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Fraudulent Financial Reporting with Fraud Pentagon Perspective: The Role of Corporate Governance as Moderator

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ABSTRACT: The purpose of this study is to investigate the impact of fraud pentagon theory (pressure, opportunity, rationalization, capability, and arrogance) with the importance of corporate governance on the detection of fraudulent financial reporting in the Indonesia property and real estate sector from 2019-2021. The statistical technique used in this research is panel data with multiple regression analysis methods with PLS (Partial Least Square) Smart PLS 3 software. Purposive sampling became the sampling technique used in the research and obtained 132 sample data units. The findings in this study show financial stability and effective monitoring have a significant effect in detecting an indication of fraudulent financial reporting. Meanwhile, financial target, external pressure, total accruals, change in director, and CEO duality do not affect the detection indication of fraudulent financial reporting. However, corporate governance consisting of audit committee and institutional ownership did not moderate the effect of fraud pentagon elements on indication of fraudulent financial reporting. This study concludes that pressure factor can trigger companies to carry out fraudulent financial reporting. Furthermore, effective monitoring can be used by business entities to reduce opportunities in accordance to minimize the occurrence of fraudulent financial reporting practices in a sustainable business climate within the company.

KEYWORDS : *Fraudulent Financial Reporting, Fraud Pentagon Theory, Corporate Governance, Audit Committee, Institutional Ownership*

I. INTRODUCTION

The company management basically is aware that the information contained in the financial statements is an important matter so the company management will try to describe the condition of the company transparently to stakeholders. However, in practice, company management often tries to cover up the actual conditions by engineering the company's financial reporting so that the company's performance looks good without thinking about the impact on the company's reputation and good name (Andriani et al., 2022).

The existence of the potential to get profit bonuses can encourage company management to manipulate financial information. This will encourage management to intervene by manipulating the company's financial information to make financial reports look good and attractive to investors (Hamadi et al., 2022). This fraudulent activity carried out by manipulation is referred to as an act of fraud. This fraud occurs when the financial reporting information presented only refers to the interests of certain parties, namely management and does not show actual financial conditions (Mintara and Hapsari,2021). Financial presentation and reporting that is carried out fraudulently and does not reflect reality is what is called fraudulent financial reporting.

Cases of fraud in financial reporting are still a frequent phenomenon and have turned into a big problem that needs to be addressed immediately because it will trigger worrisome vulnerabilities for the continuity of the company and can even have an impact on business losses and bankruptcy (Andriani et al., 2022). Even though the company has implemented good corporate governance procedures, there is still the possibility of fraud occurring even in many sectors of the company (Rahayuningsih and Sukirman, 2021).

With observation look at the results of a survey conducted by the International Association of Certified Fraud Examiners (ACFE) in late March and April 2021, it was stated that 51 percent of respondents felt that the organization where they worked found more fraud cases, and 71 percent of respondents also felt the more impact of fraud cases during the COVID-19 pandemic (Santia, 2021). Then referring to the results of the ACFE release in 2022 regarding the number of fraud cases that occurred in the Asia-Pacific region, Indonesia contributed 25 cases out of a total of 194 cases that occurred (ACFE, 2022). Even though there has been an improvement in ranking compared to the survey in 2020, Indonesia is still in the top 4 ranking for the largest contributors of fraud cases after Australia, China, and Malaysia. When referring to the results of the publication

of the Occupational Fraud survey 2022: a Report to the Nations released by ACFE, it can be observed that the real estate industry contributed the largest median loss from fraud, which was USD435,000, followed by the wholesale trade sector with the next highest median loss of USD400,000 (ACFE, 2022).

A Case of fraud in financial reporting has also happened to a company engaged in the property and real estate sector in Indonesia, namely PT. Hanson International Tbk. which was revealed in 2019. Where the company carried out fraudulent financial reporting on the company's annual financial statements for the 2016 financial year period. From the results of the investigation by the Financial Services Authority (OJK), it was found that a violation had been committed, namely the recognition of revenue with the full accrual method for transactions with a value of gross 732 billion rupiahs but without including the PPJB (Binding Sale and Purchase Agreement) for the ready-to-build plots (Kasiba) project from the company in the Serpong Kencana Housing project dated 14 July 2016 in the 2016 financial report (Wicaksono, 2019). So, it was concluded that there was a violation of Indonesia Financial Accounting Standard 44 concerning Accounting for Real Estate Activities (PSAK 44) and there was overstated income in the financial statements of 613 billion rupiahs. This violation of PSAK 44 occurred because sales revenue could only be recognized using the full accrual method as long as it met the criteria, including the completion of a Sale and Purchase Agreement (PPJB) which PT Hanson could not prove. Finally, because of this manipulation, OJK fined PT Hanson 500 million rupiahs and had to restate its financial statements for the 2016 period (Idris, 2020).

Therefore, it needs to be an important concern for companies to be able to detect indications of fraudulent financial reporting since its initial phase (Anggraini and Suryani, 2021). Because if you consider it from a prevention perspective, it will be far better and more effective than the impact of fraudulent financial reporting has occurred, which is usually unrecoverable (Novita, 2019). Singleton and Singleton (2010) in their book once stated that fraud includes all kinds of ways that rely on human intelligence, which are carried out by one or more individuals to benefit from other people and can detect indications of fraudulent financial reporting that may occur by using several financial ratios. Various studies have been conducted regarding the existence of fraudulent financial reporting practices that occur, including by Andriani et al. (2022), Dewi and Anisykurlillah (2021), Tinambunan and Januarti (2022), Koharudin and Januarti (2021), Wicaksana and Suryandari (2019), Fitriyah and Novita (2021), also with Agustini and Iskak (2021), especially regarding the perspectives of fraud pentagon theory in triggering fraudulent financial reporting.

One mechanism that can be used by companies to improve the quality of their financial reporting and reduce fraudulent behavior is by applying effective corporate governance or known as Good Corporate Governance (GCG). The Forum for Corporate Governance in Indonesia (FCGI), defines Good Corporate Governance as a set of regulations governing the relationship between company managers, shareholders, creditors, government, employees, and other stakeholders relating to their rights and obligations or a system that regulates and controls the business entity. The purpose of corporate governance is to create added value for the stakeholders involved in the company (Kelvianto and Mustamu, 2018).

For an example is the ownership structure of company shares divided into concentrated ownership, managerial ownership, and institutional ownership. This mechanism can be applied in companies to improve the quality of company performance and supervision so that it can gain public trust in companies (Lestari and Murtanto, 2017). However, in practice, the implementation of good corporate governance in Indonesian business entities is still not effective. When referring to the results of research conducted by the ASEAN Corporate Governance Association (ACGA) in 2018 regarding the implementation of an entity's good corporate governance, Indonesia is ranked last out of 12 countries in ASEAN (Suhartadi, 2021).

If the corporate governance mechanism is implemented properly, it can benefit stakeholders by improving the quality of service, otherwise, if the implementation is not good, it will damage the company's image in the eyes of stakeholders (Riandani and Rahmawati, 2019). Because audit committees and institutional ownership are part of corporate governance, they can become study material to test the moderating effect of pentagon fraud on indications of fraudulent financial reporting practices (Hadiani et al., 2022). A similar result was also shown by Pamungkas et al. (2018) who state that institutional ownership representing corporate governance procedures can weaken the influence of change in directors on fraudulent financial reporting.

Then the study of Dewi and Anisykurlillah (2021) along with Indriyani and Suryandari (2021) argued that the corporate governance mechanism represented by the audit committee can weaken the influence of pressure on indications of fraudulent financial reporting. Apart from that, the contradictory results presented by Luhri et al. (2021) also Agustini and Iskak (2021) which state that the audit committee is unable to moderate the influence of the pentagon fraud element on the practice of fraudulent financial reporting in business entities.

Based on the facts and background above, it can be seen that the practice of fraudulent financial reporting is still rife, especially in business entities in Indonesia. Apart from that, there are still some inconsistent results between the various results from previous studies that make it interesting to test and obtain empirical evidence regarding the influence of pressure, opportunity, rationalization, capability, and arrogance as factors that can cause indications of financial fraud. reporting and its relation to the role of corporate governance to weaken the influence of pressure, opportunity, rationalization, capability, and arrogance on any indications of

fraudulent financial reporting that may occur in Indonesia. So, understanding the role of these elements is expected to minimize the risk of fraudulent financial reporting that can occur.

This research is expected to contribute in the form of additions to scientific fields and answer problems that may exist in indications of fraudulent financial reporting occurring, as well as integrate agency theory with various factors that can lead to fraudulent financial reporting from the perspective of the pentagon fraud theory. So that it can add information and advice for company managers, shareholders, and stakeholders in making strategic decisions in detecting early symptoms and minimizing the potential for fraud in the financial reporting of business entities by the application of the principles of good corporate governance. It is also hoped that it will be able to assist regulators, especially the OJK, in producing new anti-fraud pillar regulations as a development of POJK No. 39/POJK. 03/2019 concerning the Implementation of the Anti-Fraud Strategy for Commercial Banks as a rule that can accommodate all non-banking companies in dealing with fraud and corporate governance problems in companies so as not to harm the public interest in the future.

