**Fraud Pentagon Analysis in Assessing the Likelihood of Fraudulent Financial Statement**  
(Study on Manufacturing Firms Listed in Bursa Efek Indonesia Period 2013-2016)

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**Abstract** - This research aimed to analyze the likelihood of fraudulent financial statement explained by earning management using fraud pentagon theory. Fraud risk factors are explained using variables financial target, financial stability, external pressure, ineffective monitoring, nature of industry, changes in auditor, rationalization, changes in board of directors’ member, and number of CEO’s picture in detecting fraudulent financial statement proxied by earning management. Samples selected are 86 manufacturing firms listed in Bursa Efek Indonesia, for period 2013-2016. Data were collected from firms’ annual report and financial statement from idx directory. Data analysis using multiple regression methods was run using SPSS v.21. The results shows that financial stability calculated by changes in total asset ratio, external pressure calculated by leverage ratio, change in auditor and changes in board of committee’s member has an influence in explaining the likelihood of fraudulent financial statement through earning management, while financial target calculated by Return On Asset, nature of industry explained by changes in receivables ratio, rationalization explained by TATA, and number of CEO’s picture has no significant influence in assessing the likelihood of fraudulent financial statement.

**Keywords**— fraud pentagon; fraudulent financial statement; earning management

**INTRODUCTION**

The financial statements provide information that will be a benchmark for stakeholders in decision making. However, the information presented in the financial statements is not guaranteed that the information is the actual state. Therefore, it is necessary to check the financial statements by an independent auditor to assess the fairness of the financial statements and to detect the occurrence of fraudulent financial statements.

Fraudulent financial statements occur because of the motivation and encouragement of various parties, both from within the company, and from outside the company. Various drives and motivations for the financial statements presented look good and can attract the attention of investors or potential investors, managers try to do various ways to perform manipulation of financial statements. One form of manipulation of financial statements is management earnings. Earnings management is often considered an act of rational and equitable principals because of the use of accrual basis financial statements. Thus, to a human and management acumen required to exploit gaps in financial reporting, so do earnings management company can show a good performance in financial statements.

Some studies concerning fraud has previously been done, but the empirical evidence has not provided more specific about fraudulent financial reports and studies that use pentagon fraud is still a little. Therefore, this study was conducted to analyze the fraud pentagon that is the pressure which is proxied by financial targets, financial stability, and external pressure, opportunity proxied by ineffective monitoring and nature of industry, rationalization proxied by the change in auditors and rationalization with TATA, competence proxied by the change of directors, and arrogance proxied by the number of CEO's picture in detecting fraudulent financial statements.

**HIPOTESYS**

Agency theory describes the agency relationship between the principal (stakeholders) and the agent (management) in running the company's operations. However, there is often a conflict of interest between management and stakeholders (conflict of interest). Therefore, the management faced pressure to improve the
performance of the company, by reason of the performance improvement is proposed as a justification (rationalization). Management will have the opportunity to raise profits; if the management has broad access to the company's operational information (Sihombing, 2014). However, fraud is not necessarily able to happen without carried out by management have the skills / competencies in understanding internal control, and have a strategy to disguise the fraud. As well as the attitude of confidence and arrogance is strong that equip them to commit acts of fraud.

**Financial targets affect on detecting fraudulent financial statements**

Managers are always required to achieve certain targets by users of financial statements. The financial target may be the return on the business the company wants to achieve. Comparison of return on total ase or Return on Assets (ROA) is often used to indicate how efficiently the assets have been working (Skousen et.al, 2009). ROA shows how much return on the amount of assets used by the company.

The higher the ROA, the better the performance of management, meaning the overall operation of the company has been effective. This can increase the attractiveness of investors to invest in the company, so it can increase the value of shares. However, in improving its performance by targeting higher ROA allows management to cheat the financial statements of earnings management. based on the description, the hypothesis proposed in this research are:

H1: Financial targets have an effect on detecting fraudulent financial statement.

