Fraud Pentagon Model for Detecting Fraudulent Financial Reporting in Banking Sector

Bambang Leo Handoko, Ang Swat Lin Lindawati, Margaretha Vienna

Abstract: Many discussions and opinions of experts who produce endangerment or tools to detect the possibility of fraud in reporting financial performance. One of the most recent trends is the Pentagon fraud approach. Pentagon is a form that has five sides, there are five categories of causes of fraud in pentagon fraud, namely: pressure, opportunity, rationalization, competence and arrogance. Our research takes samples from banks, because the sector is the most common case of fraud. We made this quantitative secondary data-based research to have written evidence for reference in banking sectors. We use cross section data from 2016 year ends up to 2018. We own 35 samples from three years period, the total of 105 samples. We use ordinary least square using nine independent variables and one dependent variable. After conducting this research, we found that opportunity is the most influencing factor for company in banking sector to do fraud. While the others factor has no significant effect.

Keywords : internal, control, leadership, compensation, system, fraud, prevention

I. INTRODUCTION

Information in the financial statements will be used by both internal and external parties. Internal parties who are responsible for running the company will make financial reports as a reference to determine financial steps that need to be taken in the future, while external parties such as investors will use financial statements as the main reference to provide an assessment of the company.

In its making, the financial statements are not immune from misstatements, both unintentional and intentional misstatements. Accidental misstatements can occur due to technical errors (human errors). While intentional misstatements are commonly called fraud.

Bambang Leo Handoko*, Accounting Department, Faculty of Economics and Communication, Bina Nusantara University, Jakarta, Indonesia, 11480 Email: bambang.handoko@binus.edu

Ang Swat Lin Lindawati, Accounting Department, Faculty of Economics and Communication, Bina Nusantara University, Jakarta, Indonesia, 11480 Email: lindawati@binus.edu

Margaretha Vienna, Accounting Department, Faculty of Economics and Communication, Bina Nusantara University, Jakarta, Indonesia, 11480 Email: vienna.margaretha@yahoo.com

Fraud can occur in companies of any type and when people are weak attention, so this will comfortable, certain to provide precaution before cases become too large. The [1] classifies occupational crime to major categories, which is corruption, theft of company's asset, fraudulent reporting. Based results from ACFE survey [1] regarding losses due to fraud The most incidents of fraud is theft of company's asset by employees. It accounted more 80 percent of all fraud cases in 2018 with a median loss of US $ 120,000, while intentional material misstatement in reporting only reached 15 percents in all fraud discovered in 2018 but the median loss reached US $ 800,000 so it was said to be the least type of fraud but the most detrimental [1].

Cases of fraud by means of engineering financial statements in the Indonesian banking sector also occurred at Bank Lippo Corp in 2002 which was carried out by reporting companies that were bad negative result, an asset value less real net asset [2]. In addition, a fraud scandal at a banking company in Indonesia that was severe enough to risk the country's financial condition was a fraud Century Bank in 2008 [3]. The latest fraud case in the banking sector year 2015, insider trading incident in Bank Danamon Indonesia Corp shares involving the former County Head of UBS Group, Rajiv Louis [4].

The number of fraud cases according to the ACFE survey [1] which proven presented this crook industry up to 366 cases from entire cases examined with a median loss of $ 110,000. The cross-section period is 2016-2018. Banking companies were chosen because even though banking companies have strict regulations, according to a survey conducted by [1] the financial and banking industry remains the industry where fraud cases are most prevalent.

II. LITERATURE REVIEW AND HYPOTHESIS

A. Agency Concept

[5] as the originator of the Agency Theory defines an principle and involve other people (agent) to carry out some services on their behalf (principals) which involve the delegation of several decision making authorities. Based on the principal to the agent, where instead the principal provides incentives to the agent for the services served. Mandating from owner/shareholder to management must believe management according to owner wishes.