II. CONCEPTUAL MODEL AND HYPOTHESIS

In its implications with the Agency Theory, it is explained that management, which is referred to as an agent, with all its goals and interests to get incentives for funds entrusted to be managed in the company's operations can trigger a conflict of interest with the principal as the owner of the company. Different circumstances can be the forerunner of information asymmetry within the company due to the unequal distribution of information between the two parties in the employment contract relationship. In this case, the principal is required to have information to be able to measure the performance of the agent, namely the management that they delegated in managing the business. Even though, in reality, the information cannot be fully obtained from the agent and can be used by management to achieve its own goals by all means including by committing fraud in existing financial reporting (Jensen and Meckling, 1976).

Various theories of fraud have been used to explain the factors that occur and make fraud indications detectable (Tinambunan and Januarti, 2021). Initially, a criminologist named Donald Cressey coined the Fraud Triangle theory to explain the elements of fraud and trust violations in 1953 (Mohamed et al., 2021). Based on the publication, it is stated about three elements or reasons that can trigger the emergence of fraud, including rationalization, opportunity, and pressure in the person's consciousness (Cressey, 1953). Then Wolfe and Hermanson (2004) developed a second theory by expanding the existing Fraud Triangle theory, by adding a component of the capability of a person to take advantage of loopholes in the company's system which later became known as the Fraud Diamond theory. Furthermore, Crowe Horwath in 2011 described further development of existing theories. This development finally completes the fraud theory into five indicator elements, by adding an element of arrogance to the model as a development of capability, thus forming Crowe's Fraud Pentagon theory (Horwath, 2011). Although there have been several studies that have focused on proving the Pentagon Fraud theory, the results are still varied and tend to be inconsistent, so it is interesting to study and test the causes of fraudulent financial reporting based on existing references to the existing fraud pentagon theory.

As related to the Fraud Pentagon Theory, as long as management has good pressure from inside within the organization, for example, to get bonuses and incentives if performance is considered good, or from external sources such as targets set, demands for stable financial reports in reporting management performance results, as well as demands and challenges to solve problems when the company is in an unstable financial condition. In addition, some opportunities are open and become gaps that are not supervised by the principal that can be exploited by management in implementing its plans with the intention that management will evaluate its performance well and obtain the maximum benefit for personal prosperity and welfare. Then, the existence of rationalization can also be used as an excuse for management as an agent in the company to justify on the grounds of service and contribution to the running of the company even though by practicing fraud.

Capabilities or competencies that are more owned by management in understanding the ins and outs of company operations can also often be used by management to manipulate financial reporting due to the nescience of the owners and shareholders of the company. Coupled with the presence of arrogance because management is given the power and role in managing a company that has a significant impact trusted by the shareholders, so they have the confidence to act freely without fear of being hindered by control from the principal, namely the owner of the company, including committing fraudulent financial reporting. Fraudulent Financial Reporting can be defined as a deliberate misrepresentation of the financial condition of a company that is carried out through intentional misrepresentation or omission of certain amounts or also by disclosure in financial statements that is intended to deceive users of financial statements (ACFE, 2020:1203). Fraudulent financial reporting can also be interpreted as a conscious and intentional misstatement, omission of a certain amount, or disclosure to deceive users of financial statements (Arens et al., 2018:90).

One of the proxies that can be used to describe the element of pressure in the pentagon fraud theory is the financial target (Skousen et al., 2009). Financial target is a pressure that can arise for internal parties determined by the company so that they can be realized by management as the organizer of the company. So, in the purpose to achieve this financial target, management is expected and demanded to be able to give their best performance in running the company (Hadiani et al., 2022). Therefore, in implementing its performance, company managers are expected to be able to meet the financial targets that have been set in the matter to be able to attract investors (Tinambunan and Januarti, 2021).

Although in the studies of Tinambunan and Januarti (2021), Koharudin and Januarti (2021), Indriyani and Suryandari (2021), Yulianti et al. (2019), Wicaksana and Suryandari (2019), and Pamungkas et al. (2018) has not been able to prove that there is an effect of financial target on indications of fraudulent financial reporting. However, the results of research conducted by Andriani et al. (2022) found evidence that fraudulent financial reporting is significantly influenced in a positive direction by financial target. With all company information owned by managers compared to that owned by shareholders, managers will have more opportunities to practice fraudulent financial reporting to achieve their financial targets. These results are also consistent with the results from the publication of Mintara and Hapsari (2021), Hadiani et al. (2022), Novita (2019), and Fitri et al. (2019). Therefore, the formulation of the first hypothesis can be described as follows:

H_1: Financial target has a positive effect on the detection of Fraudulent Financial Reporting indications.

Financial stability is a condition that is an indicator of the company's finances from the level of stability of the company business (Wicaksana and Suryandari, 2019). The financial stability of a company is also strongly influenced by various factors such as the economy or the conditions of the industry. When economic and industrial conditions are not good, this can lead to management tendencies to take unethical methods and take advantage of their power as meant in agency theory to cover up the company's bad and declining financial conditions (Koharudin and Januarti, 2021). Management is often under pressure to show that the company has been able to manage its assets properly so that the profits generated are also large and will generate high returns for investors. For this reason, management uses financial reports as a tool to cover up poor financial stability by practicing fraudulent financial reporting (Christian et al., 2019).

Even though there are disclosing contradictory results from research conducted by Andriani et al. (2022), Yulianti et al. (2019), Indriyani and Suryandari (2021), Mintara and Hapsari (2021), as well as Mappadang and Yuliansyah (2021) which state that there is no effect of financial stability will be an indication of fraudulent financial reporting. However, according to Wicaksana and Suryandari (2019), when a company's financial stability is in threatened condition, it will trigger pressure on management so that it can justify various ways so that the company's financial stability is assessed as in good condition by investors. When referring to research conducted by Skousen et al. (2009) stated that indications of financial stability proved to have a positive and significant influence on indications of fraudulent financial reporting. This conclusion is also in line with the results of research conducted by Fitriyah and Novita (2021), Tinambunan and Januarti (2022), Wicaksana and Suryandari (2019), Siddiq et al. (2017), Luhri et al. (2019), Riandani and Rahmawati (2019), Koharudin and Januarti (2021).

An assessment of the company's stable financial condition can be reflected in the condition of its assets. Therefore, for financial stability it is proxied by the ratio of changes in total assets. If the ratio of changes in the number of company assets is too large, it might be an indication of fraudulent financial reporting (Tinambunan and Januarti, 2021). So that it can be said that the existence of financial stability of the company as measured by significant asset considerations, can be an indication that fraudulent financial reporting has occurred which is done to attract the attention of investors to assess that management has carried out its performance well. So, the formulation of the second hypothesis can be described as follows:

H_2: Financial stability has a positive effect on the detection of Fraudulent Financial Reporting indications.

Referring to agency theory can be seen that it is related to external pressure, namely the difference in interests between the principal and the agent and the existence of pressure to obtain funds to manage the company from external parties. In reality, it can put pressure on management to be able to meet existing expectations and as a form of responsibility to external parties by producing financial reporting that looks good even though it is done dishonestly and unethically. Skousen et al. (2009) also stated that external pressure is related to debts that must be paid by the company on time. When a company has high leverage, it means that it has a large loan and credit risk. Because it has greater credit risk, there is a high concern if investors are associated with the company's inability to pay off the capital loans provided. Therefore, companies are trying to find ways to save themselves to be considered capable of repaying their loans (Yulianti et al., 2019). So that, when a company has a large debt and a greater risk of loss, on the other hand, it can raise the potential for fraudulent financial reporting because companies are required to have a high return to convince creditors that they can pay their debts (Koharudin and Januarti, 2021).

In practice, the level of corporate debt may also not motivate companies to carry out fraudulent financial reporting due to supervision from creditors as based on the results disclosed by Koharudin and Januarti (2021), Tinambunan and Januarti (2021), Yulianti et al. (2019), Rahayuningsih and Sukirman (2021), and Mappadang and Yuliansyah (2021). While facing challenges related to corporate financial reporting, research from Andriani et al. (2022), Indriyani and Suryandari (2021), Fitri et al. (2019), Quraini and Rimawati (2019) found that there was an influence in a positive direction between external pressure and indications of fraudulent financial reporting practices that occurred. Based on this, the third hypothesis can be formulated as follows:
H_3: External pressure has a positive effect on the detection of Fraudulent Financial Reporting indications.

In agency theory, company owners do not have as much information as management. Thus, supervision is needed to ensure that management has acted in line with the interests of company owners (Dewi and Anisykurlillah, 2021). Fraud can occur because there are certain loopholes that are deliberately exploited by agents (company managers) in this case agents know exactly the opportunities and know how to cover them so that the fraudulent actions are not known to the principal (Andriani et al., 2022). So, it can be seen that in order to control management performance and create harmony between management and owners, effective monitoring from an independent party is needed to prevent the possibility of management fraud (Luhri et al., 2021).

