International Journal of Social Science and Education Research Studies

ISSN(print): 2770-2782, ISSN(online): 2770-2790

Volume 03 Issue 02 February 2023

DOI: https://doi.org/10.55677/ijssers/V03I2Y2023-13, Impact Factor: 4.638

Page No : 313-321

Determinants of Fraud Detection Financial Reporting with Company Size as a Moderation Variable

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ABSTRACT

This study aims to explain the possibility of financial statement fraud based on the pentagon's fraud perspective. The research uses a quantitative approach using secondary data. The research population is in the form of banking companies listed on the Indonesia Stock Exchange in 2020-2021; Sample selection in the form of purposive sampling. The results showed that financial stability, independent commissioners, change in auditors and change of directors, frequency photo CEOs have an insignificant positive effect on the potential for financial reporting fraud. The results of the moderation variables show that the size of the company is able to strengthen the positive influence of independent commissioners, but has not been able to moderate the influence of financial stability, change of auditors, change of directors and frequency photo of CEOs on the potential for financial reporting fraud.

Published Online: February 20, 2023

KEYWORDS:
Fraud pentagon, fraud diamod, fraud triangle, fraudulent financial reporting, Perbankan sector fraud

1. INTRODUCTION

Based on SAK No. 1, the annual financial statements contain important information about the accounting of the company. Information about financial activity, business status or in general that describes the general performance of the company. Financial information must be material or appropriate, and must be presented in a structured and easy-to-understand manner. The main purpose of the financial statements is to present information about the financial position, budget execution, cash flow and results of the reporting entity. When presenting financial statements, they must include explanatory notes that will assist users of accounting information in assessing decision-making responsibilities (Pramita & Dharma, 2018). Sudana (2019) stated that the information in the financial statements can be used by both stakeholders as a basis for decision making. Managers are interested in presenting good-looking financial statements, although they can also manipulate them (Ratmono, 2017). They manipulate certain information in the financial statements so that the reports show excellent financial performance.

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****Cite this Article: Yulia Ningsih, Reskino (2023). Determinants of Fraud Detection Financial Reporting with Company Size as a Moderation Variable. International Journal of Social Science and Education Research Studies, 3(2), 313-321***

According to the Association of Certified Fraud Examiners (ACFE), there are three types of fraud: Corruption, embezzlement of funds and accounting fraud. The fraud that causes the greatest damage is financial reporting fraud. Compared to embezzlement and corruption, this type of fraud is the type of fraud with the highest level of loss. Therefore, this research focuses on fraudulent financial reporting.

In Indonesia, there have also been cases of financial reporting fraud in the aviation industry, namely Garuda Indonesia. Here are some cases of accounting fraud that occurred in Indonesia, namely the case of PT Garuda Indonesia and PT. Hanson Internasional Tbk. An incident at PT Garuda Indonesia, quoted by Giri hartomo - okezone.com on Friday (June 28, 2019), was concluded based on the results of a meeting with the KAP that the alleged examination was not appropriate. regulation. With accounting rules. Secretary General of Treasury Hadiyanto said PT Garuda Indonesia was subject to sanctions from various parties. The Financial Services Authority (OJK) imposed a fine of Rp 100 million on PT Garuda Indonesia and a fine of Rp 100 million to each director. In addition to the fines imposed by the Financial Services Authority (OJK), the Indonesia Stock Exchange was fined Idr 250 million. Meanwhile, the sanctions imposed on KAP Tanubrata, Sutanto, Fahmi, Bambang and Rekan and KHT Kasner Sirumpaea are suspension of business licenses for 12 months.

In addition, there is financial reporting fraud at the Bank Tabungan Negara (BTN). On Monday, February 3, 2020, Commission IX of the House of Representatives summoned the Director of Landesparkasse for alleged misappropriation or manipulation of financial information in 2018. The State Savings Bank refined its financial statements by selling the company's non-performing loans to an investment management company (PPA) and providing credit to an investment management company (PPA) in connection with the sale. Bank Tabungan Negara (BTN) was also seen, as evidenced by the provision of a loan of IDR 100 billion in the first period that did not meet its decision and the addition of a loan of IDR 200 billion to PT Batam Isldan Marina (BIM). Billions (Kompas.com, 2020).