However, there are costs that arise to be involved in agency relations, including costs to monitor progress and enforce them. These costs can be influenced by different principal and agent attitudes towards risk and different access to information between principal and agent (asymmetric information).

Fraud Pentagon Model for Detecting Fraudulent Financial Reporting in Banking Sector

Asymmetric information can arise when an agent has personal information that access is not owned by the principal so that in carrying out its services, the principal cannot oversee the agent.

B. Fraud Pentagon

The Pentagon Fraud Theory was coined by [6]. This theory extends previous three dimension previously made [7], another variables were reinforced to perfecting the model. Both can be found at [6].

Competence is one's ability to be able to commit fraud. Take for example, for example someone who can commit financial statements is someone who is financially skilled and expert [6]. Someone who can rob a safe is someone who has the expertise to break into a safe. Without this capability, fraud impossibility occur [8].

According to [6], more than sixty percent fraud people back grounded that is in the form of a combination of pressure (arrogance) and greed. [6] and [9] also stated that arrogance is an attitude that demonstrates the superiority and lack of awareness caused by greed for thinking that the company's internal control does not personally apply to them.

[6] explains that there are 5 (five) elements of the perspective of the CEO:

1. Selfish, ignorance where the CEO is more viewed as a celebrity than an entrepreneur
2. They can penetrate the company's internal control and are not captured
3. They have a pressing attitude
4. They record a democratic management fee
5. They were sticking to losing position or status.

C. Financial Pressure

It described as specific financial performance to be achieved of company. One way to assess how effective the company's asset performance is by using the ROA (Return on Assets) ratio [10]. High ROA will result in better company's management performance. It means that the company's overall operations are effective.

Financial targets are related to agency theory which explains the existence of a relationship between agents and principals where agents and principals have hopes to fulfill their respective interests [11]. In this case, the relationship is with the desire of management to get a bonus for their work towards the fulfillment of the desire to maximize profit. Because of one thing or another, the company's financial targets may not be achieved so that the company's existence will be doubted. This creates pressure to achieve the company's financial targets so that it can maintain the company's existence and get bonuses on performance results. These pressures give rise to the possibility of the influence of financial target achievement pressures on fraudulent financial reporting that can be formulated in the following hypothesis:

H1 = Financial targets have a significant effect on the detection of financial title reporting

D. Financial Stability

[10] in his research cited by [12] explains that when financial stability threatened by economic conditions, industry, and the situation of operating entities, management faces pressure to commit financial statement fraud. The financial stability of a company can be numbers of total assets added from year to year.

The number of total assets owned by the company is the main attraction for investors, creditors, and other stakeholders. Increased total assets are considered capable of providing maximum returns for investors, while total assets that have decreased can make investors, creditors, and stakeholders not interested because the company's condition is considered unstable.

Research conducted by [13] states that financial stability is one of three variables that have a significant effect in detecting fraudulent financial reporting. On the basis of these statements the hypothesis can be concluded:

H2 = Financial stability has a significant effect on the detection of financial title reporting

E. External Pressure

Factors outside company management create a condition which received pressure from outsiders. [10] in his research cited by [14] stated that to cope with pressures from outside parties the company needed additional debt or external financing and development or capital expenditure.

This factors proxies by debt or liability. Companies with high levels of leverage mean that they have large debts and have high credit risk so that the possibility of fraudulent financial reporting is also large because the company needs to convince creditors that the company is able to pay debts that can be proven by having large profits.

Based on these statements, the hypothesis can be concluded as follows:

H3 = External pressure has a significant effect on the detection of financial titles of financial institutions

F. Institutional Ownership

Institutional ownership can lead to greater pressure on management because management is responsible to the institution, not individuals. In addition, the large share ownership of institutions makes management try harder so as not to lose these investors, one way is to manipulate financial statements to make it look more attractive. Research [10] also cited by [15] and [16] states that with the aim of testing the variables that influence the fraud of financial statements by using the SEC Accounting and Auditing Enforcement Broadcasts (AAER) published between 1992 and 2001 found evidence that external share ownership also influences on increasing financial statement fraud.

