7	Unwell

Model fit is a crucial metric in processing data with WarpPLS, indicating the model's suitability and quality concerning the data. Table 5 presents the outcomes of testing the secondary data fitting model using WarpPLS 8.0. The results align with the variables intended for the study. The model fit, and quality index in Table n affirm that the research model meets the requirements, making it suitable for drawing population inferences. The significant average path coefficient (A.P.C.) P-value (P<= 5) indicates no multicollinearity, allowing the use of the model to predict the influence of exogenous variables on endogenous variables.

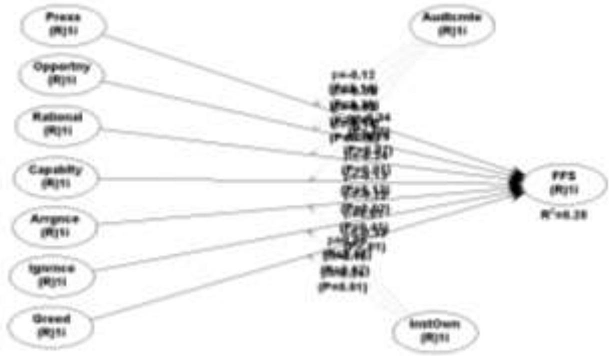

Fig. 1: Hypothesis testing results

Based on the summary of hypotheses in Figure 1. and Table 6, several hypotheses were tested to examine the influence of the heptagon model on the possibility of false financial statements (FFS). Hypothesis 1 states that pressure factors positively affect FFS, and the analysis results show that this hypothesis is accepted at a significance level of <0.001. The implication is that pressure within the company influences the potential for fraud, triggered by various parties such as the government, shareholders, management, and the market.

Table 6. Hypothesis Test Summary

	Hypothesis	Criteria	Sign	Summary
H1:	Pressure FFS	<0.10	<0.001	Accepted
H2:	Opportunity FFS	<0.05	0.074	Rejected
H3:	Rationalization FFS	<0.05	0.013	Accepted
H4:	Capability FFS	<0.05	0.123	Rejected
H5:	Arrogance FFS	<0.05	0.023	Accepted
H6:	Ignorance FFS	<0.05	0.450	Rejected
H7:	Greed FFS	<0.05	<0.001	Accepted
H8:	Pressure* Audit Committee FFS	<0.05	0.143	Rejected
H9:	Opportunity* Audit Committee FFS	<0.05	0.387	Rejected
H10:	Rationalization* Audit Committee FFS	<0.05	0.410	Rejected
H11:	Capability* Audit Committee FFS	<0.05	0.102	Rejected
H12:	Arrogance* Institutional Ownership FFS	<0.05	0.308	Rejected
H13:	Ignorance* Institutional Ownership FFS	<0.05	0.068	Rejected
H14:	Greed* Institutional Ownership FFS	<0.05	0.014	Accepted

Hypothesis 2 states that opportunity positively affects FFS, but the analysis results reject this hypothesis with a significance value of 0.074. These results indicate that chance is not one of the factors influencing FFS, in contrast to previous research.

Hypothesis 3 states that rationalization positively affects FFS, and the analysis results show that this hypothesis is accepted at the significance level of 0.013. However, this result differs from previous research, stating that rationalization factors did not affect FFS. Hypothesis 4 states that capability positively affects FFS, but the analysis results reject this hypothesis at the significance level of 0.123. This finding contradicts previous research, stating that the capability factor did not affect FFS. Hypothesis 5 states that arrogance positively affects FFS, and the analysis results show that this hypothesis is accepted at the significance level of 0.023. These results are in line with previous research, which states that arrogance has a positive effect on FFS. Hypothesis 6 states that the unknown factor positively affects FFS, but the analysis results reject this hypothesis at the significance level of 0.450. Previous research also shows that ignorance does not affect FFS. Hypothesis 7 states that the greed factor positively affects FFS, and the analysis results show that this hypothesis is accepted at a significance level of <0.001. Greed can drive individuals or organizations to take unethical actions and violate accounting principles for personal gain.