**Financial stability affects on detecting fraudulent financial statements**

The unstable condition of the company will put pressure on management due to the decrease of company performance and hamper the flow of investment funds in the coming year. These conditions indicate that the company is not able to maximize its assets and can not use the source of investment funds efficiently (Ratmono et al, 2014 in Amnisya, 2016). According to SAS No. 99, managers face pressure to commit fraud and manipulation of financial statements as financial stability and profitability of their companies are threatened by economic, industrial and other conditions. Loebebecke and Bell in Skousen et al. (2009) indicates firms that experienced growth below the industry average, allowing management to manipulate financial statements to improve the company's prospects.

Research conducted Sihombing and Rahardjo (2014) indicates that the financial stability which is proxied by changes in total assets (ACHANGE) proved to affect the financial statement fraud. Therefore, the hypothesis proposed in this research are:


**External Pressure affect on detecting fraudulent financial statements**

Skousen et al. (2009) argue that the source of external pressure one of them is with the company's ability to pay debts or meet debt requirements. In addition, managers may also have the pressure to gain additional debt or capital as an external source of finance to remain competitive, including research and development or capital expenditure financing. External pressure is calculated using the leverage ratio, ie the ratio of total debt divided by total assets.

**Leverage ratio** shows how much debt the company. When a company has large debts and has a greater risk of loss, it is likely that there is a potential for fraud in reporting because companies need to have high profits to convince creditors that they can afford to pay the debt. The management company will also be depressed by high credit risk along with the high leverage ratio of the company. Because, the company will increasingly difficult to obtain additional loans feared the company can not afford to pay off its debts. Based on this, the proposed hypothesis:

H2: External pressure effect in detecting fraudulent financial statements.

**Ineffective monitoring affect on detecting fraudulent financial statements**

Ineffective monitoring is a condition in which the lack of effectiveness of the internal control systems of the company. Thus, this greatly facilitates the occurrence of a cheating. The board of commissioners is responsible for ensuring the implementation of corporate strategy, overseeing management in managing the company and requiring the implementation of accountability. An independent board of commissioners is believed to increase the effectiveness of supervision within the company, especially overseeing management in managing the company, since the independent board of commissioners stands alone and can not be influenced by anyone (Sihombing and Rahardjo, 2014). According to Skousen et al. (2009) companies with fewer independent board of commissioners tend to commit fraud. This is due to the lack of control of the board of commissioners so that the company's management easily cheats. Therefore, the proposed hypothesis is:

H2: Ineffective monitoring have an effect on detecting fraudulent financial statement.

**Nature of industry affect on detecting fraudulent financial statements**

Nature of industry is an ideal condition of a company or organization in the industry. One form of the nature of the industry that is the condition of the company's receivables, which the company is considered to have ideal conditions, a company that has fewer accounts.Skousen et al. (2009) argue that a good company will press and minimize the amount of accounts receivable companies and increase the revenue flow of the company's cash. The high value of receivables to sales in a company shows that the accounts receivable is an asset that has a higher risk of manipulation (Dahnil et al., 2014). Because, if a company has a high receivable-to-sales ratio, it is possible for management to manipulate financial statements to make the receivables look smaller. Thus, in this study the nature of the industry proxied by changes in the ratio of receivables to sales. Research Sihombing and Rahardjo (2014) state the nature of the industry positive effect on the financial statements fraud. Based on this, the hypothesis proposed in this study:

H2: nature of industry have an effect on detecting fraudulent financial statement.

**Change in auditor affect on detecting fraudulent financial statements**

Change in auditors or auditor turnover used by the company can be considered as a form to remove any trace of fraud (fraud trail) identified by the previous auditor. Studies conducted by Stice (1991) and St. Pierre and Anderson (1984) in Sihombing and Rahardjo (2014) suggest that auditor changes may occur for legitimate reasons, the risk of audit failure and subsequent litigation will be higher than in subsequent years. Summer and Seewy (1998) in Sihombing and Rahardjo (2014) found a change in auditors did not have a significant relationship to financial statement fraud. This argument is not supported by SAS No. 99 or Albrecht (2002), who suggested a change in auditors associated
with financial statement fraud. Substitution auditor may be one proxy of rationalization (Skousen et al., 2009). On that basis, the hypothesis is formulated:

\[ H_0 : \text{Change in auditor have an effect on detecting fraudulent financial statement.} \]