There are three factors that encourage companies to carry out fraudulent financial reporting called the fraud triangle, namely pressure, opportunity and rationalization (Crowe, 2011). Fraud Triangle theory was developed into Fraud Diamond by adding a fourth element, namely skills. Crowe (2011) later developed the Pentagon fraud theory by adding a fifth element, arrogance.

The element of opportunity to encourage companies to commit fraud because of an ineffective internal control system in the company can trigger fraud in financial statements because it states that existing laws are not complied with. The nature of the industry can provide an opportunity for management to commit fraud. For example, management can more freely manipulate accounts that are judged based on subjective considerations or judgments.

The existence of rationalization can encourage cheating and view cheating as a correct or rational act (Singleton, 2010; Skousen et al., 2009). The change of auditor can affect the rationalization of fraud because all competitors have a grace period when changing auditors or audit firms. Therefore, management can rationalize fraudulent actions.

Elements of expertise or competence can also encourage fraud due to the presence of competent staff who understand the company's situation well. These experienced managers can use this circumstance as an opportunity to commit fraud (Kurnia & Anis, 2017). Managerial changes can also encourage cheating. When the manager is absent for a long time, the office manager needs to understand all the conditions and problems facing the company. The Board of Directors understands the situation of the company. His skill makes it easy to commit fraud. Therefore, if the manager has not changed for a long time, the manager will definitely understand the situation of the company. Then, thanks to his abilities, the manager easily commits fraud.

The last element is arrogance, when the leader is arrogant or feels superior. You believe that company policies and internal controls do not apply to management. They feel free from company policies and internal controls (Kurnia & Anis, 2017). The frequency of the CEO's photos in financial statements can be a measure of arrogance or superiority (Bastomi, 2018). Political ties to the CEO can be a source of fraud, as close ties with the government or ruling party can maintain their position and reputation. For example, in difficult circumstances, CEOs with political connections can use the relationship to maintain the value of the company (Wang, Chen, Chin, & Zheng, 2017). The existence of the company is the driving force for fraud because it is in the interest of management to maintain the company's existence in the eyes of the public. You do this by developing the company's performance through published financial statements.

As discussed above, it is important to be able to examine the factors that influence the detection of fraudulent financial reporting. The author added a moderating variable, namely firm size to see how strong or weak firm size is in detecting factors that help detect fraudulent financial reporting.

II. THEORY AND HYPOTHESIS

Agency Theory

Jensen and Meckling (1976) define agency theory as the relationship (cooperation contract) that exists between a principal and an agent authorized to make decisions within a company on behalf of the principal. Suryandari, Yuesti, and Suryawan (2019) state that the client-management relationship can create conflicts of interest between the parties. This conflict of interest arises when management wants to earn more from its work in managing and developing the company (Jensen & Meckling, 1976).

In addition, the imbalance of information increases the conflict between shareholders (principal) and management (agent) The imbalance of financial reporting information arises because agents know financial reporting information better than principals, making it easier for management (agents). Cheating to get some benefits (Agusputri & Sofie, 2019).

Fraud Theory

According to (Association of Certified Fraud Examiners Indonesia, 2016), fraud is an act classified as unlawful that is carried out intentionally for a specific purpose, such as manipulation, reports that mislead readers, or other actions by several parties. Certain personal or group gains arising inside or outside the organization that may directly or indirectly harm other parties or companies.

Fraud Pentagon theory

According to Crowe (2011) states that pentagon fraud is an improvement of Fraud Triangel theory & Fraud Dimond theory, where there is a fifth element, namely arrogance. Crowe (2011) states that there is a fifth element in pentagon fraud because elements in the fraud triangle and diamond fraud cannot be used in all situations. With the fifth element, namely arrogance, pentagon fraud can be used in all situations to detect fraud in financial statements. Pentagon fraud has five elements consisting of pressure, opportunity, rationalization, competence, and arrogance (Horwath, 2014).