G. Ineffective Monitoring

Ineffective supervision can occur if there is dominance of a leader over entire organization including performance report and policy of company [17]. The effectiveness of company supervision can be measured using Independent Board of Commissioners ratio by comparing the amount independent chairman divided by total entire major shareholders.

Based on Financial Services Authority Regulation No. 33 / POJK.04 / 2014 Article 20, public companies listed on the IDX must have at least 2 (two) commissioners, one of whom is an independent commissioner. If the board of commissioners consists of more than 2 (two) people, then the number of independent commissioners must one per three major shareholders.

The ineffectiveness of internal supervision can open the opportunity for fraudulent financial reporting, so the following hypotheses can be formed:

H5 = Ineffective supervision has a significant effect on the detection of financial title reporting

H. Quality of External Auditor

The external auditor is chosen from shareholder meeting to select an independent audit so as to avoid conflicts of interest and ensure the independency. Research on quality auditors focuses on the difference between choosing the use of audit services from the Big 4 and second tier and others (KAP).

Reason underlying, the Big 4 KAP is considered capable of detecting and revealing greater financial reporting errors than the Non-Big KAP 4.

Fact strongly proven in [18] which shows that external auditors working on Big 4 KAP have more ability to detect fraud compared to external auditors who work on Non Big 4 KAP.

Based on this statement, it can be said that companies audited by Big 4 KAP have a greater chance of being detected for fraud because Big 4 KAP is considered to have a better ability to detect fraud and produce higher quality audit results, so the following hypotheses can be arranged:

H6 = Quality of external auditors significantly influences the detection of financial title reporting

I. Changes of External Auditor

Changes in external examiner for companies should means way reduce fraud identified in auditors. Research conducted by [9] stated that client able to switch other audit team or firm, but still it higher the risk of undiscoverable misstatement.

In the study of [10] cited by [19] states that changes in external auditors can be used as a proxy for rationalization elements in detecting intentional material misstatement, so hypotheses arranged as follows:

H7 = Changes in external auditors have a significant effect on the detection of financial title reporting

J. Changes of Directors

Change of top leader selected as measurement proxy for one factor of pentagon; that is competence. Competencies include abilities, expertise, courage, confidence, authority and power that can enable a person to carry out his actions without being known or known but cannot be acted upon [20]. Research study [12] suggests that mandatory switch of top management can cause a contingent period results open chance to people do misappropriation.

In addition, [8] conclude that this kind of misappropriation without discrimination, everyone, including those who seem honest. This case, ability (competence) can be said as director authority to perpetrate fraud for his purpose.

Substitution of top management will become the efforts or indicate certain political interests in order changed old top management. Otherwise, changes the company's board of directors can also be made to cover up fraud committed by previous directors, such as the scheme carried out by Toshiba where Hisao Tanaka, who served as CEO of the company at that time announced his resignation when faced with an accounting scandal in the form of profit bubbles [21].

The need for further research related to the effect of the rotation of top management in detecting intentional material misstatement, following hypothesis is made:

H8 = Substitution of directors of companies has a significant effect on the detection of financial title reporting

K. CEO Photos

Some input from psychologists, said that pride can be seen from people's liking for themselves or narcissists. From this belief, previous research made the statement that the number of photos of the leader in the annual report can reflect how arrogant the leader was [6]. According to [6] top management often create fictitious document and record regarding company sales and asset to maintain profitability position, including manipulation of data by committing fraud.

Based on the above statement, the hypothesis can be arranged as follows:

H9 = Number of CEO photos has a significant effect on the detection of financial title reporting

III. RESEARCH METHODOLOGY

A. Design and Framework

Framework research is construct focus for research. In this case, the object of this study is the detection of fraudulent financial statements represented by the Beneish M-score. The Beneish M-Score was chosen because its predictive ability has been empirically tested and is believed to be the best proxy for representing fraudulent detection of financial statements. Beneish M-scores are calculated using data from 2016-2018.