Although different opinions were expressed by the studies of Dewi and Anisykurlillah (2021), Indriyani and Suryandari (2021), Wicaksana and Suryandari (2019), Simaremare et al. (2019), Hadiani et al. (2022), Pamungkas et al. (2018), also Mintara and Hapsari (2021) which explained that effective monitoring does not affect indications that companies are committing fraudulent financial reporting. However, the risk of fraudulent financial reporting will be greater for companies in industries that involve significant judgments and estimates. So, effective monitoring is needed to reduce the potential and indications of fraudulent financial reporting within the company. This view is in line with the views contained in the research results of Mappadang and Yuliansyah (2021), Tinambunan and Januarti (2022), Andriani et al. (2022), Fitri et al. (2019), Riandani and Rahmawati (2019) who argued that the existence of effective monitoring can have a significant negative effect on indications of fraudulent financial reporting. Therefore, the fourth hypothesis can be put forward as follows:
H_4: Effective monitoring has a negative effect on the detection of Fraudulent Financial Reporting indications.

Rationalization makes the perpetrators of fraud justify what they are doing. Rationalization is loaded with the company's subjective judgments which are reflected in the company's accrual value (Simaremare et al., 2019). The company's total accruals are related to agency theory, where subjective judgments and decision-making will be reflected in the company's accrual value, meaning that the recording is carried out based on the recognition of rights and obligations. Therefore, there is a possibility of justification and justification if fraud occurs (Indriyani and Suryandari, 2021). The accrual principle can be used by management to change profits so that it can be included as fraudulent financial reporting. The higher the ratio of total accruals per total assets, the higher the rationalization of indications of fraudulent financial reporting (Mintara and Hapsari, 2021).

Because of the limited rationality of management and the surrounding environment by utilizing the accrual component. Likewise, the results of research conducted by Indriyani and Suryandari (2021) along with Septriani and Handayani (2018), concluded that total accruals are not related to the occurrence of fraudulent indications in the company's financial reporting.This view is consistent when referring to the results of a study conducted by Simaremare et al. (2021), Agustini and Iskak (2021), Mappadang and Yuliansyah (2021), and Hasyim et al. (2019) which suggests that total accruals can have a positive effect on indications of fraudulent financial reporting. Based on this, the fifth hypothesis can be formulated as follows:
H_5: Total accruals has a positive effect on the detection of Fraudulent Financial Reporting indications.

Capability can be interpreted as the skill of employees in fulfilling their functions and roles in the company with all its goals and interests. One of the causes of many frauds is when there are parties who have the competence and capability to commit fraud because even though the perpetrators have pressure, as well as opportunities, without the competence and capabilities of the perpetrators, the tendency to commit fraudulent acts is smaller (Koharudin and Januarti, 2021). Agency theory explains the relationship between management having authority over decision-making within the company. This authority is generally owned by the board of directors of the company. This view is in line with the definition of capability, namely the ability of company management that is usually owned by officials who play a crucial role in the organizational structure such as the board of directors of a company, which if it does not support the decision to commit fraud, then its position can be replaced to cover fraudulent financial reporting efforts that might be carried out (Luhri et al., 2021). Change in directors shows that a rotation in director structure can lead to a stress period which can open up opportunities for fraud at that time so a change in CEO or directors can indicate fraud (Wolfe and Hermanson, 2004).

From the scientific view of Akbar (2017), it has been revealed that fraud can occur because the perpetrator has the capability and strategic role within the company. The position of directors in a company is a position that obtains various kinds of information from various sources so that their role is vulnerable to being exploited for the occurrence of fraudulent financial statements (Apriliana and Agustina, 2017). Even though there are contradictions with test results from Tinambunan and Januarti (2021), Fitriyah and Novita (2021), Andriani et al. (2022), Koharudin and Januarti (2021), along with Indriyani and Suryandari (2021) which state that there is no relationship between change in directors and indications of fraud in the company's financial reporting. There is still a view that states that there is an influence with a positive direction from the change in director on indications of fraudulent financial statements submitted by the research of Koharudin and Januarti (2021), Pamungkas et al. (2018), Hashim et al. (2019), and also with Riandani and Rahmawati (2019). Hence, it can be described the formulation of the sixth hypothesis as follows:

H_6: Change in director has a positive effect on the detection of Fraudulent Financial Reporting indications.

CEO duality is related to agency theory, in which a CEO who holds more than one position creates an arrogant attitude so that he can freely use his power to commit acts of fraud (Indriyani and Suryandari, 2021). Viewed from the perspective of agency theory, CEO duality can hinder the management function of the board of directors as well as the function of the board of commissioners to oversee the performance of the board of directors. So that can cause conflicts of interest to increase and the low supervisory function becomes ineffective which can be used by some parties to commit financial fraud (Rahayuningsih and Sukirman, 2021). According to the fraud pentagon theory, one of the causes of fraud is arrogance. Arrogance is measured by CEO duality which is defined as a CEO or director who has more than one position at a time in a company. Indonesia follows the two-tier board concept which differentiates the functions of the board of directors as executors and the board of commissioners as company supervisors (Rahayuningsih and Sukirman, 2021). This condition resulted in many cases where children became directors and parents became commissioners. This resulted in centralized power resulting in higher arrogance. This attitude makes a person feel entitled to do something and assumes that the existing internal controls are not a barrier. Thus, this condition will trigger management discretion, which is a condition in which management has more freedom to consider and make decisions (Dewi and Anisykurlillah, 2021).

Although research published by Dewi and Anisykurlillah (2021), Hadiani et al. (2022), Indriyani and Suryandari (2021) argue that with or without CEO Duality, companies will still be able to carry out fraudulent financial reporting practices. But in the end, with all the arrogance and discretion due to this position, it opens up opportunities for fraudulent financial reporting to become even wider. Similar conclusions were expressed by research conducted by Rahayuningsih and Sukirman (2021), Yang et al. (2017), along with Widyatama and Setiawati (2020) who found a positive effect of CEO duality on indications of fraudulent financial reporting. Therefore, the seventh hypothesis can be formed:

H_7: CEO duality has a positive effect on the detection of Fraudulent Financial Reporting indications.

In general, corporate governance mechanisms can be classified into two interrelated categories, namely firm-specific internal mechanisms, such as company ownership and supervisory structures. The second category is country-specific external mechanisms, such as rights outside of shareholders, rule of law, and market mechanisms for company control. Without this external protection mechanism, outside investors will find it difficult to protect against management intervention in their rights (Lins and Warnock, 2004). Internal firm-specific mechanisms can consist of the company's control structure and the company ownership structure. Where the ownership of the company determines the relationship between company managers and investors from outside the company. Meanwhile, the corporate control structure contains mechanisms and structures that function as oversight of the performance of company managers, in this case, management. So that in carrying out this research the corporate governance of the company will be assessed using the audit committee as control over the company and institutional ownership to represent the ownership structure of the business entity.

Every company in its operations is required to produce a good performance to bring in continuous profits to generate profits and achieve expected financial targets (Santoso, 2019). Companies with audit committees that carry out their functions effectively will make the company comply with the implementation of good corporate governance components, even though there is pressure on the company's operations by not committing fraud (Lastanti, 2020). The existence of an audit committee can provide a supervisory role on the performance of the company's management so that due to the supervision of the audit committee, management is not free to commit fraud by trying to increase the company's profitability to achieve the company's financial targets so that its performance is considered good by investors. Research from Santoso (2019) along with Indriyani and Suryandari (2021) proves that there is a role for an independent audit committee in its function as a moderator by weakening the positive influence of the company's financial targets on indications of fraudulent financial reporting that the company might do. Meanwhile, according to Hadiani et al. (2022) also with

Mardiana and Jantong (2020), can be inferred that an audit committee still not weakening the pressure that financial targets generate on indications of fraudulent financial reporting.

H_8: Audit committee weakens the positive effect of financial target on detection of Fraudulent Financial Reporting indications.

In proving research conducted by Januanto (2018) states that even though a company is in an unstable financial condition or vice versa in a state of financial stability, the performance of the audit committee is running as it should, the company's corporate governance will be in good condition, not creating pressure on the management parties to perform fraudulent financial reporting. In contrast to the results of research from Nurhasanah and Purnamasari (2022) which suggests that the audit committee does not moderate the effect of financial stability on fraudulent financial statements. In the view of Indriyani and Suryandari (2021) it is stated that even though the audit committee can provide accurate information regarding the company's financial stability, it is still not able to weaken indications and threats of fraudulent financial reporting.

H_9: Audit committee weakens the positive effect of financial stability on detection of Fraudulent Financial Reporting indications.

With the existence of an audit committee as a good corporate governance mechanism, the company is expected to be able to minimize the impact arising from any external pressure received by the company to carry out fraudulent financial reporting. This is supported by research from Indriyani and Suryandari (2021) which found that the audit committee in its oversight mechanism was able to weaken the influence arising from external pressure on indications of fraudulent financial reporting because it was able to suppress the abuse of power from management to carry out fraudulent financial reporting. Meanwhile, according to the opinion of Mardiana and Jantong (2020), the existence of the role of the audit committee strengthens the influence of external pressure on the occurrence of fraudulent financial reporting.

H_{10}: Audit committee weakens the positive effect of external pressure on detection of Fraudulent Financial Reporting indications.