Hypotheses 8, 9, 10, 11, 13, and 14 state that the audit board moderates the relationship between pressure, opportunity, rationalization, capability, arrogance, ignorance, greed, and FFS. However, the analysis results reject this hypothesis at different levels of significance. This suggests that the audit board does not moderate the relationship between these factors and FFS, except for certain studies that support audit board moderation in the relationship between stress and FFS. These results provide an in-depth understanding of the factors that influence the occurrence of FFS and the moderating role of the audit board and institutional ownership in this relationship. The rejection of several hypotheses also shows the complexity and uncertainty in assessing the impact of certain factors on the practice of false financial statements.

5 Conclusion

The conclusion of this study is that various factors, such as arrogance, pressure, and rationalization positively contribute to the occurrence of fraudulent financial reporting. Furthermore, lack of knowledge, opportunity, and ability also play a role in facilitating the creation of fraudulent financial reporting, with institutional ownership serving as a moderating factor, especially in the relationship between greed and fraudulent financial reporting.

This study suggests that investors may feel the illusion of stability when the value of the company continues to rise, which can prolong the existence of fraudulent financial reporting. Although audit committees and institutional ownership exist, their effectiveness in reducing fraud requires further research. Therefore, the implementation of a strong internal control system is very important to significantly reduce the risk of fraudulent financial reporting. However, this study has several limitations. First, of the fourteen hypotheses tested, only five were proven to be substantial, indicating room for further exploration. Second, the references used in this study are still limited, which may affect the strength and generalization of the findings. Third, the scope of the sample and the duration of the study may limit the validity of the findings.

Suggestions for further research are to expand the scope of the hypothesis and add references, so as to better support the findings. Future research should integrate moderating variables from big data analysis and use proxies for a more comprehensive analysis. An extension of the research period is also recommended to obtain a more comprehensive picture of financial fraud. Furthermore, the integration of multiple sources of information and perspectives can strengthen future studies and improve understanding and prevention of fraudulent financial reporting.

Declaration of Generative AI and AI-assisted Technologies in the Writing Process

During the preparation of this work the authors used Grammarly premium software. After using this tool/service, the author(s) reviewed and edited the content as needed and take(s) full responsibility for the content of the publication.

References:

[1] Siregar SV, Tenoyo B. Fraud awareness survey of private sector in Indonesia. *Journal of Financial Crime*. 2015 Jul 6;22(3):329-46. https://doi.org/10.1108/JFC-03-2014-0016.

[2] Hogan CE, Rezaee Z, Riley Jr RA, Velury UK. Financial statement fraud: Insights from the academic literature. *Auditing: A Journal of Practice & Theory*. 2008 Nov 1;27(2):231-52. https://doi.org/10.2308/aud.2008.27.2.231.

[3] M. P. Sari, N. Pramasheilla, F. -, T. Suryarini, and I. D. Pamungkas, "Analysis of Fraudulent Financial Statement with the Role of K.A.P. Big Four as a Moderation Variable: Crowe's Fraud's Pentagon Theory," *Int. J. Financ. Res.*, vol. 11, no. 5, p. 180, 2020, doi: 10.5430/ijfr.v11n5p180. https://doi.org/10.5430/ijfr.v11n5p180.

[4] Rizki F. The Corporate criminal misconducts against the environment: the comparative study of Indonesia, Thailand, and South Africa, *Chulalongkorn University Theses and Dissertations (Chula ETD). 5753*, [Online]. https://digital.car.chula.ac.th/chulaetd/5753/ (Accessed Date: October 11, 2024).

[5] Christian N, Pina P, Christian C, Silvana V. Detection of Cash Flow Shenanigans in The Financial Reports of PT Waskita Karya Tbk. *International Journal of Social Science, Education, Communication and Economics (SINOMICS JOURNAL)*. 2023 Jun 27;2(2):267-76. https://doi.org/10.54443/sj.v2i2.135.