Study uses secondary sources which mean the hypothesis and research results are presented tabular. Research uses secondary data that is data collected from existing sources. Secondary data is from banking sectors in period 2016-2018.

B. Sampling Technique

This study uses non-probability sampling, in the form of a sampling technique in the process that does not give chance chosen. The non-probability sampling design used is criteria. According to [22] the using criteria assessment of will provide guidance. Table- I provide criteria for sampling technique.

Table- I: Sampling

Banking companies are listed on the Indonesia Stock Exchange (IDX) by 2018	45
Banking companies that have not been listed or not listed on the Indonesia Stock Exchange (IDX) during 2016-2018	(3)
Banking companies that have been or are being deleted from listed companies (delisting) on the IDX during 2016-2018	(1)
Listed banking companies that do not publish fully audited annual reports for 2016-2018	(6)
Listed banking companies that meet the requirements as a research sample	35

After the sample criteria were applied to all samples, 35 listed banking companies were selected as the study sample. Using a study period of 3 (three) years, namely 2016-2018, the total sample of this study was 105 samples.

C. Variables of Measurement

The goal is defining, and measures factors used in this research, the researchers use operation of variables. In Table-II presented the operation of variables. The object of research examined is the company's annual financial statements listed on the Indonesia Stock Exchange for the period 2014-2018.

This research is focuses on using the object of research in the property sector, real estate and building construction because in this period these companies have a profit trend, and this supports the criteria set in the sampling of research data

Table- II: Operation of Variables

Variable	Measurement
Fraudulent Financial Reporting (Y)	Beneish M Score, Dummy Variable: 0 for < -2.22, 1 for > -2.22
Financial Pressure (X1)	Return on Assets (ROA)
Financial Stability (X2)	Changes in Total Assets (ACHANGE)
External Pressure (X3)	Total Liabilities : Total Assets (Leverage)
Institutional Ownership (X4)	Total Numbers of Shares Owned by Other Institutions : Total Number of Shares Issued
Ineffective Monitoring (X5)	Independent Commissioners : Total Commissioners
Quality of External Auditir (X6)	Dummy Variables: 0 for non big four, 1 for big four
Changes of External Auditor (X7)	Dummy Variables: 0 no change of auditor, 1 change of auditor
Changes of Director (X8)	Dummy Variables: 0 no change of director, 1 change of director
CEO Photos (X9)	Frequents number of CEO pictures

IV. RESEARCH ANALYSIS

A. Multi co-linearity Test

Multi co-linearity test is performed to ensure the presence or absence of inter-correlation or co-linearity among endogenous factors. Under ideal conditions, a regression model is not needed between endogenous factors. Study was conducted by looking at co-linearity result.

Table- III: Multi Co-linearity Test

Variable Independent	Collinearity Statistics	
	Tolerance	VIF
ROA	0,772	1,296
ACHANGE	0,879	1,138
LEV	0,786	1,272
OSHIP	0,938	1,066
BDOUT	0,769	1,301
AUDQ	0,674	1,483
AUDCHANG	0,698	1,433
DCHANGE	0,814	1,229
CEOPIC	0,928	1,077

The table shows the results of multi co-linearity tests. If the Tolerance value is more than 0.1 / or is (<10), there will be no multi co-linearity between the independent variables, and vice versa. See table- III, co-linearity value for each factor is 0.772; .879; 0.786; 0.938; 0.769; 0.674; 0,698; 0.814; and 0.928. All Tolerance values (> 0.1). Then, VIF on each independent variable is 1.296 each; 1,138; 1,272; 1,066; 1,301; 1,483; 1,433; 1,229; and 1,077. All VIF values are less than 10 (<10). From the results of these tests, multi co-linearity conducted indicate all factors do not detected inter-correlation with each other, so they are free from multi co-linearity problems.