**Rationalization affect on detecting fraudulent financial statements**

Rationalization is a form of justification by management for the acts of fraud that have been done. In Sihombing and Rahardjo (2009) Francis and Krishnan (1999) and Vermeer (2003) argue that the accrual principle relates to management decision making and provides insight into rationalization in financial reporting. According to Skousen et al. (2009), rationalization has subjective judgment for the company, subjective judgment and decision making is reflected in the company's accrual value. Accrual value is not a real value, so management can play accruals in the company to get the value expected, so accrual can be used as an excuse by management to justify the action of manipulation. So in this study will use the proxy Total Accrual to Total Assets (TATA) as a proxy of rationalization, where Total Accrual to Total Assets is the ratio of a company's total accrual to total assets. This TATA calculation uses the formula put forward by Beneish (1999). Research Sihombing and Rahardjo (2014) provide evidence that the rationalization proxied by TATA effect on the financial statement fraud. This is supported by research conducted by Octarigusta (2016) which empirically proves that rationalization affects fraudulent financial statements. Therefore, the proposed hypothesis is:

\[ H_0 : \text{Rationalization have an effect on detecting fraudulent financial statement.} \]

**Change in Board of director affect on detecting fraudulent financial statements**

According to Tessa and Harto (2016) change of directors is appointed as a variable of it within one element in Crowe's fraud pentagon theory, competence. Substitution of directors indicated able to describe ability in doing stress management. Wolfe and Hermanson (2004) argue that fraud will not happen without the right people with the right ability to execute every detail of fraud. Competence, means the ability of a person to commit fraud in order to achieve certain goals. A change of board of directors can be an effort of the company to improve the performance of the previous directors. By making changes to the board of directors or recruitment of new directors who are considered more competent in the field, so the change of board of directors also indicates a certain political interest to replace the previous board of directors. Based on the hypothesis formulated are:

\[ H_0 : \text{Change in board of director have an effect on detecting fraudulent financial statement.} \]

**Number of CEO’s picture affect on detecting fraudulent financial statements**

Number of CEO's picture is the number of photos that are displayed CEO in the company's annual report. Based on Crowe's fraud pentagon element that is arrogance, the number of photos that are displayed CEO in the company's annual report could represent the level of arrogance and superiority that is owned by the CEO. CEO referred to in this research is the company's directors and staff. According to Tessa and Harto (2016) a CEO is likely to want to show everyone the status and position he has in the company because they do not want to lose that status. This is consistent with the elements described Crowe (2011) where a high level of arrogance that can lead to fraud because of the arrogance and superiority that is owned by the CEO, makes the CEO feels that any internal control will not apply to him because of its status and position. On the basis of that thought, then the hypothesis is formulated:

\[ H_0 : \text{Number of CEO’s picture have an effect on detecting fraudulent financial statement.} \]

**RESEARCH METHODS**

The dependent variable in this research is fraudulent financial statements (statement of financial fraud) which is proxied by earnings management. Earnings management measured by discretionary accruals (DACC) is the total disaccord accruals (TACC) and nondiscretionary accruals (NDACC). DACC counting in this study using the Modified Jones Model. While the independent variable in this study is a variable that was developed in the pentagon fraud are:

a. Pressure will be explained with financial targets measured by Return on Assets (ROA), financial stability is measured by changes in assets (ACHANGE), and external pressure is measured by the ratio of Leverage.

b. Opportunity will be described with ineffective monitoring, as measured by the ratio of independent directors and the nature of the industry ratio of accounts receivable.

c. Rationalization will be explained by the change in auditors (ΔCPA), namely the change of auditors rationalization measured by the ratio of Total Accrual to Total Assets (TATA).

d. Competence will be explained with the change / replacement of directors (DCHANGE).

e. Arrogance will be explained with the number of CEO's picture.