[6] Meiryani M, Primado AA. Analysis Of Internal Control And Fraud: A Case Study On Garuda Indonesia. *Research In Management and Accounting (RIMA)*. 2023 Jun 30;6(1):43-53. https://doi.org/10.33508/rima.v6i1.4660.

[7] Al Ghiffari A, Atilla AM, Haris A. Audit Committee as a Moderation Variable of Fraud Triangle Effect on Fraudulent Statement. *Interdiciplinary Journal and Hummanity (INJURITY)*. 2024 Apr 29;3(4):258-71. https://doi.org/10.58631/injurity.v3i4.191

[8] K. Dewi and I. Anisykurlillah, "Analysis of the Effect of Fraud Pentagon Factors on Fraudulent Financial Statement with Audit Committee as Moderating Variable," *Account. Anal. J.*, vol. 10, no. 1, pp. 39–46, 2021. https://doi.org/10.15294/aaj.v10i1.44520.

[9] D. Nugroho and V. Diyanty, "Hexagon Fraud in Fraudulent Financial Statements: the Moderating Role of Audit Committee," *J. Akunt. dan Keuang. Indones.*, vol. 19, no. 1, pp. 46–67, 2022. https://doi.org/10.21002/jaki.2022.03.

[10] A. Andalia, A. Amiruddin, and G. T. Pontoh, "Analysis of Factors Affecting Fraudulent Financial Statement with Independent Commissioners as Moderation Variable," *G.A.T.R. Account. Financ. Rev.*, vol. 5, no. 4, pp. 01–12, 2021. https://doi.org/10.35609/afr.2021.5.4(1).

[11] Pradipta A, Bernawati Y. The influence of pressure, opportunity, rationalization and ethical value on the accounting fraud tendency. *Sustainable Business Accounting and Management Review*. 2019 Sep 30;1(2):63-71. https://doi.org/10.61656/sbamr.v1i2.52.

[12] T. Achmad, I. Ghozali, M. R. A. Helmina, D. I. Hapsari, and I. D. Pamungkas, "Detecting Fraudulent Financial Statement Using the Fraud Hexagon Model: Evidence from the Banking Sector in Indonesia," *Economies*, vol. 11, no. 1, 2023, doi: 10.3390/economies11010005. https://doi.org/10.3390/economies11010005.

[13] Okafor KJ, Egbunike PA. Effect Of Opportunity And Rationalization On Financial Statement Fraud In Deposit Money Banks (DMBS). *Journal of Global Accounting*. 2023 Jul 1;9(2):54-69, [Online]. https://journals.unizik.edu.ng/joga/article/view/2190 (Access Date: October 15, 2024).

[14] R. Wulandari and A. Maulana, "Institutional Ownership as Moderation Variable of Fraud Triangle on Fraudulent Financial Statement," *J. ASET (Akuntansi Riset)*, vol. 14, no. 2, pp. 207–222, 2022. https://ejournal.upi.edu/index.php/aset/article/view/44183/21944 (Access Date: October 15, 2024).

[15] Surjaatmaja L. Detecting fraudulent financial statement using fraud triangle: capability as moderating variable. *KnE Social Sciences*. 2018 Oct 22:945-56. https://doi.org/10.18502/kss.v3i10.3184.

[16] R. Fitriyah and S. Novita, "Fraud Pentagon Theory for Detecting Fraudulent Financial Statementulent," *J. Ris. Akunt. Kontemporer*, vol. 13, no. 1, pp. 20–25, 2021, doi: 10.23969/jrak.v13i1.3533. https://doi.org/10.23969/jrak.v13i1.3533.

[17] Premananda NL, Budiartha IK, Suprasto HB, Badera ID. Fraud diamond analysis in detecting fraudulent financial reporting (Study on Indonesian capital market). International *Journal of Sciences: Basic and Applied Research*. 2019;47(2):84-95, [Online]. https://core.ac.uk/download/pdf/249336738.pdf (Access Date: October 15, 2024).

[18] Fouziah SN, Suratno S, Djaddang S. Fraudulent Financial Statement Detection Based on Hexagen Fraud Theory (Study on Banking Registered in IDX Period 2015-2019). *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)*. 2022 Sep 9;5(3). https://doi.org/10.33258/birci.v5i3.6907.