B. Goodness-of-fit Model Test

Examine regression in goodness-of-fit model test, this will purpose regression used correct. Regression model will be considered appropriate if similar result from model and statistics result.

Table- IV: Goodness-of-fit

Unweighted Cases		N	Percent
Selected Cases	Included in Analysis	105	100,0
	Missing Cases	0	0,0
	Total	105	100,0
Unselected Cases		0	0,0
Total		105	100,0

The table shows the number of samples (N) used in testing the feasibility of study. From the table, all samples totaling 105 data are used in this calculation.

C. Hosmer and Lemeshow Test

The table shows the results of the feasibility test of the regression model with the Hosmer and Lemeshow test. This test is carried out using a confidence level of 95%, so that the critical value in this study is 5% or 0.05. The significant value (Sig.) Obtained is 0.344 while the value is greater than the critical value of 0.05. Based on these results, it can be concluded that the model can predict the value of observations.

Table- V: Goodness-of-fit

Chi-square	df	Sig.
8,983	8	0,344

D. Determination of Coefficient

The purpose of the coefficient of determination (R^2) is to measure the ability of independent variables to explain the dependent variable in a study. In this study, the magnitude of the ability to detect fraudulent financial reporting dependent variables proxies by Beneish M-Score, explained/measured independent targets represented by using the Return on Assets (ROA) ratio, performance smoothing represented by using fluctuation in client's asset, external pressures that are proxy using leverage ratio (LEV), institutional ownership (OSHIP), ineffective supervision that is proxy using BDOUT, quality auditors (AUDQ), rotation external auditors (AUDQ), AUDCHANG), rotation company top management (DCHANGE), arrogancy of top management (CEOPIC).

Table- VI: Determination of Coefficient

-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
83,458	0,087	0,148

Table- VI shows the value of Nargelkerke R Square is 0.148. This value indicates that the independent variables used can explain the dependent variable in this study by 14.8%. The remaining 85.2% is explained by other variables not included in this study.

E. Classification Matrix

The classification matrix shows the predictive power of the regression model to predict the likelihood of the dependent variable being fraudulent financial reporting which proxies by the Beneish M-Score.

Table- VII: Classification Matrix

Observed			Predicted		
			M-Score		
			Tidak ada indikasi fraudulent financial reporting	Ada indikasi fraudulent financial reporting	Percentage Correct
Step 1	M-Score	Tidak ada indikasi fraudulent financial reporting	88	0	100,0
		Ada indikasi fraudulent financial reporting	16	1	5,9
	Overall Percentage				84.8

We can see prediction level the regression model equal 84.8%, with a total sample of 105 companies. The number of samples with no indication of fraudulent financial reporting is 88 companies. Meanwhile, the number of samples that have indications of fraudulent financial reporting is 16 companies, but only 1 company is predicted to have fraudulent financial reporting indications.

F. Logistic Regression

The purpose of logistic regression analysis is to predict the likelihood of a condition. This study uses logistic regression analysis to predict the likelihood of fraudulent financial reporting.

Based on the Beta (B) results obtained in Table VIII., The logistic regression model for this study is:

M-Score = -3,827-3,151 ROA + 1,676 ACHANGE + 3,494 LEV + 0,355 OSHIP + 1,185 BDOUT-0,797 AUDQ-1,803 AUDCHANG + 0,346 DCHANGE-0,367 CEOPIC + Ɛ

Table- VIII: Logistic Regression

Independent Variable	B	Exp (B)
ROA	-3,151	0,043
ACHANGE	1,676	5,346
LEV	3,494	32,932
OSHIP	0,355	1,426
BDOUT	1,185	3,271
AUDQ	-0,797	0,451
AUDCHANG	-1,803	0,165
DCHANGE	0,346	1,413
CEOPIC	-0,367	0,693
Constant	-3,827	0,022

G. Partial Test (t-test Statistics)

Partial testing shows the level of significance of each independent variable on the dependent variable.