<table>
<thead>
<tr>
<th>Variable Name</th>
<th>Operational Definition of Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraudulent financial statements (DACC)</td>
<td>Discretionary accrual is calculated by the difference of Total Accrual with accrual nondiscretionary</td>
</tr>
<tr>
<td>Financial target (ROA)</td>
<td>The ratio of net income to total assets</td>
</tr>
<tr>
<td>Financial stability (ACHANGE)</td>
<td>The ratio of total asset changes in year t minus year t-1 to total asset year t-1</td>
</tr>
<tr>
<td>External pressure (LEV)</td>
<td>The ratio of total liabilities to total assets</td>
</tr>
<tr>
<td>Ineffective monitoring (BDOUT)</td>
<td>The ratio of the number of independent commissioners to the total board of commissioners</td>
</tr>
<tr>
<td>Nature of industry (RECEIVABLE)</td>
<td>The ratio of total receivables to sales in year t less the ratio of receivables to sales in year t-1</td>
</tr>
<tr>
<td>Change in auditor (ΔCPA)</td>
<td>Dummy variable, if there is a change of Public Accounting Firm during the period 2013-2015 it is given a code 1, otherwise given the code 0</td>
</tr>
<tr>
<td>Rationalization (TATA)</td>
<td>Total accrual is calculated by the ratio of changes in working capital reduced cash changes reduced tax changes reduced total debt to total assets depreciation</td>
</tr>
</tbody>
</table>
Competence (DCHANGE) | Dummy variable, code 1 if there is a change of directors within the company, code 0 if there is no change of directors
--- | ---
Arrogance (CEOMIC) | total photos of CEOs posted in an annual report

**Source:** some supporting literature

**Population and Sample**

The population in this study are all manufacturing companies listed on the Indonesia Stock Exchange (BEI) in 2013-2016. Chooses an industry group that is manufacturing as a population to avoid bias caused by the effects of industry (industrial effects) (Muhammad, 2012). In addition, manufacturing companies tend to have characteristics similar accrual, as well as financial statement data of manufacturing more reliable in presentation of accounts in the financial statements as assets, liabilities, sales, and others (Halim et al., 2005). The sampling technique in this study using a non-random or purposive sampling. The criteria used in the sampling of this study are:

2. The company publishes its audited annual report on the company website or BEI website during the period 2013-2016 stated in Rupiah.
3. The company is not listed by BEI during the period 2013-2016.

Availability of all data related to complete research variables (the data is available as a whole in publications during the period 2013-2016).

**Analysis Method**

The method of analysis used in this study is multiple regression analysis with regression equation as follows:

\[
DACCit = \beta_0 + \beta_1 \text{ROA} + \beta_2 \text{ACHANGE} + \beta_3 \text{LEV} + \beta_4 \text{BDOUT} + \beta_5 \text{RECEIVABLE} + \beta_6 \text{ACP} + \beta_7 \text{TATA} + \beta_8 \text{DCHANGE} + \beta_9 \text{CEOMIC} + \epsilon
\]

Where:

- \(\beta_0\) : Constants
- \(\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7, \beta_8, \beta_9\) : The regression coefficients are respectively proxy
- DACCit : Discretionary accruals
- ROA : Return on Assets
- ACHANGE : The ratio of change of total assets
- LEV : The ratio of total liabilities to total assets
- BDOUT : Ratio of independent board of commissioners
- RECEIVABLE : Ratios of receivables change
- ΔCPA : Change of independent auditor
- TATA : The ratio of total accrual per total assets
- DCHANGE : Change in Board of Director
- CEOMIC : Number of CEO’s picture
- \(\epsilon\) : Error term

**RESULT AND DISCUSSION**

**Descriptive Statistic**

Here’s a table of descriptive statistical analysis that provides an overview of the data that is visible from a minimum value, maximum, average, and standard deviation of the variables tested.