M-Score

Beneish M-Score is a set of financial indicators that can expose accounting fraud in the form of profit manipulation. According to (Beneish., 1999), professors from the University of Indiana, who conducted the study, aimed to test quantitative differences between companies that were proven to be fraudulent and those that were not. (Beneish., 1999) uses the company's financial information and then calculates the company's financial ratios to determine the conditions that can drive this cheating. (Beneish., 1999) shows that cheating that is generally in the form of profit manipulation shows a significant increase in revenue from year (t) to the previous year (t-1). Based on this, Beneish developed a ratio related to changes in assets and sales growth formulated in the M-Score, which is a score that can detect the occurrence of financial statement fraud in the form of profit manipulation. (Beneish, 1999) revealed that if the score on the company is M > -2.22 then the company is indicated to have committed fraud and if the score on the company is M < -2.22 it means that the company is not indicated to have committed fraud. The ratios used by Beneish related to profit manipulation are Days Sales In Receivables Index (DSRI), Gross Margin Index (GMI), Asset Quality Index (AQI), Sales Growth Index (SGI), Depreciation Index (DEPI), Sales General And Administrative Expenses Index (SGAI), Leverage Index (LEVI), and Total Accruals To Total Assets Index (ACRUAL). Hypothesis Development

Unstable company conditions can trigger fraud due to financial stability as a benchmark for company performance through stable financial growth. The company's financial condition is considered stable when the company can meet current and future needs as well as sudden or sudden needs. Therefore, managers will take various steps to make the company a stable condition (Bawekes et al., 2018).
Kurnia & Anis, (2017) proved that financial stability, which is proxied by changes in total assets, can affect the occurrence of fraud in financial statements. The higher the ratio of changes in assets, the greater the likelihood of financial fraud through income manipulation. In other words, the more stable the asset, the less likely it is to commit financial fraud. This is done in order to demonstrate the company's strong financial position. Therefore, the hypothesis is expressed as follows:
H1: Pressure has a positive effect on fraudulent financial reporting.

The number of independent commissioners is one of the measures used in assessing financial reporting fraud in a company. Companies with a large number of independent commissioners minimize the amount of fraud committed within the company. According to a study (Riandani & Rahmawati, 2019), the large number of independent commissioners minimizes the scope of fraud due to the control system
H2: Opportunities have a positive effect on fraudulent financial reporting.

Change of auditor is a company's move to hide financial statement fraud that was previously known to the Public Accounting Firm before. This is a proxy for rationalization because it is a benchmark for rationalization of KAP changes. Several studies have tested the effect of auditor turnover on Fraudulent financial reporting (Agusputri & Sofie, 2019) and (Pamungkas et al., 2018) stating that the change of Public Accounting Firm (KAP) carried out by the company, identified the company as committing financial statement fraud. Because the more often companies change auditors (KAP), the easier it is for companies to hide fraudulent balance sheet information.
H3: Rationalization has a positive effect on fraudulent financial reporting.

Profit management practice is a form of manipulation or fraud of financial statements which is often used as a short-term solution for management to maintain investor confidence. The change of new directors is considered a fraud in the financial statements, this is in line with the big batch strategy of the profit management model, which theoretically explains that the new directors do profit management in order to bring down the company's profits that have occurred in the old board of directors period so that they look good in the next period. is in a season with the old Manager falling so they can perform well next season.
A study conducted by (Putri & Fadhlia, 2017) states that the turnover of new managers leads to profit management practices, with the big bath strategy of dropping profits last period and equating the estimated expenses of next year with this year, so the period ahead. The financial statements of the new directors look better than the financial statements of the previous directors. This is done so that the manager as an agent gets a bonus for the strategy. Based on the description, the hypothesis is:
H4: The ability to positively affect fraudulent financial reporting.

The arrogance represented by the number of photos of the CEO in the company's annual report can be interpreted as the arrogance of the CEO, the more photos in the company's annual report, the greater the arrogance of the CEO, giving rise to power in the management of the entire internal company. This leads to cheating and no one can stop it. Research conducted by Septriani and Handayani (2018) which states that the higher the Frequency Number of CEO Picture, the more visible in the company's annual report their level of arrogance and superiority, which they want to show the wider community their status and position in the company.

H5: Arrogance has a positive effect on fraudulent financial reporting

According to SAS No. 99, managers face pressure to commit fraud in financial reporting when the financial stability of the company is threatened by the economic, industrial, or situation of the operating entity. Management often gets pressure to show that the company has been able to manage assets well, so that the resulting profit is achieved and generates high returns for investors. The amount of total assets owned by the company is a special attraction for investors, creditors, and company owners (stakeholders). However, when total assets decrease and even reach negative, it will make stakeholders uninterested because they consider that the company's financial condition is unstable. Therefore, management uses financial statements as a tool to cover up unstable financial conditions by committing fraud
H6: The size of the Company is able to strengthen the relationship between pressure on fraudulent financial reporting.