The existence of an audit committee serves to assist the role of the board of commissioners, especially in terms of supervising the company's financial reporting. Thus, the relationship between supervisory effectiveness in minimizing the potential for fraudulent financial reporting will be even stronger with an audit committee within the company (Dewi and Anisykurlillah, 2021). Thus, according to Januanto (2018), when a company whose supervisory function is running ineffectively (ineffective monitoring) but with good corporate governance can avoid the risk of fraudulent financial reporting. It is different from research from Lastanti (2020) also with Nurhasanah and Purnamasari (2022) stated that a weak supervisory function can still be a gap and an opportunity that can encourage management to commit fraud in financial reporting, either with or without an audit committee in the structure company management.

H_{11}: Audit committee strengthens the negative effect of effective monitoring on detection of Fraudulent Financial Reporting indications.

Although research from Indriyani and Suryandari (2021) found that the existence of an audit committee does not guarantee that it can moderate the positive influence of a company's total accruals for carrying out fraudulent financial reporting. This is because the total value of the existing accruals is not used as an excuse to manipulate financial reports but to present the financial position based on accrual transactions. However, based on research from Januanto (2018) revealed that rationalization when moderated by corporate governance affects the detection of potential for fraudulent financial reporting. The audit committee as part of the company's corporate governance mechanism is expected to be able to assist the function of the board of commissioners in overseeing the running of the company and minimizing the rationalization factor caused by the company's total accruals component to be used as an excuse for committing fraudulent financial reporting.

H_{12}: Audit committee weakens the positive effect of total accruals on detection of Fraudulent Financial Reporting indications.

When referring to the results shown in Retnoningtyas and Tarmizi (2022) research, it can be seen that a good and effective audit committee structure, can oversee the occurrence of fraudulent financial reporting even though there is a change in directors in the company structure. This is supported by research from Indriyani and Suryandari (2021) which shows that an audit committee with good supervision can weaken the abuse of authority by having a change in director to the occurrence of fraudulent financial reporting that might occur. However, based on research by Sari et al. (2020) and Santoso (2019) found that the existence of an independent audit committee is not a guarantee to be able to weaken the positive effect of change in directors in the corporate structure on indications of fraudulent financial reporting that has occurred.

H_{13}: Audit committee weakens the positive effect of change in director on detection of Fraudulent Financial Reporting indications.

The audit committee has the authority to provide recommendations to the board of commissioners in the event of a conflict of interest, one of which is due to family relations in the company's leadership structure (Dewi and Anisykurlillah, 2021). With the existence of an audit committee, the relationship between CEO duality in influencing the occurrence of indications of fraudulent financial reporting will weaken (Santoso, 2019). However, this is not supported by the results stated in the research by Indriyani and Suryandari (2021) which explain that fraud detection is carried out by internal companies, namely the audit committee, which is expected to create good conditions and avoid fraud still does not guarantee its role in weakening the influence of CEO duality towards their discretion in conducting fraudulent financial reporting.

H_{14}: Audit committee weakens the positive effect of CEO duality on detection of Fraudulent Financial Reporting indications.

Based on a study conducted by Sari et al. (2020) stated that the existence of institutional ownership can provide a supervisory function from external parties who are usually permanent legal entities on management performance and can weaken the positive influence of the company's financial targets on indications of fraudulent financial reporting. Although, research from Retnoningtyas and Tarmizi (2022) shows that supervision and institutional ownership have not been able to weaken the pressure from financial target on indications of fraudulent financial reporting that companies might do.

H_{15}: Institutional ownership weakens the positive effect of financial target on detection of Fraudulent Financial Reporting indications.

With the implementation of good corporate governance in the running of the company, it is expected to be able to reduce the pressure in carrying out fraudulent financial reporting which can lead to company bankruptcy. The research provided by Sekarwulan and Umar (2021) concluded that there is a moderating effect in a negative direction from an effective corporate governance mechanism in weakening the effects arising from financial difficulties that pressure management to apply fraudulent financial reporting to their companies. The more qualified the implementation of good corporate governance that can oversee management policies, it can reduce the high level of pressure received, including from the financial stability of companies that are being threatened which has an impact on reducing the potential for financial fraudulent reporting.

H_{16}: Institutional ownership weakens the positive effect of financial stability on detection of Fraudulent Financial Reporting indications.

Booth et al. (2002) once stated that the functional supervisory role of institutional investors in institutional ownership within a company can encourage management to prioritize real company performance rather than taking opportunistic actions, including in terms of committing fraudulent financial reporting. Pamungkas et al. (2018) also stated that the existence of institutional ownership in a company's corporate governance mechanism can describe the real concept of corporate finance even though there is pressure on management, including from external pressure. So, it is hoped that the existence of institutional ownership in the company's monitoring mechanism can reduce the influence of external pressure on the emergence of potential fraudulent financial reporting by companies.

H_{17}: Institutional ownership weakens the positive effect of external pressure on detection of Fraudulent Financial Reporting indications.

Institutional ownership is used as an indicator in measuring good corporate governance. Institutional ownership is considered capable of being an effective monitoring mechanism in every decision taken by managers, in addition to that, institutional ownership can minimize manipulation of financial reports. The existence of corporate governance practices in a company is considered to be able to suppress the occurrence of fraud in financial statements. This statement is supported by the results of research conducted by Januanto (2018) which uses a corporate governance mechanism as a moderating variable, where good corporate governance can strengthen the negative effect of effective monitoring on fraudulent financial reporting practices.

H_{18}: Institutional ownership strengthens the negative effect of effective monitoring on detection of Fraudulent Financial Reporting indications.

In research from Januanto (2018), it was revealed that rationalization when moderated by corporate governance affects detecting the potential for fraudulent financial reporting. The implementation of a good corporate governance mechanism, which among others is carried out through the role and ownership of institutional parties in minimizing the risk of rationalization, one of which is through the company's total

accruals value to be used as an excuse for company management in carrying out fraudulent financial reporting practices that have the potential to harm the company.

H_{19}: Institutional ownership weakens the positive effect of total accruals on detection of Fraudulent Financial Reporting indications.

Based on the presentation of research by Pamungkas et al. (2018), institutional ownership can moderate, in this case weakening the relationship between changing directors and accounting fraud because the corporate governance mechanism that is focused on the power of the institutions that own the company will certainly prevent fraudulent financial reporting from the company. The same conclusion was also expressed in the research of Retnoningtyas and Tarmizi (2022). However, different arguments are shown in the research by Sari et al. (2020) and Januanto (2018) who found that existing institutional ownership was unable to weaken the effect of a change in director on indications of fraudulent financial reporting in company management. In their research, Hadiani et al. (2022) also concluded that a change in directors could be a company effort to improve the performance of the previous directors by changing the composition of the directors or recruiting new and more competent directors so that it does not have an impact on fraudulent financial reporting. In this case, it means that it has gone through a joint agreement, including with institutional parties.

H_{20}: Institutional ownership weakens the positive effect of change in director on detection of Fraudulent Financial Reporting indications.

When referring to research from Hadiani et al. (2022), concluded that the moderation of institutional ownership can monitor existing concurrent positions in minimizing existing conflicts of interest, including those that have the potential to cause fraudulent financial reporting. The existence of CEO duality is considered capable of increasing the possibility of companies making fraudulent financial reporting. Therefore, it is necessary to have a good corporate governance mechanism in the monitoring function that can ensure that the financial reporting process goes well. Institutional ownership can control management through an effective monitoring process including the presence of multiple positions from company directors (Hadiani et al., 2022).

H_{21}: Institutional ownership weakens the positive effect of CEO duality on detection of Fraudulent Financial Reporting indications.

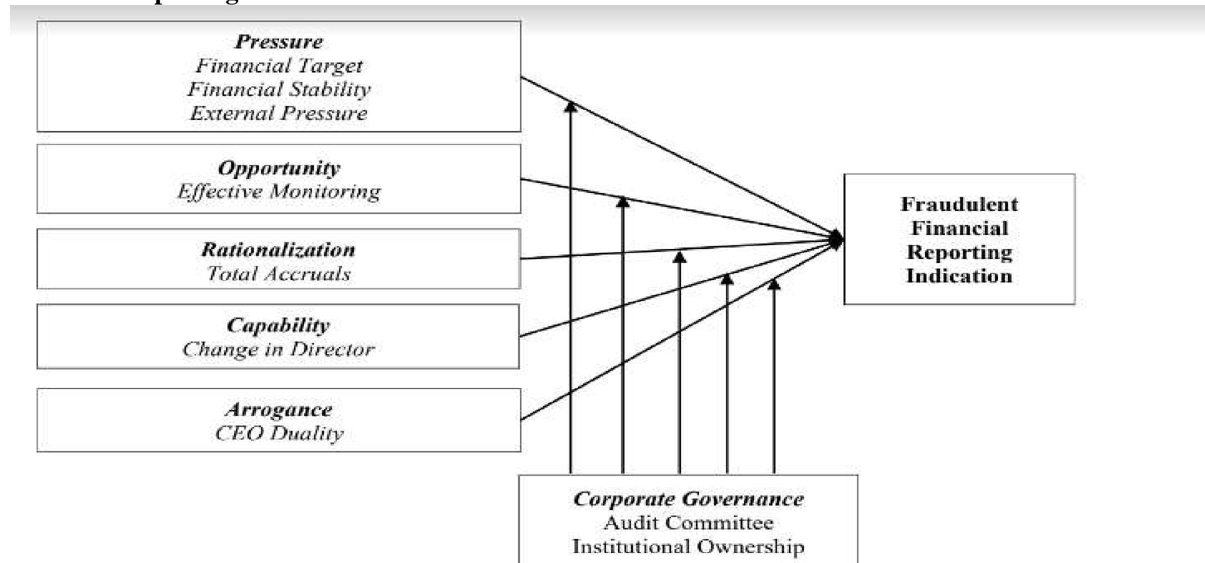

Figure 1. Conceptual Framework

III. RESEARCH METHODS

The form of this research is causality research and employs hypothesis-testing research. This study aims to examine the effect of one variable that causes changes effect in other variables (Sekaran and Bougie, 2016:44). The method used in this research is quantitative descriptive analysis. The data analysis method in this research was carried out using the Partial Least Square (PLS) analysis method with the SmartPLS as a tool. Because when using regression, a lot of data had to be discarded to meet the normality assumption. So, the usage of PLS as an analytical tool is because of the benefit of freedom from normality assumption (Ghozali and Latan, 2020). The data used for this research are secondary data obtained based on information from annual reports of property and real estate companies listed on the Indonesia Stock Exchange in the period 2019 to 2021 which had been selected using a purposive sampling technique.