<table>
<thead>
<tr>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>DACC</td>
<td>318</td>
<td>0.19</td>
<td>0.19</td>
<td>0.0001</td>
</tr>
<tr>
<td>ROA</td>
<td>318</td>
<td>0.24</td>
<td>0.66</td>
<td>0.0706</td>
</tr>
<tr>
<td>ACHANGE</td>
<td>318</td>
<td>-0.48</td>
<td>0.80</td>
<td>0.1134</td>
</tr>
<tr>
<td>LEV</td>
<td>318</td>
<td>-0.04</td>
<td>0.92</td>
<td>0.4348</td>
</tr>
<tr>
<td>BDOUT</td>
<td>318</td>
<td>0.00</td>
<td>0.80</td>
<td>0.3867</td>
</tr>
<tr>
<td>RECEIVABLE</td>
<td>318</td>
<td>-2.53</td>
<td>0.60</td>
<td>-0.0055</td>
</tr>
<tr>
<td>ΔCPA</td>
<td>318</td>
<td>0.00</td>
<td>1.00</td>
<td>0.1132</td>
</tr>
<tr>
<td>TATA</td>
<td>318</td>
<td>-0.81</td>
<td>0.72</td>
<td>-0.0071</td>
</tr>
<tr>
<td>DCHANGE</td>
<td>318</td>
<td>0.00</td>
<td>1.00</td>
<td>0.4748</td>
</tr>
<tr>
<td>CEOMIC</td>
<td>318</td>
<td>0.00</td>
<td>4.00</td>
<td>1.0314</td>
</tr>
</tbody>
</table>

**Valid N (listwise)**: 318

**Source:** secondary data that is processed

Based on the above table of 318 sample companies, DACC has an average of -0.0001. This means that the average company that performs an annual accrual discretional is -0.0001 of the total accruals in the published financial statements. Index of companies that do the smallest accrual discretional that is PT Dwi Aneka Jaya Kemasindo Tbk (DAIK) of -0.19. While the index of companies that do the largest accrual discretional that is PT Jembo Cable Company Tbk (JECC) of 0.19. The standard deviation shows the number 0.6589, which is greater than the mean value which means that the spread of the data is not evenly distributed.

Based on 318 sample companies, the average ROA is 0.0706. The smallest ROA value is obtained by -0.24 owned by PT Dwi Aneka Jaya Keamsindo Tbk (DAIK) in 2016. The largest ROA is owned by PT Multi Bintang Indonesia Tbk (MBLI) of 0.66 in 2013. The standard deviation of ROA shows the number 0.10430 which shows the number is greater than the average number.

Based on the table above, the average rate of change of assets (ACHANGE) of 318 manufacturing companies shows the number 0.1134. The lowest total asset change ratio is owned by PT Yana Prima Hasta Persada Tbk (YPAS) of -0.48 in 2014. Meanwhile, the highest asset change ratio is obtained by PT Ekadharma International Tbk (EKAD) valued at 0.80 in 2016. Standard deviation shows the number 0.17482.

Based on the above table, the leverage ratio of the company has an average of 0.4348. The smallest leverage value of the 0.04 of PT Jaya Pari Steel Tbk (JPRA) in 2013. While the value of greatest leverage is owned by PT Tirta Mahakam Resources Tbk (TIRT) of 0.92. Standard deviation indicates the number of 0.20870 leverage.

Based on the sample of 318 companies, tasi independent board sampled enterprises on average equal to 0.3867. The lowest commissioner ratio of 0.00 is owned by PT Alaska Industri Tbk (ALKA), PT Fajar Surya Wisesa Tbk (FASW), PT Panasia Indo Resources Tbk (HDTX), PT Multi Prima Sejahtera Tbk (LPIN), PT Lion Metal Works Tbk (LION), and PT Tria Sentosa (TRST). The highest independent board of commissioners ratio of 0.80 is owned by PT Suparna Tbk (SPMA) and PT Unilever Indonesia (UNVR). Standard deviation shows the number 0.14088 (smaller than average), meaning the data spread evenly.

Based on the sample of 318 companies, the ratio of change in receivables (Receivables) has an average of -0.0055. Values worth
-2.53 smallest ratio obtained by PT Kertas Basuki Rachmat Indonesia Tbk (embassy) in 2014. And the biggest ratio also obtained by PT Jaya Pari Steel Tbk (JPRS) Tbk in 2015 with a value of 0.60. Standard deviation of 0.1686 which shows a value greater than average.

Based on the sample of 318 companies, the change of auditor has an average of 0.1132, with a standard deviation has considerable value that is equal to 0.31735. The lowest value is 0 and the highest value is 1 where in the measurement of this variable the author uses dummy variables.