[19] Meidijati and M. N. Amin, "Detecting Fraudulent Financial Statement through Hexagon Fraud Model: Moderating Role of Income Tax Rate," *Int. J. Soc. Manag. Stud.*, vol. 3, no. 2, pp. 311–322, 2022. https://doi.org/10.5555/ijosmas.v3i2.196.

[20] H. M. Ghaisani, A. Dwi, and B. Bawono, "Analysis of Fraudulent Financial Statement : The Vousinas Fraud Hexagon Model Approach and the Audit Committe as Moderating Variable," *Int. J. Bus. Manag. Technol.*, vol. 6, no. 6, pp. 115–125, 2022, [Online]. https://www.theijbmt.com/archive/0948/531684957.pdf (Access Date: October 25, 2024).

[21] Murtado A, Andru A, Darmayanti A, Adriadi K. Detecting fraud of financial statement through pentagon's fraud theory. *Jurnal Inovasi Ekonomi*. 2022 Feb 25;7(01):39-46. https://doi.org/10.22219/jiko.v7i01.18721.

[22] B. L. Handoko, R. N. A. Putri, and S. Wijaya, "Analysis of Fraudulent Financial Statement based on Fraud Heptagon Model in Transportation and Logistic Industry listed on IDX during Covid-19 Pandemic," *A.C.M. Int. Conf. Proceeding Ser.*, pp. 56–63, 2022, doi: 10.1145/3578997.3579003. https://doi.org/10.1145/3578997.3579003.

[23] I. W. Widnyana and S. R. Widyawati, "Role of forensic accounting in the diamond model relationship to detect the Fraudulent Financial Statement," *Int. J. Res. Bus. Soc. Sci.* (2147-4478), vol. 11, no. 6, pp. 402–409, 2022, doi: 10.20525/ijrbs.v11i6.1924. https://doi.org/10.20525/ijrbs.v11i6.1924.

[24] E. Suhardjanto, D., Aprilyana, W. T., & Setiany, "Corporate Governance and Financial Performance a Comparative Study of Developing and Developed Markets," vol. 7, no. 2, pp. 1–179, 2018, PASTIC Dspace Repository, [Online]. http://142.54.178.187:9060/xmlui/handle/123456789/6617 (Access Date: October 25, 2024).

[25] A. Ahmed Haji, "The role of audit committee attributes in intellectual capital disclosures: Evidence from Malaysia," *Manag. Audit. J.*, vol. 30, no. 8–9, pp. 756–784, 2015, doi: 10.1108/MAJ-07-2015-1221. https://doi.org/10.1108/MAJ-07-2015-1221.

[26] M. Sari Pramono, Kiswanto, L. V. Rahmadani, H. Khairunnisa, and I. D. Pamungkas, "Detection Fraudulent Financial Statement and Corporate Governance Mechanisms Using Fraud Diamond Theory of the Property and Construction Sectors in Indonesia," *Humanit. Soc. Sci. Rev.*, vol. 8, no. 3, pp. 1065–1072, 2020. https://doi.org/10.18510/hssr.2020.83109.

[27] Rasheed F, Said J, Khan NI. Evolution Of Fraud-Related Theories: A Theoretical Review. *Journal of Nusantara Studies (JONUS)*. 2023 Sep 30;8(3):322-50. Access date October 25, 2023. https://doi.org/10.24200/jonus.vol8iss3pp322-350.

[28] N. A. M. Yusof and M. L. Lai, "An integrative model in predicting corporate tax fraud," *J. Financ. Crime*, vol. 21, no. 4, pp. 424–432, 2014. Access date October 25, 2023. https://doi.org/10.1108/JFC-03-2013-0012.

[29] Achmad T, Ghozali I, Pamungkas ID. Hexagon fraud: Detection of fraudulent financial reporting in state-owned enterprises Indonesia. *Economies*. 2022 Jan 1;10(1):13. https://doi.org/10.3390/economies10010013.