Table 1. Variables Operational Definition

No	Variable	Proxy and Measurement	Scale	Reference
1	Fraudulent Financial Reporting Indication	*F-Score* = RSST Accrual + Financial Performance $RSST\ Accrual = \frac{(\Delta WC + \Delta NCO + \Delta FIN)}{AverageTotalAssets}$	Ratio	Dechow *et al.* (2011), Tinambunan and Januarti (2021)
2	Financial Target	$ROA = \frac{Net\ Income}{Total\ Assets}$	Ratio	Skousen *et al.* (2009), Andriani *et al.* (2022), Indriyani and Suryandari (2021)
3	Financial Stability	$ACHANGE = \frac{total\ assets_{it} - total\ assets_{it-1}}{total\ assets_{it-1}}$	Ratio	Skousen *et al.* (2009), Andriani *et al.* (2022), Indriyani and Suryandari (2021)
4	External Pressure	$LEV = \frac{total\ liabilities_{it}}{total\ assets_{it}}$	Ratio	Skousen *et al.* (2009), Koharudin and Januarti (2021), Hamadi *et al.* (2022),
5	Effective Monitoring	$INDCOM = \frac{Number\ of\ Independent\ Commissioners}{Total\ number\ of\ Commissioners}$	Ratio	Skousen *et al.* (2009), Mappadang and Yuliansyah (2021), Luhri *et al.* (2021)
6	Total Accruals	$TATA = \frac{Net\ Income\ From\ Continuing\ Operation - Cash\ Flow\ from\ Operating}{Total\ Assets}$	Ratio	Beneish *et al.* (2012), Mappadang and Yuliansyah (2021), Indriyani and Suryandari (2021)
7	Change in Director (DCHANGE)	Code 1, if there is a change of directors, and code 0 if there is no change of directors.	Nominal	Wolfe andHermanson (2004), Tinambunan and Januarti (2021)
8	CEO Duality (CEODUAL)	Code 1, will be marked for companies that have a kinship relationship between the board of commissioners and its board of directors. Code 0, will be marked for companies that have no kinship between the board of commissioners and its board of directors.	Nominal	Booth *et al.* (2002), Dewi and Anisykurlillah (2019)
9	Audit Committee	KA = Number of Audit Committee member	Ratio	Cadbury (2004), Santoso (2019), Lastanti (2020)
10	Institutional Ownership	$INST = \frac{Total\ shares\ owned\ by\ other\ institution}{Total\ outstanding\ shares}$	Ratio	Rahayuningsih and Sukirman (2021), Hadiani *et al.* (2022), Indriyani and Suryandari (2021), Yulianti (2019)

This research employs analysis using the equation model as follows:

$$FFR = \alpha + \beta_1 ROA + \beta_2 ACHANGE + \beta_3 LEV + \beta_4 INDCOM + \beta_5 TATA + \beta_6 DCHANGE + \beta_7 CEODUAL + \beta_8 ROA{*}KA + \beta_9 ACHANGE{*}KA + \beta_{10} LEV{*}KA + \beta_{11} INDCOM{*}KA + \beta_{12} TATA{*}KA + \beta_{13} DCHANGE{*}KA + \beta_{14} CEODUAL{*}KA + \beta_{15} ROA{*}INST + \beta_{16} ACHANGE{*}INST + \beta_{17} LEV{*}INST + \beta_{18} INDCOM{*}INST + \beta_{19} TATA{*}INST + \beta_{20} DCHANGE{*}INST + \beta_{21} CEODUAL{*}KA + \varepsilon$$

IV. RESULT AND DISCUSSION

The details of the sample used in this study are shown in Table 2 as below:

Table 2. Sample Selection Result

No.	Criteria	Number of Companies	Total Data (2019-2021)
1.	Property and real estate sector companies that consistently listed on the Indonesia Stock Exchange during the 2018-2021 period.	52	156
2.	Property and real estate sector companies that do not present financial statements ended on December 31 in Indonesian Rupiah currency.	(0)	(0)
3.	Property and real estate sector companies that did not publish annual reports and financial reports consecutively during 2018-2021 period.	(3)	(9)
4.	Property and real estate sector companies that did not provide CEO duality, audit committee, and institutional ownership data related to the research variables during the 2019-2021 period.	(5)	(15)
	Total observation data during research	44	132

Based on Table 2, the research sample is 44 companies per year and due to the observation period starting from 2019 to 2021 the total sample used in this study is 132. From the total of 80 property and real estate companies listed in the IDX Industrial Classification Statistic list, it was found 24 entities have not been listed consecutively during the 2018-2021 period on the IDX list and this can be seen on the date of the company's IPO. Concluded 3 companies did not provide a complete annual report during the observation period, and 5 companies did not meet criteria number 4.

Table 3. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
FSCORE	132	-.990	2.001	.60333	.817288
ROA	132	-.102	.104	.00502	.043107
ACHANGE	132	-.136	.180	.03423	.070861
LEV	132	.001	.795	.37675	.206108
INDCOM	132	.200	.675	.42511	.110678
TATA	132	-.100	.061	-.00810	.039137
DCHANGE	132	0	1	.480	.502
CEODUAL	132	0	1	.590	.494
KA	132	2	4	3.040	.379
INST	132	.000	.998	.60100	.260584

From Table 3, it can be seen that the F-Score, financial target, financial stability, total accruals, and change in director variables have a standard deviation value greater than the mean value, this indicates that the data for the variables is heterogeneous. Meanwhile, for external pressure, effective monitoring, CEO duality, audit committee, and institutional ownership variables, the standard deviation value is smaller than the average value of each variable. Meanwhile, it can be stated that the data is homogeneous, thus indicating that the quality of the data in this study is good.

The F-Score classifies a corporation as showing fraudulent financial reporting if its F-score value is greater than 1, and as not indicating financial statement fraud if the value is less than 1 (Dechow et al., 2011). From Table 3, the F-Score shows an average value of 0.603. This average value indicates that the majority of the sample tends to be categorized as not indicating fraud in financial reporting and have normal or low-risk category of fraudulent financial reporting.

Table 4. Test Structural Model (Inner Model)

	R Square	R Square Adjusted
F-SCORE	0.402	0.275

From Table 4 above, this study has an R-Square Adjusted value of 0.275. It means that the dependent variable can only be explained by the independent variable of 27.5%, while the remaining 72.5% is influenced by other variables outside this study like internal control, nature of industry, or personal financial needs. According to the criteria stated in Ghozali and Latan (2020:75), a value of 0.402 from R Square indicates a moderate explanation by the research model.

Table 5. Goodness of Fit Testing Results

	Saturated Model	Estimated Model
SRMR	0.000	0.001
d_ULS	0.000	0.000
d_G	0.000	0.000
Chi-Square	0.000	0.016
NFI	1.000	1.000

The goodness of fit test of the PLS model can be observed from the Standardized Root Mean Square (SRMR) value in the model and can be used to avoid misspecification. The PLS model is declared to have fulfilled the goodness of fit model criteria if it meets the limiting criteria for SRMR < 0.10 and the model is declared a perfect fit if the SRMR value is < 0.08. From Table 5 above, the test results show that the SRMR value of the saturated model is 0.000 as well as the SRMR value of the estimated model which has an SRMR of 0.001. Because the value of the SRMR saturated model and estimated model is less than 0.10, the PLS research model is declared fit and meets the goodness of fit criteria, so it is feasible to use to test hypotheses in research.