Based on the sample of 318 companies, the ratio of total accruals to total assets (TATA) have an average worth of -0.0071. The lowest TATA value obtained is -0.81 at PT Multi Bintang Indonesia Tbk (MLBI) in 2014. While the highest TATA value is also owned by MLBI valued at 0.72 in 2013. The standard deviation of TATA shows the number 0.11766 (greater than the average) average.

Based on the above table, the change of directors (DCHANGE) with the amount of data 318 has the lowest value of 0 and the highest grade 1 (using dummy variables). The average turnover of directors showed a value of 0.4748, which means that the turnover of directors of the company's data collected quite high at 47.48% with a standard deviation large enough worth 0.50015.

Based on the sample of 318 companies, the number of photos that are displayed CEO (CEOPI) has an average of 1.0314. This CEOPI variable is calculated using the interval scale with the highest grade of 4 which is owned by PT Ricky Putra Globalindo (RICY). While the lowest interval class is 0, where no CEO photo is displayed in the company's annual report. The standard deviation shows the number 1.02049 that is less than the average.

**Discussion of Research Results**

Based on the output of SPSS 21, figures adjusted R-square is 0.077. This means that 7.7% of the variation can be explained by variations DACC ninth independent variable financial targets, financial stability, external pressure, ineffective monitoring, nature of industry, change in auditors, rationalization, competence, and arrogance. While the remaining 92.3% (100% - 7.7%) is explained by other factors not described in the research model. Based on the results of the F test or anova obtained value of F arithmetic of 3.958 with a probability (significant) 0.000. Significant because much smaller than 0.05, it indicates that together or independent variables simultaneously financial targets, financial stability, external pressure, ineffective monitoring, nature of industry, change in auditors, rationalization, change of directors, and the number of CEO's picture effect in detecting fraudulent financial statements. Hypothesis Test Result is shown in Table 3 as follows:

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.011</td>
<td>.014</td>
<td>.853</td>
<td>.407</td>
</tr>
<tr>
<td>ROA</td>
<td>-.028</td>
<td>.038</td>
<td>-.044</td>
<td>-.728</td>
</tr>
<tr>
<td>ACHANGE</td>
<td>.070</td>
<td>.021</td>
<td>.201</td>
<td>3.599</td>
</tr>
<tr>
<td>LEV</td>
<td>-.050</td>
<td>.018</td>
<td>-.160</td>
<td>-.277</td>
</tr>
<tr>
<td>BDOUT</td>
<td>.033</td>
<td>.027</td>
<td>.071</td>
<td>1.255</td>
</tr>
<tr>
<td>RECEIVABLE</td>
<td>.025</td>
<td>.022</td>
<td>.063</td>
<td>1.138</td>
</tr>
<tr>
<td>ΔCPA</td>
<td>-.027</td>
<td>.012</td>
<td>-.131</td>
<td>-2.347</td>
</tr>
<tr>
<td>TATA</td>
<td>.043</td>
<td>.030</td>
<td>.078</td>
<td>1.399</td>
</tr>
<tr>
<td>DCHANGE</td>
<td>-.014</td>
<td>.007</td>
<td>-.138</td>
<td>-2.530</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CEOPIC</th>
<th>.003</th>
<th>.004</th>
<th>.043</th>
<th>.781</th>
<th>.435</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Dependent Variable: DACC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: SPSS 21 data processing

The first hypothesis in this netilatian pe namely financial targets in detecting fraud affects the financial statements. Research results in Table 3 shows that t value of -0.728 with a significant level of 0.467 which is greater than 0.05 and the regression coefficient (β) negative at -0.028. The negative value on the regression coefficient shows the opposite relationship between the independent variable and the dependent variable. This means that for every increase in ROA of 0.01 would reduce financial fraud detection oran lap of -0.028. A significant level of greater than 0.05 indicates that H1 is rejected so that it can be said that the financial targets in detecting fraud did not affect the financial statements. High ROA (profitability) of the company is not necessarily indicative of fraudulent financial statements in it. Increase in ROA could be caused by improvements in operational quality and company performance such as modernization of information systems. The results support the results of SIH and Rahardjo (2014), Tessa and Harto (2016), and also research Skousen et al. (2009) which states that the financial targets that are measured by ROA does not affect the financial statement fraud.