[30] S. Purwanto, S. Hartini, G. C. Premananto, S. Astuti, S. Heriningsih, and U. Veteran, "Analysis Factor Triggers Fraud And Corporate Governance On Indications of Fraudulent Financial Statement Using the Pentagon Fraud Theory Approach," *Eksis*, vol. 14, no. 1, pp. 48–54, 2019.. https://doi.org/10.26533/eksis.v14i1.448.

[31] W. Shi, B. L. Connelly, and R. E. Hoskisson, External corporate governance and financial fraud: cognitive evaluation theory insights on agency theory prescriptions, *SMS Strategic Management Journal,* vol. 38, no. 6. 2017. https://doi.org/10.1002/smj.2560.

[32] M. P. Sari, E. Mahardika, D. Suryandari, and S. Raharja, "The audit committee as moderating the effect of hexagon's fraud on fraudulent financial statements in mining companies listed on the Indonesia stock exchange," *Cogent Bus. Manag.*, vol. 9, no. 1, 2022. https://doi.org/10.1080/23311975.2022.2150118.

[33] I. G. N. H. Sawaka K., "Fraud pentagon theory in detecting financial perception of financial reporting with good corporate governance as moderator variable," *Int. Res. J. Manag. I.T. Soc. Sci.*, vol. 7, no. 1, pp. 84–94, 2020. https://doi.org/10.21744/irjmis.v7n1.824.

[34] D. N. Rahmatika, M. D. Kartikasari, D. Dewi Indriasih, I. A. Sari, and A. Mulia, "Detection of Fraudulent Financial Statement; Can

Perspective of Fraud Diamond Theory be applied to Property, Real Estate, and Building Construction Companies in Indonesia?," *Eur. J. Bus. Manag. Res.*, vol. 4, no. 6, pp. 1–9, 2019. https://doi.org/10.24018/ejbmr.2019.4.6.139.

[35] D. N. Triyanto, "Fraudulence Financial Statements Analysis using Pentagon Fraud Approach," *J. Account. Audit. Bus.*, vol. 2, no. 2, p. 26, 2019. https://doi.org/10.24198/jaab.v2i2.22641.

[36] N. C. Situngkir and D. N. Triyanto, "Detecting Fraudulent Financial Statement Using Fraud Score Model and Fraud Pentagon Theory : Empirical Study of Companies Listed in the L.Q. 45 Index," *Indones. J. Account. Res.*, vol. 23, no. 03, pp. 373–410, 2020. http://doi.org/10.33312/ijar.486.

[37] G. L. Vousinas, "Advancing theory of fraud: the S.C.O.R.E. model," *J. Financ. Crime*, vol. 26, no. 1, pp. 372–381, 2019. https://doi.org/10.1108/JFC-12-2017-0128.

[38] Handayani JR, Nurcahyono N, Saadah N. Hexagon Fraud: Detection of Fraudulent Financial Statement in Indonesia. *International Conference on Business, Accounting, Banking, and Economics (ICBABE 2022)* 2023 May 22 (pp. 263-276). Atlantis Press. https://doi.org/10.2991/978-94-6463-154-8_24.

[39] E. Y. Ibrani, F. Faisal, and Y. D. Handayani, "Determinant of non-GAAP earnings management practices and its impact on firm value," *Cogent Bus. Manag.*, vol. 6, no. 1, pp. 1–17, 2019. https://doi.org/10.1080/23311975.2019.1666642.

[40] IkbaL M, Irwansyah I, Paminto A, Ulfah Y, Darma DC. Financial intelligence: Financial statement fraud in Indonesia. *Journal of Intelligence Studies in Business*. 2020 Dec 10;10(3). https://doi.org/10.37380/jisib.v10i3.640.

[41] A. S. Yayangida and A. N. Mohammed, "Afropolitan Journals Moderating Effect of Audit Committee Expertise on Fraud Risk Factors and Earnings Quality of Listed Nigerian Consumer Goods Firms," *African Journal of Management and Business Research*, vol. 12, no. 99, pp. 1–19, 2023.. http://publications.afropolitanjournals.com/index.php/ajmbr/article/view/594 (Access Date: October 5, 2024).