The opportunity proxied by independent commissioners with the size of the company as a moderation variable shows that the effect of moderation on independent commissioners on fraudulent financial reporting has an effect. This is due to the large company barometer resulting in information addressed to investors when deciding decisions regarding stock investment to increase which in the future can increase the company's reputation (Imron et al., 2013).
H7: The Company's size is able to strengthen the Relationship between Opportunities and fraudulent financial reporting.

If the auditor changes, then the company needs an adjustment or transition period between the auditor and the company. If the auditor changes, the company has reason to simplify the fraud. They do this by removing control or lack of control from the supervisor, so that errors can occur either intentionally or unintentionally (Bawekes et al., 2018; Kurnia & Anis, 2017; Skousen et al., 2009). Summers and Sweeney (1998) and Skousen et al. (2009) found that many financial frauds were committed in the first two years of the accountant's tenure.
H8: The size of the Company is able to strengthen the relationship between rationalization and fraudulent financial reporting.

Change of director is the handover of authority from the old director to the new director to improve the performance of the previous management Annisya (2016). However, according to the American Institute of Certified Public Accountants (2002), frequent changes of directors cause an ineffective condition in monitoring the company's internal control system, creating opportunities for fraud. This happens because there is one person or a small group who dominates the management in the company due to the absence of compensation supervision, ineffective supervision of the board of commissioners, directors, and audit committees over the financial statement process, causing opportunities to commit fraudulent acts. If a large company should have a good internal control system, so as to minimize fraud (Lindasari, 2019). In addition, research by Saputra and Kesumaningrum (2017) shows that the change of directors affects financial reporting fraud. If the company is large, it must have a large organizational structure also where the manager's responsibility in improving administrative performance is greater, so that financial reporting fraud can be made to achieve this efficiency. Therefore the ninth hypothesis is:
H9: The Company's size is able to strengthen the relationship between the ability to fraudulent financial reporting.

The arrogance proxied by the frequency with which the CEO image appears is a contributing factor to financial reporting fraud. Indeed, the growing number of photos of CEOs presented in the company's annual report shows their level of arrogance and superiority while trying to show the wider public their position and status in the company (Setriani and Handayani (2018). With the position and status in large companies, magnifying the impact of the many photos of CEOs appearing in the company's annual report on financial statement fraud. So the tenth hypothesis is:
H10: The size of the Company is able to strengthen the relationship between arrogance and fraudulent financial reporting.

III. RESEARCH METHOD

3.1. Population and Sample

The population in this study are banking companies listed on the Indonesia Stock Exchange for the 2020-2021 period. Sample selection using purposive sampling method, the use of criteria in purposive sampling is as follows:

1. Banking companies listed on the Indonesia Stock Exchange (IDX) during 2020-2021
2. Does not publish annual reports and financial reports during the observation period
3. The financial statements have been audited with unqualified income
4. The suffer losses (profits are always positive) during the 2020-2021 period, not just an IPO in the observation year 2020-2021.
5. The company presents financial statements ending December 31

3.2. Operational Definition

No	variabel	Pengukuran
1.	Fraudulent Financial Reporting	**Dependent:** **M Score** -4,840 + 0,920 DSRI + 0,528 GMI + 0,404 AQI + 0,892 SGI + 0,115 DEPI – 0,172 SGAI + 4.679 ACCRUALS - 0.327 LEVI If M-Score > -2.22 then code 1 will be given (fraud) and M-Score < -2.22 then code 0 will be given (no fraud) **Independent:**
2.	Pressure	ACHANGE = (Total asset – total asset t-1) / total asset
3.	Opportunity	BDOUT = Number of independent commissioners/ Number of commissioners
4.	Rationalization	If in the period 2019 – 2021 a change of auditor is given code 1 and vice versa
5.	Capability	If in the period 2019 – 2021 a change of directors is given code 1 and vice versa
6.	Arrogance	Number of CEO photos in the annual report
7.	Firm size	**Moderation** ROA = Profit after tax t-1 / Total Assets t-1

3.3. Research Analysis

The research method used in this research is regression to find out the relationship between variables in a structured way to get the right answers to research questions. Causal research is research that collects data to determine whether there is a relationship between variables and the degree of relationship. The source of this research data was obtained from the internet via the official website of the Indonesia Stock Exchange (IDX). Secondary data is available in the form of annual financial reports and/ or management reports. The subjects of this study are banking companies listed on the Indonesia Stock Exchange in 2020 and 2021. We use multiple regression to test the hypothesis.