The second hypothesis is that financial stability in detecting fraud affects the financial statements. This second hypothesis testing based on table 3 shows the t value of 3.599 with 0.000 significance and the regression coefficient (β) of 0.076. A positive value on the regression coefficients showed unidirectional relationship between the variables of financial stability to the financial statement fraud. Significant 0.000 level which is less than 0.05 means that H2 is received, so it can be said that financial stability in detecting fraud affects the financial statements. In reaching its financial targets, the company will be encouraged to utilize the accounting method to increase or decrease the value of corporate assets such as mechanisms fair value and capitalization of assets (Albrecht, 2002). The asset growth rate is used to view the financial stability of the company. Excessive asset growth is also not good for the company. Obviously, if assets experience high growth, then the management will manipulate financial statements to keep the company's financial condition stable. So that asset growth is related to fraudulent financial report. The results support the results of research conducted by Skousen et al. (2009), Siombong and Rahardjo (2014), Tessa and Harto (2016) and Aprilia (2017) which states that financial stability in fraudulent financial statement impact.

Hypothesis third in this research that external pressure effect in detecting fraudulent financial statements. Based on the results of testing table 3 to leverage the value of -2.771 with significance 0.006 and the regression coefficient (β) -0.50. Signs negative the regression coefficient shows the relationship between the independent variable in the opposite direction to the external pressure fraud detection financial statements. Based on the level of significance of less than 0.05 0.006 prove that H3 received, so it can be said that the external pressure effect in detecting fraudulent financial statements. Some companies choose to lend as a source of operational funding company. If the high liability level will make the management of the company becomes more difficult in making predictions of the way the company going forward. That is, the greater the debt owned by the company, the more strict supervision made by creditors, so that management flexibility to commit fraud is reduced. The results of this study are consistent with the research of Lou and Wang (2009), Sihombing and Rajardjo (2014), and Tessa and Harto (2016) in which external pressure influence in fraudulent financial statement. However, this contradicts the
research study Oktarigusta (2016) which states that the external pressure does not affect the financial statement fraud.

The fourth hypothesis is ineffective monitoring of impact in detecting fraudulent financial statements. T-test research results in Table 3 shows the t value of 1.255 with 0.210 significance and value ko efficient regression (β) of 0.033. A positive sign in the regression coefficient indicates the direction of the relationship between the independent variable ineffective monitoring with DACC variable means to rise 0.01 ineffective monitoring it will also increase the n use values DACC amounted to 0.033. However, based on the level of significance of 0.210 which is above 0.05 means that H is rejected, it may be said in partial, ineffective monitoring no effect in detecting fraudulent financial statements. In general, the presence of independent board will give some assurance to the oversight of a company. However, the amount or the number of independent board has not provided a guarantee to improve the operational control of the company. It is caused when there is intervention to the independent board, so that supervision within the company becomes objective. The results of this study contradict the research conducted by Oktarigusta (2016) which states that the effectiveness of supervision proxied by the number of independent board effect on the financial statements fraud. However, this study are consistent with results of research Sihombing and Rahardjo (2014) where the ineffective monitoring effect on fraudulent financial statement.

The fifth hypothesis that the nature of industry influence in detecting fraudulent financial statements. The fifth hypothesis testing based on table 3 shows the t value of -1.138 with a significance of 0.256, and the coefficient of Recourse t (β) worth -0.025. The negative sign in the regression coefficient indicates the opposite direction relationship between the independent variable nature of the industry with the dependent variable DACC. So, for a 0.01 rise in the nature of the industry will lower the value of DACC amounted to -0.025. The significance level of 0.256 which is greater than 0.05 also shows that H is was rejected, meaning there is no influence of the nature of the industry in detecting fraudulent financial statements. The Company minimizes the amount of receivables and improve cash receipts. In this study, based on table 4.2 companies sampled had an average percentage of receivables that low, -,-0.055, or -0.5%. So that the condition under control receivables and cash receipts smoothly, it enables companies to not manipulate the financial statements. The results of this study are consistent with research Skousen et al (2009). However, this study contradicts with Sihombing research and Rahardjo (2014), which states the nature of the industry affect the financial statement fraud.