Table 6. Path Coefficients Result Summary and Hypothesis Testing

Variable	Expect	Original Sample (O)	T-Statistics (|O/STDEV|)	P Values	Conclusion
ROA->FSCORE	Positive	-0.072	0.545	0.586	Rejected
ACHANGE -> FSCORE	Positive	0.454	4.738	0.000	Accepted
LEV -> FSCORE	Positive	0.112	0.992	0.322	Rejected
INDCOM -> FSCORE	Negative	-0.202	2.510	0.012	Accepted
TATA -> FSCORE	Positive	0.068	0.524	0.601	Rejected
DCHANGE -> FSCORE	Positive	-0.035	0.316	0.752	Rejected
CEODUAL -> FSCORE	Positive	0.043	0.365	0.715	Rejected
KA -> FSCORE	Negative	0.162	0.486	0.627	Rejected
INST -> FSCORE	Negative	0.127	1.341	0.181	Rejected
KA*ROA -> FSCORE	Weakens	-0.044	0.110	0.913	Rejected
KA*ACHANGE -> FSCORE	Weakens	0.025	0.098	0.922	Rejected
KA*LEV -> FSCORE	Weakens	0.156	0.645	0.519	Rejected
KA*INDCOM -> FSCORE	Strengthens	-0.083	0.259	0.796	Rejected
KA*TATA -> FSCORE	Weakens	0.063	0.151	0.880	Rejected
KA*DCHANGE -> FSCORE	Weakens	-0.060	0.135	0.893	Rejected
KA*CEODUAL -> FSCORE	Weakens	-0.097	0.209	0.835	Rejected
INST*ROA -> FSCORE	Weakens	0.197	1.242	0.215	Rejected
INST*ACHANGE -> FSCORE	Weakens	-0.033	0.343	0.732	Rejected
INST*LEV -> FSCORE	Weakens	0.093	0.927	0.354	Rejected
INST*INDCOM -> FSCORE	Strengthens	0.046	0.478	0.633	Rejected
INST*TATA -> FSCORE	Weakens	-0.148	1.145	0.253	Rejected
INST*DCHANGE -> FSCORE	Weakens	-0.030	0.351	0.726	Rejected
INST*CEODUAL -> FSCORE	Weakens	-0.068	0.742	0.458	Rejected

Source:*Result of Data Processing with SmartPLS 3*

The Effect of Financial Targets on Indications of Fraudulent Financial Reporting

The results of the tests that have been carried out show a p-value of 0.586 > α (0.05), so H_1 is rejected. These results prove that financial target has not been able to influence indications of fraudulent financial reporting at the company. Return on Assets (ROA), which is a proxy for financial targets, is a measurement that compares financial targets that companies want to achieve through profits after utilizing total assets that are the responsibility and arranged by management (Reskino and Anshori, 2016). Based on the results in Table 3, it can be seen that in particular, property and real estate companies in Indonesia have a ROA value with an average value of 0.005, meaning that this ROA value describes the company's financial profitability target which was quite low during the study period. This low financial target can cause management to feel that there is no need to carry out fraudulent actions on the company's financial reporting because these targets are felt to be achieved easily and are still reasonable. Subsequently, this low financial target does not trigger motivation for management to enhance financial reporting using financial manipulation.

This relates to Agency Theory, where the relationship between management as an agent and the owner of the company as the principal. In this case, management has hopes and objectives of obtaining a high bonus for its work towards meeting the targets expected by the principal. However, if the financial targets set by the company tend to be low, management as an agent will easily achieve this goal to obtain bonuses without the need to increase pseudo profits through fraudulent financial reporting practices.

The result of this study supports the research of Tinambunan and Januarti (2021), Koharudin and Januarti (2021), Indriyani and Suryandari (2021), Yulianti et al. (2019), Wicaksana and Suryandari (2019), Pamungkas et al. (2018) argued that financial target does not affect indications of fraudulent financial reporting. However, contrary to the results of research by Andriani et al. (2022), Mintara and Hapsari (2021), Hadiani et al. (2022), Novita (2019), along with Fitri et al. (2019) that provided evidence that fraudulent financial reporting was positively influenced by financial target.

The Effect of Financial Stability on Indications of Fraudulent Financial Reporting

The results of the tests that have been carried out show a p-value of 0.000 < α (0.05), so H_2 is accepted. That is, the results of this test prove that the financial stability of the company can have a significant influence in a positive direction on indications of fraudulent financial reporting. Because the change in total assets is considered a representation of the wealth owned by the company. If the company's total assets decrease, the company's management is considered unable to manage the company's assets and there will be obstacles to the flow of funds and investment in the company. These conditions put pressure on management to carry out fraudulent financial reporting, to ensure high total assets in the company, so that management is considered capable of managing funds and investments properly and wisely (Fitriyah and Novita, 2019).

However, in this study it can be seen that the financial stability variable which is proxied by changes in the value of total assets in comparison has an average value of 0.034, meaning that changes in company assets tend to be stable. This is then in line with the results of the research put forward by Tinambunan and Januarti (2021) and Fitriyah and Novita (2019), which shows that on the contrary, if the company's financial condition tends to be in stable condition, it illustrates the level of indications of fraudulent financial reporting that is carried out is also low because to avoid conspicuous change in total assets, and indicates that the existing company is a company that tends to be good because its assets and financial conditions tend to be stable. The results of this study are in line with the fraud pentagon theory, where financial stability representing the pressure perspective explains that if the pressure on a company tends to be low, then the company does not need to carry out fraudulent financial reporting in that year or period, because its performance in managing the company has been considered good.

The results of this study strengthen the research result of Fitriyah and Novita (2021), Tinambunan and Januarti (2022), Wicaksana and Suryandari (2019), Siddiq et al. (2017), Luhri et al. (2019), Riandani and Rahmawati (2019), along with Koharudin and Januarti (2021) which state that financial stability has a positive effect on indications of fraudulent financial reporting. However, the results of this study contradict the study conducted by Andriani et al. (2022), Yulianti et al. (2019), Indriyani and Suryandari (2021), Mintara et al. (2021), Mappadang and Yuliansyah (2021) which states that financial stability does not affect fraudulent financial reporting.

The Effect of External Pressure on Indications of Fraudulent Financial Reporting

The results of the tests that have been carried out show a p-value of 0.322 > α (0.05), so H_3 is rejected. Then it can be concluded that the existence of external pressure which is proxied by measuring the value of leverage in the company has not been proven empirically to influence the existence of indications of fraudulent financial reporting. Based on the views expressed in Rahayuningsih and Sukirman (2021) research, the value of the liabilities owned by the company when compared to its total assets does not affect the existence of fraudulent financial reporting, this is possible because the company is still able to pay its debts because it is supported by a good corporate debt management policy mechanism and the track record of previous debts with creditors is good enough so that it doesn't put pressure on the company. Another reason that might occur, is if a company has both high and low levels of liabilities, but does not become a driving force for companies to make fraudulent financial reporting efforts because the company's performance is monitored by creditors, so either with or without committing fraudulent financial reporting, the company will still must pay off its debt obligations.

The findings of this research are in line with the results of research that has been carried out by Koharudin and Januarti (2021), Tinambunan and Januarti (2021), Yulianti et al. (2019), Rahayuningsih and Sukirman (2021), and also Mappadang and Yuliansyah (2021) that concluded there is no effect of external pressure on indications of fraudulent financial reporting. Contrary to the research conducted by Andriani et al. (2022), Indriyani and Suryandari (2021), Fitri et al. (2019), with Quraini and Rimawati (2019) explaining that fraudulent financial reporting is positively affected by external pressure.

The Effect of Effective Monitoring on Indications of Fraudulent Financial Reporting

The results of the tests that have been carried out show a p-value of 0.012 < α (0.05), so H_4 is accepted. It can be concluded that the results of this test prove that effective monitoring of the company can have a significant negative effect on indications of fraudulent financial reporting. As explained by Pamungkas et al. (2018), it is necessary to enforce standard operating procedures and implement an effective monitoring system and companies must avoid fraud. With the increasing role of this external independent board of commissioners, it will provide better oversight in overcoming fraudulent financial reporting problems that may occur because good oversight can limit management's freedom to take actions that violate applicable rules and laws (Andriani et al., 2022). This view is then proven through the results of testing, where effective monitoring is proxied by the role of an independent board of commissioners to reduce the potential for fraudulent financial reporting in companies.

When referring to agency theory, effective monitoring relates to opportunity which is a situation that allows management to commit fraud. When the opportunity for company management is high, management will act and pursue their interests so that the agent does not provide information that is following the actual company conditions to the principal resulting in information asymmetry and management can take action or adopt policies to fulfill these interests. This can happen because of gaps caused by the absence of effective monitoring. In line with the results of this study, which have proven that effective monitoring in company management, it can help prevent and minimize unethical actions that may be carried out by management, which is usually in the form of fraudulent financial reporting practices.

One of the main tenets of the anti-fraud pillar approach is prevention, which is carried out through the board of commissioner competent oversight for effective supervision (Tinambunan and Januarti, 2021). This view is in line with the views contained in the research results of Mappadang and Yuliansyah (2021), Tinambunan and Januarti (2022), Andriani et al. (2022), Fitri et al. (2019), Riandani and Rahmawati (2019) concluded that effective monitoring has an effect in the negative direction on indications of fraudulent financial reporting. However, the results of this study contradict the research result from Dewi and Anisykurlillah (2021), Indriyani and Suryandari (2021), Wicaksana and Suryandari (2019), Simaremare et al. (2019), Hadiani et al. (2022), Pamungkas et al. (2018), also with Mintara and Hapsari (2021) concluded that effective monitoring does not affect indications of fraudulent financial reporting.