3.4 Multiple Linier Regression

M Score = α + b1ACHANGE + B2BDOUT + b3KAP + b4Direksi + b5CEO + b6ACHANGE * ROA + B7BDOUT * ROA + b8KAP * ROA + b9Direksi * ROA + b10CEO * ROA + e

IV. RESULT AND DISCUSSION

4.1 Statistics Descriptive

Based on the pressure variable is proxied by ACHANGE with a minimum value of 0.11, a maximum value of 1.38, a mean value of 0.8624, and a standard deviation value of 0.1665. The opportunity variable is proxied by BDOUT with a minimum value of 0.25, a maximum value of 0.75, a mean value of 0.5281, and a standard deviation value of 0.12686. The arrogance variable is proxied by the Photo of the Board of Directors with a minimum value of 2, a maximum value of 12, a mean value of 4.5181, and a standard deviation value of 2.28121, and company size proxied by Return on Assets (ROA) with a minimum value of 0, the maximum value is 0.31, the mean value is 0.0611 and the standard deviation is 0.04836. All variables have a standard deviation value that is smaller than the average value, this indicates that the data for the variables are homogeneous, thus indicating good data quality so that the data is good.

4.2. Frequency Analysis

Based on the results of the data processing that the researchers did, it was explained that 25 companies were identified as fraudulent, and 67 companies were not identified as committing fraud. Meanwhile, there were 55 companies made KAP changes, and 27 companies did not change KAPs. For the capability variable, which is proxied by the change of directors variable, 55 companies made changes to directors and 27 companies did not change directors.

4.3. Overall Model Fit

Iteraration	-2 Log likelihood	Iteraration	-2 Log likelihood
Step 0 1	81.931	Step 0 1	2
2	81.931	2	61.358
3	81.931	3	59.906
4	81.931	4	59.738
		5	59.735
		6	59.735
		7	59.735

Based on table 4, the value in the first block (Block Number = 0) is 81.931 and the value in the second block (Block Number = 1) is 67.24. Then there is a decrease in value from the first block to the second block with a decrease difference of 14.691 (81.931 - 67.24), meaning that entering the independent variable into the regression model can improve the regression model and show a better regression model.

4.4. Model Feasibility Test

Step	Signifikan
1	0.217

Based on table 5, the significant value is 0.217. If the significant value is measured with a confidence level of 0.5 or 5%, the significant value is greater than the confidence level. And it can be concluded that the logistic regression model used has fulfilled the data adequacy (fit) or that the model is feasible in explaining the research variables.

4.5. Koefisien Determination

Negelkerke R Square
0.367

Based on table 5, the significant value is 0.217. If the significant value is measured with a confidence level of 0.5 or 5%, the significant value is greater than the confidence level. And it can be concluded that the logistic regression model used has fulfilled the data adequacy (fit) or that the model is feasible in explaining the research variables.

4.6 Classitication Table

Observed			Predicted		
			Y		
			0	1	Percentage Correct
Step 0	Y	0	4	12	25.0
		1	3	64	95.5
		Overall Percentage			**79.2**

Based on table 7, it can be concluded that the predicted value does not have the potential to commit fraud in 16 companies, but from the statistical results, it turns out that 4 companies that do not have the potential to commit fraud and 12 companies have the potential to commit fraud. While the predicted value has the potential to commit fraud there are 67 companies, but from the statistical results, it turns out that there are 3 companies that do not have the potential to commit fraud and 64 companies that have the potential to commit fraud. The overall percentage is 79.2% which illustrates that the use of the logistic regression model in the study is good because it can predict correctly the conditions that occur in the study.