The sixth hypothesis that changes in auditors influential in detecting fraudulent financial statements. Based on Table 3 the results of the t test for change in the auditor of -2.347 with significance of 0.020 and n use values of regression coefficient (β) of -0.027. The negative sign in the regression coefficient shows the relationship between the variables in the opposite direction change in auditors with fraudulent financial statements. The significance level was worth 0.020 which is less than 0.05 also means that H is received. This means changes in auditors influential in detecting fraudulent financial statements. The Company made the turn auditor to reduce the detection of fraudulent financial statements by auditors old. Thus, with the change of auditors, financial statement fraud detection probability is smaller. The results of this study contradict the research Sihombing and Rahardjo (2014) and Tessa and Harto (2016) which states that the change in auditors walk in influence on fraudulent financial statement.

Hypothesis seventh namely rationalization in detecting fraudulent financial statements. The results of hypothesis testing based on table 4.7 shows t value of 1.399 with 0.163 significance and worth of the regression coefficient of 0.043. A positive sign of regression coefficients showed unidirectional relationship between variables rationalization with fraud detection financial statements. The level of significance was greater than 0.05 also shows that H is rejected, it may be said that in partial rationalization no effect in detecting fraudulent financial statements. Total accrual reflects the company's overall activity (Vermeer, 2003, in Sihombing and Rahardjo, 2014). Companies accrual rate will vary depending on specific policy-related management decisions. However, in this case the value of accruals not utilized management to manipulate financial statements, but to present the company's performance and financial position based on the actual transactions. This study is consistent with research Skousen et. al (2009), but contrary to research Sihombing and Rahardjo (2014).

The eighth hypothesis that turnover influential directors in detecting fraudulent financial statements. The test results based on table 4.7 describes the t value of -2.530 with significance 0.012 and the regression coefficient (β) worth -0.018. The negative sign in the regression coefficient shows the relationship between the independent variable in the opposite direction to replace any directors with fraud detection financial statements. However, the significance level was LEB ih than 0.05 showed that H is received, so it can be said that partially, the change of influential directors in detecting fraudulent financial statements. This can happen if companies make the turn of directors to cover the fraud that has been done the previous directors. New Directors takes time to adapt to the company's financial information. Thus, with the change of directors will be a little difficult to detect fraud committed by previous directors. The results of this study contradict the research conducted Sihombing and Rahardjo (2014) and Tessa and Harto (2016) which showed that the change does not affect the directors of fraudulent financial statement.

The ninth hypothesis that number of CEO's picture influential in detecting fraudulent financial statements. The test results based on Table 3 shows the t value of 0.781 with 0.435 significance and value of the regression coefficient of 0.003. A positive sign in the regression coefficient indicates the direction of the relationship between the independent variable number of CEO's picture with the dependent variable. However, the significance level was greater than 0.05 indicates that H is rejected, so it can be said that in partial number of the CEO's picture no effect in detecting fraudulent financial statements. This is due to of all companies in the research samples are not many companies who put pictures of CEO in the annual report that the number of photos that lined the CEO can not be used as factors indications of manipulation of financial statements. This study contradicts with Tessa research and Harto (2016) which states that the number of CEO's picture effect on the financial statement fraud.

CONCLUSION
The results showed that the variables of financial stability that is proxied by the ratio of the change in total assets, the variable external pressure which is proxied by the ratio of leverage, the variable rationalization proxied by the change in auditors, and the turnover variable influential directors in detecting fraudulent financial statements. However, this study was not me mbukitian the influence of variable financial pressure proxied by the ROA ratio, variable ineffective monitoring proxied by the ratio of independent board, the variable nature of the industry proxied the ratio of change in receivables, variable rationalization with TATA, and a variable number of CEO's picture in detecting fraudulent financial statements.

Limitations of this study are:
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