[42] M. Bujaki, C. Lento, and N. Sayed, "Utilizing professional accounting concepts to understand and respond to academic dishonesty in accounting programs," *J. Account. Educ.*, vol. 47, no. xxxx, pp. 28–47, 2019. https://doi.org/10.1016/j.jaccedu.2019.01.001.

[43] H. Yusrianti, I. Ghozali, and E. N. Yuyetta, "Asset misappropriation tendency: Rationalization, financial pressure, and the role of opportunity (study in Indonesian government sector)," *Humanit. Soc. Sci. Rev.*, vol. 8, no. 1, pp. 373–382, 2020. https://doi.org/10.18510/hssr.2020.8148.

[44] P. Wasan and K. Mulchandani, "Corporate governance factors as predictors of earnings management," *J. Gen. Manag.*, vol. 45, no. 2, pp. 71–92, 2020. https://doi.org/10.1177/0306307019872304.

[45] Gao Y, Kim JB, Tsang D, Wu H. Go before the whistle blows: An empirical analysis of director turnover and financial fraud. Review of Accounting Studies. 2017 Mar;22:320-60. https://doi.org/10.1007/s11142-016-9381-z.

[46] N. Nurcahyono, A. N. Hanum, I. Kristiana, and I. D. Pamungkas, "Predicting fraudulent financial statement risk: The testing dechow f-score financial sector company inindonesia," *Univers. J. Account. Financ.*, vol. 9, no. 6, pp. 1487–1494, 2021. https://doi.org/10.13189/ujaf.2021.090625.

[47] H. S. Lastanti, "Role of Audit Committee in The Fraud Pentagon and Fraudulent Financial Statement," *Int. J. Contemp. Account.*, vol. 2, no. 1, pp. 85–102, 2020. https://doi.org/10.25105/ijca.v2i1.7163.

[48] T. Akbar, "The Determination of Fraudulent Financial Statement Causes By Using Pentagon Theory on Manufacturing Companies in Indonesia," *Int. J. Business, Econ. Law*, vol. 14, no. 5, pp. 106–113, 2017, [Online]. https://www.ijbel.com/wp-content/uploads/2018/02/K14_235.pdf (Access Date: October 5, 2024).

[49] Y. Pramana, H. B. Suprasto, I. G. A. M. D. Putri, and I. G. A. N. Budiasih, "Fraud factors of financial statements on construction industry in Indonesia stock exchange," *Int. J. Soc. Sci. Humanit.*, vol. 3, no. 2, pp. 187–196, 2019. https://doi.org/10.29332/ijssh.v3n2.313.

[50] R. Syahria, "Detecting Fraudulent Financial Statement Using Fraud Diamond (A Study on Banking Companies Listed On the Indonesia Stock Exchange Period 2012-2016)," *Asia Pacific Fraud J.*, vol. 4, no. 2, 2019. https://doi.org/10.21532/apfjournal.v4i2.114.

[51] Aguilera RV, Crespi-Cladera R. Global corporate governance: On the relevance of firms' ownership structure. *Journal of World Business*. 2016 Jan 1;51(1):50-7. https://doi.org/10.1016/j.jwb.2015.10.003.

[52] Beneish, "The Detection of Earnings Manipulation Messod D . Beneish * June 1999 Comments Welcome," *Financ. Anal. J.*, vol. 5, no. June, pp. 24–36, 1999. https://doi.org/10.2469/faj.v55.n5.2296.

Contribution of Individual Authors to the Creation of a Scientific Article (Ghostwriting Policy)

- Pamungkas, Imang Dapit regarding conceptualization and funding acquisition. Methodology, visualization and validation, supervision.
- Oktavianasari, Ira data curation and project administration.
- Fathimah data curation and project administration.
- Jasmine, Adinda Nabila data curation and project administration

Sources of Funding for Research Presented in a Scientific Article or Scientific Article Itself

No funding was received for conducting this study.

Conflict of Interest

This research has no Conflict of Interest.