4.7. Simultan Test

Keterangan		Signifikan
Step 1	Step	0,000
	Block	0,000
	Model	0,000

Based on table 8, it shows a significance value of 0.000, if measured with a confidence level (α) of 0.05 or 5%, the sig value <0.05 so it can be concluded that there is at least one independent variable that can influence the dependent variable.

4.8 Individual Test

Uji Signifikansi Koefisien Regresi Logistik				
	Prediksi	**B**	**Sig.**	**Keputusan**
ACHANGE	+	-6.063	0.122	H1 rejected
BDOUT	+	-6.244	0.217	H2 rejected
KAP	+	.152	0.892	H3 rejected
DIREKSI	+	-1.839	0.120	H4 rejected
CEO	+	-.172	0.519	H5 rejected
ACHANGE * ROA	Strengthen	61.685	0.244	H6 rejected
BDOUT * ROA	Strengthen	143.775	0.063	H7 accepted
KAP * ROA	Strengthen	-18.562	0.232	H8 rejected
DIREKSI * ROA	Strengthen	13.754	0.410	H9 rejected
CEO * ROA	strengthen	9.218	0.189	H10 rejected
Constant		12.204	0.015	

Discussion

1. Effect of Pressure on Fraudulent Financial Reporting

Hypothesis 1. The results of statistical tests show that the coefficient of financial variable stability is -6.063 at a significance level of 0.122 > 0.05. This condition indicates that financial stability has no significant effect on financial reporting, thus rejecting the hypothesis that financial stability affects financial reporting. The results of this study indicate that the stability of the banking company's financial system on average is good during the study period to prevent managers from making fraudulent accounting information. Companies with stable asset growth show that management manages finances well, so it does not encourage management to process financial reports. The results of this study are consistent with which show that Tessa (2016), Iqbal & Murtanto (2016), Septriarini & Handayani (2018), Sari & Nugroho (2020), and Ulfah et al (2016), financial stability does not affect on financial statement depreciation.

2. The Effect of Opportunity on Fraudulent Financial Reporting

Hypothesis 2. The statistical test results show that the Chance variable proxied by the independent commissioner has a coefficient of -6.244 at a significance level of 0.217 > 0.05. This condition indicates that the Independent Commissioner has no significant effect on Fraudulent Financial Reporting.

In general, the existence of several saves many independent commissioners will provide more assurance to the company so that it will minimize fraudulent financial reporting. However, this is not in line with research conducted by Merissa & Isti (2017) which states that there is no effect of opportunity on fraudulent financial reporting because it is possible that the number of independent commissioners in the company will not carry out their work as well as possible, and will provide a little independent guarantee. and confidential and away from the intervention of certain parties.

If it is associated with the theory of fraud where the shareholders (principles) give authority to management (agents) to manage the company so that with.

3. The Effect of Rationalization on Fraudulent Financial Reporting

Hypothesis 3, the results of statistical tests show that the Change in the auditor variable has a coefficient of 0.152 at a significance level of 0.892 > 0.05. This condition indicates that a change in auditor has no significant effect on Fraudulent Financial Reporting.

This is because auditor turnover is considered to be one of the factors in identifying potential fraudulent financial reporting. The old auditor will hide the fraud committed by the company so that the new auditor will take a long time to study and understand the company's financial statements, in the audit process it will pose a greater risk of audit failure and subsequent litigation than the previous year.

This result is not in line with research by Tiffani (2015) which states that there is no effect of changing auditors on fraudulent financial reporting. The reason for the company changing the auditor is because it wants to comply with Indonesian financial regulations No.17/PMK/01/2008 article 3 paragraph 1 which states that, the provision of audit services can be carried out for a maximum of 6 consecutive financial years by the same KAP and 3 consecutive years -consecutive -corresponding with the same auditor on the same client. Many companies are changing their auditors.

4. The Effect of Ability on Fraudulent Financial Reporting

Hypothesis 4, the results of statistical tests show that the ability variable proxied by Change in Director has a coefficient of -1.839 at a significance level of 0.120 > 0.05. This condition indicates that there is no significant effect of a change of directors on financial reporting, thereby changing the suggestion that a change of directors affects fraudulent financial reporting. This is by following research (Bawekes et., 2018) which shows that changes in directors do not have a significant impact on fraudulent financial reporting. This research rejects the hypothesis that senior directors may have the ability or capacity to commit fraud because of the information they possess to exploit existing opportunities (Wolfe & Hermanson, 2004)).