The Effect of Total Accruals on Indications of Fraudulent Financial Reporting

The results of the research that has been done show a p-value of 0.601 > α (0.05), so H_5 is rejected. This study has not been able to prove that total accruals which represent a rationalization perspective can affect indications of fraudulent financial reporting in companies. When referring to the views of Mintara and Hapsari (2021) it is stated that the total accruals component depends on the decisions taken by management. However, in this study, the total value of the existing accruals only shows the role of the company's performance and financial position solely based on the existing accrual component transactions and is not used by management to exercise discretion to manipulate profits in financial reporting. So, with the results of this study, it can be observed that neither the high nor the low value of total accruals owned by companies in the property and real estate sector does not affect management decisions in making policies as indicated by fraudulent financial reporting.

In relation to the fraud pentagon theory, as previously stated in Hasyim et al. (2019) that rationalization in pentagon fraud is filled with subjective judgment from the company which will be reflected through the components of the company's accrual value. However, in this study there has been no evidence regarding the link between rationalization proxied by the total accrual value of companies in the property and real estate sector and management's subjective decisions to seek justification for committing fraudulent financial reporting.

This finding supports the results of research by Indriyani and Suryandari (2021), Mintara and Hapsari (2021), Septriani and Handayani (2018) which states that total accruals value does not affect the indication of company fraudulent financial reporting. However, the results of this study contradict the research of Agustini and Iskak (2021), Simaremare et al. (2021), Mappadang and Yuliansyah (2021), Hasyim et al. (2019) which prove that indication of company fraudulent financial reporting was positively affected by total accruals of the business entity.

The Effect of Change in Director on Indications of Fraudulent Financial Reporting

The results of the tests that have been carried out show a p-value of 0.752 > α (0.05), so H_6 is rejected. These results prove that the change in director cannot yet influence indications of fraudulent financial reporting. The existence of a change in director has not been proven to have an effect because it is an effort by the company to improve the performance of the previous directors who were not optimal or rotation for those whose term of office has ended (Fitriyah and Novita, 2021). The change of directors does not guarantee the ability to supervise and prevent the company from the risk of fraudulent financial reporting schemes that may occur. It also does not prove that the existing change in directors was intended as an attempt to cover up the fraudulent financial reporting scheme carried out by the previous board of directors. As in line with the Agency Theory, if there is a change in the company's directors, both the old and new directors will still have the potential to have personal interests that may conflict with the interests of the company, so there will still be the potential to create a conflict of interest which can trigger fraudulent financial reporting if the directors who companies still have goals and interests that conflict with those of the company with concern to maintaining public trust.

The findings of this study are in line with Tinambunan and Januarti (2021), Fitriyah and Novita (2021), Andriani et al. (2022), Koharudin and Januarti (2021), Indriyani and Suryandari (2021), Lastanti (2020), which state that the change of directors does not affect indications of financial statement fraud. The results of this study contradict the research of Koharudin and Januarti (2021), Pamungkas et al. (2018), along with Hasyim et al. (2019) which provide evidence that change in director has a positive effect on fraudulent financial reporting indication.

The Effect of CEO Duality on Indications of Fraudulent Financial Reporting

The results of the research that has been done show a p-value of 0.715 > α (0.05), so H_7 is rejected. These results prove that the existence of CEO Duality has not been able to influence the indications of fraudulent financial reporting that has occurred. This condition can occur because both directors who have or do not have a kinship relationship with the board of commissioners and vice versa realize that their functions and actions in running the company must be accountable as stated in the statements of the directors and commissioners of the company. Family relationships that are owned do not encourage someone to commit fraudulent financial reporting. However, these conditions can also be used to work together in overcoming problems experienced by companies (Dewi and Anisykurlilah, 2021).

The leadership cannot abuse their power to commit fraudulent financial reporting, because, cumulatively, not all directors and boards of commissioners are related. So, when someone wants to act fraudulently, such as practicing fraudulent financial reporting, there are still other parties who can prevent arrogance because of the kinship relationship in the company's leadership, both from the directors and other commissioners, the audit committee, the company's internal and external auditors, as well as from company internal control that all must be accountable to the public.

The results of this study support the research of Dewi and Anisykurlillah (2021), Hadiani et al. (2022), Indriyani and Suryandari (2021) which state that with or without the existence of CEO duality, the company will still be able to carry out fraudulent financial reporting practices. However, the findings of this study contradict the results of research by Rahayuningsih and Sukirman (2021), Yang et al. (2017), along with Widyatama and Setiawati (2020) which prove that the number of CEO duality has a positive effect on fraudulent financial reporting.

Audit Committee Moderates the Influence of the Financial Target on Fraudulent Financial Reporting Indications

The results of the tests that have been carried out show a p-value of 0.913 > α (0.05), so H_8 is rejected. Having an audit committee has not been proven to weaken the effect of financial targets on indications of fraudulent financial reporting. That is, the audit committee in carrying out its duties assists the commissioners in overseeing the running of the company including the company's financial reporting. The existence of an audit committee does not guarantee that it can prevent and dampen the effects of high or low financial targets that can pressure management to commit fraudulent financial reporting because of its nature which is usually hidden from the audit committee. The results of this study are in line with the research conclusions of Hadiani et al. (2022) also with Mardiana and Jantong (2020), concluded that having an audit committee still does not weaken the pressure generated by financial targets on indications of fraudulent financial reporting. However, it is contradictory to the publications from Santoso (2019) also Indriyani and Suryandari (2021) which state that there is a role for an independent audit committee in weakening the positive influence of the company's financial targets on indications of fraudulent financial reporting that may be carried out by the company.

Audit Committee Moderates the Influence of the Financial Stability on Fraudulent Financial Reporting Indications

The results of the tests that have been carried out show a p-value of 0.922 > α (0.05), so H_9 is rejected. It can be said based on these results that the audit committee has not been able to weaken the influence of financial stability on fraudulent financial reporting. Because even though the audit committee can provide accurate information regarding the company's financial stability, it is still unable to weaken the threat due to the flexibility that management has in implementing fraudulent financial reporting. Similar results were also disclosed in the publications of Nurhasanah and Purnamasari (2022), Januanto (2018), Indriyani and Suryandari (2021) which argued that the audit committee does not moderate the effect of financial stability on fraudulent financial reporting.

Audit Committee Moderates the Influence of the External Pressure on Fraudulent Financial Reporting Indications

The results of the tests that have been carried out show a p-value of 0.519 > α (0.05), so H_{10} is rejected. The conclusion is that the existence of an audit committee has not been able to weaken the positive influence of external pressure on indications of fraudulent financial reporting in the company. That is, having an audit committee will not overcome the pressure that the company receives if it has high liabilities to external parties outside the company to commit fraud on the company's financial reporting. The results of this study are contradictory to the results expressed by Indriyani and Suryandari (2021) who found that the oversight of the audit committee can weaken the influence arising from external pressure on indications of fraudulent financial reporting. As well as research from Mardiana and Jantong (2020), the existence of an audit committee role strengthens the influence of external pressure on the occurrence of fraudulent financial reporting.

Audit Committee Moderates the Influence of the Effective Monitoring on Fraudulent Financial Reporting Indications

The results of the tests that have been carried out show a p-value of 0.796 > α (0.05), so H_{11} is rejected. It can be seen based on the results of existing tests that the existence of an audit committee has not been able to strengthen the negative influence of effective monitoring to prevent fraudulent financial reporting. With good supervision from an independent board of commissioners, it can narrow the gaps for perpetrators to commit fraud in the company's financial reporting. However, if there is ineffective monitoring at the company, it can provide an opportunity for management to carry out fraudulent financial reporting, either with or without the role of the audit committee in it. The results of this study are in line with those disclosed in the publication Lastanti (2020), Hadiani et al. (2022), Nurhasanah and Purnamasari (2022) which state that the role of the audit committee has not been able to suppress indications of fraud in financial reporting. But contrary to research from Januanto (2018), which stated otherwise.

Audit Committee Moderates the Influence of the Total Accruals on Fraudulent Financial Reporting Indications

The results of the tests that have been carried out show a p-value of 0.880 > α (0.05), so H_{12} is rejected. This condition illustrates that in this research, the audit committee has not been able to weaken the negative influence of the company's total accruals on indications of fraudulent financial reporting. Such a situation is possibly caused by weak coordination from the audit committee, so as long as the total accruals value components are within fairness and following accounting standards, the audit committee cannot block its influence in the event of fraudulent financial reporting. This is because the existing total accruals value is not used as a rationalization to manipulate financial reporting but to present financial positions based on accrual transactions as in line with the findings from Indriyani and Suryandari (2021) research, but contrary to the findings from Jantong (2018).

Audit Committee Moderates the Influence of the Change in Director on Fraudulent Financial Reporting Indications

The results of the tests that have been carried out show a p-value of 0.893 > α (0.05), so H_{13} is rejected. In this study, it was not possible to find the role of the audit committee in weakening the positive effect of change in directors on indications of fraudulent financial reporting. This can happen because a change in director is a natural thing in a company to provide benefits in improving the performance of directors so that they are more competent in handling the running of the company. In this case, related to agency theory, each of these directors certainly has interests that have the possibility of conflicting with the interests of the company. The audit committee in its role of supervising the company and providing recommendations to the board of commissioners does not have the authority to change directors that occur for reasons of increasing work competence so it cannot prevent conflicts of interest that may occur which can trigger fraudulent financial reporting. These results support the conclusions of the study by Hadiani et al. (2022), Sari et al. (2020), and Santoso (2019) who stated the same thing and contradicted the results of the study findings from Retnoningtyas and Tarmizi (2022), along with Indriyani and Suryandari (2021).