5. The Effect of Arrogance on Fraudulent Financial Reporting

Hypothesis 5, the statistical test results show that the arrogance variable which is proxied by COE Photo Frequency has a coefficient of -0.172 at a significance level of 0.519 > 0.05. This condition indicates that COE Photo Frequency has no significant effect on Fraudulent Financial Reporting. This result is in line with research conducted by (Agusputri & Sofie, 2019) which states that there is no effect of CEO number image frequency on Fraudulent Financial Reporting, this aims for companies to introduce leaders in the company.

6. The Effect of Pressure on Fraudulent Financial Reporting moderated by Company Size

The statistical test results show that the pressure variable which is moderated by firm size has a coefficient of 61,685 at a significance level of 0.244 > 0.05. This condition indicates that firm size has a significant influence on fraudulent financial reporting, so the hypothesis that financial stability does not strengthen the effect on fraudulent financial reporting is rejected. This is in line with research conducted by

7. The Effect of Opportunity on Fraudulent Financial Reporting moderated by Company Size

The results of testing the seventh hypothesis show that independent commissioners with moderation in firm size have a coefficient of 143,775 at a significance level of 0.063> 0.05, which means they can affect fraudulent financial reporting, so the fourth hypothesis is accepted. This is in line with research conducted by (Imron et al., 2013).

8. The effect of rationalization on fraudulent financial reporting moderated by company size

Testing of the eighth hypothesis shows a probability value of 0.232, a value above 0.05 which means a change in auditors moderated by company size does not affect fraudulent financial reporting. shows the size of the company as a moderating variable that cannot affect change in auditors on the possibility of fraudulent financial reporting. In other words, company size as a proxy for total assets has nothing to do with fraudulent financial reporting. Therefore, company size cannot be used as justification for fraudulent financial reporting. although the auditor is only by following per under Government Regulation PP No. 20 of 2015.

9. The Effect of Capability on Fraudulent Financial Reporting moderated by Company Size

Testing of the ninth hypothesis shows a probability value of 0.410, the value is above 0.05 which means a change in directors moderated by company size does not affect financial fraudulent reporting.

Firm size may not affect the likelihood of fraudulent financial reporting. This shows that the company's total assets do not affect fraudulent financial reporting, although a change of manager is said to increase management efficiency (Annisya, 2016), but this has not been proven.

10. The Effect of Arrogance on Fraudulent Financial Reporting moderated by Company Size

The tenth hypothesis of the test shows a probability value of 0.189, the value is above 0.05 which means CEO photo frequency moderated by company size does not affect financial fraudulent reporting.

V. CONCLUSION

This study aims to examine the role of firm size as a moderator in the fraud pentagon perspective on indications of fraudulent financial reporting. By analyzing the existing pentagon fraud theory in the conditions of banking sector companies listed on the Indonesia Stock Exchange from 2020 to 2021.

The main findings of this study are that the element of the opportunity presented by the independent commissioner can have a positive and significant influence on indications of fraudulent financial reporting, and company size can strengthen the significant positive effect of independent commissioners on fraudulent financial reporting. While the elements of pressure, rationalization, ability, and arrogance do not affect fraudulent financial reporting. These findings also prove that financial statement fraud by management does not see large or small companies. Banking companies with large or small asset values have the same opportunity to take action to process financial reports (Fuadin, 2017).

This research can provide benefits and implicit to various parties, especially corporate investors. The results of this study are expected to encourage investors to be more careful in choosing companies as places of investment because companies can manipulate their financial statements to benefit management.

This study found several limitations, namely: 1 independent variable, namely pressure, opportunity, rationalization, capability, and arrogance which were able to explain the dependent variable of fraudulent financial reporting by 36.7%. while the remaining 63.3% can be explained by other variables that can affect fraudulent financial reporting outside of research. 2) The observation process only lasts 2 years, namely 2020-2021. 2) Only using banking company sample objects where banking is one of the companies with a very strict level of regulation.

From the various limitations of this study, the researcher suggests that further studies increase the vulnerability of observation time to obtain significant results, other researchers are also expected to be able to use various other variables, both in the latest fraud dimension theory or other variables to overcome their influence on financial statement failure

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