Audit Committee Moderates the Influence of the CEO Duality on Fraudulent Financial Reporting Indications

The results of the tests that have been carried out show a p-value of 0.835 > α (0.05), so H_{14} is rejected. With the existence of an audit committee function, no evidence has been found to weaken the positive influence of CEO duality on indications of fraudulent financial reporting. As revealed in the research by Luhri et al. (2021) which states that the CEO with his arrogance to show his big role in corporate decision making cannot be stopped by the role of the audit committee. The audit committee with its expertise still does not guarantee the flexibility that management has due to the existence of CEO duality in triggering indications of fraud in financial reporting in the company. Similar results have also been published in studies initiated by Indriyani and Suryandari (2021), Dewi and Anisykurlillah (2021), and Santoso (2019).

Institutional Ownership Moderates the Influence of the Financial Target on Fraudulent Financial Reporting Indications

The results of the tests that have been carried out show a p-value of 0.215 > α (0.05), so H_{15} is rejected. Then it can be concluded that ownership from institutional parties outside the company's managerial side has not been proven to weaken the positive influence on the company's fraudulent financial reporting caused by the company's financial targets. That is, the existence of ownership by institutions that are outside of concentrated ownership by management may not necessarily hinder if management has a hidden intention to use fraudulent financial reporting to achieve certain financial targets from the company. This evidence supports the results of

research from Retnoningtyas and Tarmizi (2022), Hadiani et al. (2022), and Pamungkas et al. (2018) which shows that supervision and institutional ownership have not been able to weaken pressure from financial targets, however, this is contradictory to the findings of Sari et al. (2020).

Institutional Ownership Moderates the Influence of the Financial Stability on Fraudulent Financial Reporting Indications

The results of the tests that have been carried out show a p-value of 0.732 > α (0.05), so H_{16} is rejected. It can be interpreted that institutional ownership of external bodies has not been able to weaken the positive influence on indications of fraudulent financial reporting resulting from financial stability. This is different from the views expressed based on the publication of Sekarwulan and Umar (2021). Where this study shows the results that even though the company is also owned by external parties who play a role in company ownership, it still does not rule out the possibility of companies carrying out fraudulent financial reporting when the company receives pressure from the company's unstable financial condition.

Institutional Ownership Moderates the Influence of the External Pressure on Fraudulent Financial Reporting Indications

The results of the tests that have been carried out show a p-value of 0.354 > α (0.05), so H_{17} is rejected. This result proves that the existence of institutional ownership has not been able to weaken the positive influence of external pressure caused by the company's liability for the practice of fraudulent financial reporting. This can happen because concerning the obligations that must be paid by the company to its creditors. So that the presence or absence of share ownership by institutions outside the company still does not guarantee that the company will be free from management's opportunistic behavior in handling its obligations, including by conducting fraudulent financial reporting. Unfortunately, the results of this study are not in line with previous research conducted by Booth et al. (2002) and Pamungkas et al. (2018).

Institutional Ownership Moderates the Influence of the Effective Monitoring on Fraudulent Financial Reporting Indications

The results of the tests that have been carried out show a p-value of 0.633 > α (0.05), so H_{18} is rejected. These results indicate that institutional ownership has not been able to strengthen the negative influence of effective monitoring to minimize fraudulent financial reporting practices. This indicates that the voting rights owned by institutional owners do not support the prevention of fraudulent financial reporting if the company already has an effective monitoring function from a qualified independent board of commissioners because they are only owners and do not play a direct role in managing the company. A similar view has also been published by Hadiani et al. (2022) and Pamungkas et al. (2018) who did not find the role of institutional ownership in moderating the effect of monitoring effectiveness from the company's board of commissioners on fraudulent financial reporting. However, different results were also presented by the research of Retnoningtyas and Tarmizi (2022) and Januanto (2018).

Institutional Ownership Moderates the Influence of the Total Accruals on Fraudulent Financial Reporting Indications

The results of the tests that have been carried out show a p-value of 0.253 > α (0.05), so H_{19} is rejected. So that it can be concluded that institutional ownership of company shares has not been able to weaken the positive influence of the company's total accruals value as a rationalization for the practice of fraudulent financial reporting. Voting rights due to institutional ownership cannot hinder the company's total accruals value, such as through accelerated recognition of income, or profits that are not under the principle of available cash profit. This is possible due to the ignorance of this institution as the external owner of the company about the accounting practices applied in the company, including those that can lead to fraudulent financial reporting. A similar conclusion was expressed in a study by Pamungkas et al. (2018) and Hadiani et al. (2022) who have not found a link between institutional ownership in weakening the influence of company rationalization in carrying out fraudulent financial reporting. However, these results are not in line with the results shown in Januanto (2018) research which stated otherwise.

Institutional Ownership Moderates the Influence of the Change in Director on Fraudulent Financial Reporting Indications

The results of the tests that have been carried out show a p-value of 0.726 > α (0.05), so H_{20} is rejected. So, it can be inferred that the existing institutional ownership is not able to weaken the influence caused by a change in the director's structure on indications of fraudulent financial reporting in company management. This can be possible because the change in directors is naturally intended to improve the performance of the previous company directors to be better in the future. Hence, usually, the change in directors has become a mutual agreement with the institutional owners of the company through a meeting of general shareholders. These

results are following the publication put forward from research by Sari et al. (2020) and Januanto (2018) who stated that the existence of institutional ownership has not been able to weaken the influence of change in directors on indications of fraudulent financial reporting. Although, it also contradicts the results of the research by Retnoningtyas and Tarmizi (2022), Pamungkas et al. (2018), and Hadiani et al. (2022).

Institutional Ownership Moderates the Influence of the CEO Duality on Fraudulent Financial Reporting Indications

The results of the tests that have been carried out show a p-value of 0.458 > α (0.05), so H_{21} is rejected. It can be interpreted that the existence of institutional ownership of shares owned by the company has not been able to weaken the positive impact caused by the existence of CEO duality about indications of fraudulent financial reporting. That is, even though the company's shares are owned by external parties who are permanent legal entities, basically, the influence on the policies taken by the company may not be significant because of information asymmetry as it exists in agency theory. With information asymmetry and discretion and arrogance due to CEO duality, it allows management to continue making decisions that can harm institutional parties because their voting rights remain low in questioning decisions to be taken by the company, including attempts to practice fraudulent financial reporting. Where these results are in line with a study previously conducted by Pamungkas et al. (2018) who found no role for institutional ownership in overcoming the influence of CEO duality. However, these findings are contradictory to the results put forward by Hadiani et al. (2022).

V. CONCLUSION

This study aims to examine the role of corporate governance as a moderator in the pentagon fraud perspective about indications of fraudulent financial reporting. By analyzing the existing pentagon fraud theory on the condition of property and real estate sector companies listed on the Indonesia Stock Exchange from 2019 to 2021, the main finding of this study is that the pressure element represented by financial stability can have a positive and significant influence towards indications of fraudulent financial reporting and the opportunity element represented by effective monitoring can have a negative and significant influence in weakening indications of fraudulent financial reporting. Meanwhile, the existence of good corporate governance, both consisting of the role of the audit committee and institutional ownership in business entities, has not been proven to have a moderating effect on the influence resulting from the five elements of the pentagon fraud on indications of fraudulent financial reporting that occurs.

Some research limitations that might be developed and can be a matter of concern for further research include the collection of company data in the 2019-2021 period, while the mechanism for the development of corporate governance is more dynamic and develops over time. So, it is hoped that this research can motivate an evaluation process in the implementation of existing corporate governance mechanisms to be even better, especially in the process of minimizing the risk of fraudulent financial reporting that may occur. For further research, it is recommended to be able to develop a wider range of research samples, for example in manufacturing, financial, and non-financial companies so that they can add to a more thorough literacy study. With the use of different samples, in this perspective, it is also expected to produce different conclusions.

Suggestions for further research are to test this fraud model with the Fraud Heptagon Theory model developed by Reskino (2022) in a dissertation entitled "Fraud Prevention Mechanisms and Their Influence on Performance of Islamic Financial Institutions". This study aims to fill the void gap from the perspective of religiosity and culture where previous fraud theories (fraud triangle, diamond, and pentagon) did not explain motivation caused by weak factors of religion and human creed so that this research can complement the study of fraud from a religious and cultural perspective.

Then for further research, it can also test the ability of the F-Score model in its direct influence to detect fraudulent financial reporting that occurs in Indonesia. As revealed in Putra and Dinarjito (2021) research, because apart from the direct effect of measurement on fraud cases, there has not been much research, it turns out that the F-Score model is based on the characteristics of companies in the United States. So that it can become study material for further research to test whether the F-Score model can be used as an appropriate testing model in detecting fraudulent financial reporting that occurs against companies that have been proven to have committed fraudulent financial reporting and the case has been decided in a court that exists in Indonesia, or need to develop a more refined model as a reference in research, which is more compatible with the characteristics of companies in Indonesia.

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