Table- IX: Logistic Regression

Independent Variable	Sig.
ROA	0,829
ACHANGE	0,274
LEV	0,298
OSHIP	0,678
BDOUT	0,545
AUDQ	0,217
AUDCHANG	0,046
DCHANGE	0,597
CEOPIC	0,358
Constant	0,220

This test uses the criteria if the p-value (sig.) <0.05, then the independent variable partially affects the dependent variable. If p-value (sig.) > 0.05, it means independent variable partially does not affect the dependent variable. Based on the test results presented in Table- IX. It is can be concluded that:

Summary result in tabular form is presented on Table- X Research Result.

Table- X: Research Result in Tabular Form

Variables	P-Value	Result
ROA	0.829	H1 Rejected
ACHANGE	0.274	H2 Rejected
LEVERAGE	0.298	H3 Rejected
OSHIP	0.678	H4 Rejected
BDOUT	0.545	H5 Rejected
AUDQ	0.217	H6 Rejected
AUDCHANGE	0.046	H7 Accepted
DCHANGE	0.597	H8 Rejected
CEOPIC	0.358	H9 Rejected

1. Significant value of ROA which is a represent financial target 0.829. This value is > 0.05, which means ROA partially has insignificant influence on misappropriate reporting. Based on the results of these tests, it can be concluded that the results of this study do not support the H1 hypothesis which states that financial targets affect the detection of fraudulent financial reporting.

2. Significant value of Changes in Total Assets (ACHANGE) which is a proxy of financial stability is 0.274. This value is > 0.05, indicates ACHANGE insignificantly effect on misappropriate reporting. Based on the results of these tests, it can be concluded that the results of this study do not support the H2 hypothesis which states that financial stability affects the detection of fraudulent financial reporting.

3. Significant value of Leverage (LEV) which is a proxy of external pressure is 0.298. This value is > 0.05, which indicates that LEV partially insignificantly effect inappropriate reporting. Based on the results of these tests, it can be concluded that the results of this study do not support the H3 hypothesis which states that external pressures affect the detection of inappropriate statement.

4. Significant value of institutional ownership (OSHIP) is 0.678. This value is > 0.05, which indicates OSHIP partially insignificantly effect inappropriate reporting. Based on the test results, it can be concluded that the results of this study do not support the H4 hypothesis which states that institutional ownership influences inappropriate statement.

5. Significant value BDOUT which represent of ineffective supervision is 0.545. This value is > 0.05, which indicates BDOUT partially insignificantly effect inappropriate reporting. Based on the results of these tests, it can be concluded that the results of this study do not support the H5 hypothesis which states that ineffective supervision affects fraudulent financial reporting.

6. Significant value of the quality of external auditors (AUDQ) is 0.217. This value is > 0.05, which AUDQ partially insignificant effect on inappropriate reporting. Based on the results of these tests, it can be concluded that the results of this study do not support the H6 hypothesis which states that the quality of external auditors influences inappropriate statement.

7. Significant value of changes in external auditors (AUDCHANG) is 0.046. This value is < 0.05, which indicates that AUDCHANG significantly influences inappropriate reporting. Based on the results of these tests, it can be concluded that the results of this study support the H7 hypothesis which states that changes in external auditors affect inappropriate statement.

8. Significant change of company directors (DCHANGE) is 0.597. This value is > 0.05, indicates that DCHANGE insignificantly influence inappropriate reporting. Based on the results of these tests, it can be concluded that the results of this study do not support the H8 hypothesis which states that the change of company directors influences fraudulent financial reporting.

9. Significant CEOPIC is 0.358. This value is > 0.05, indicates CEOPIC partially insignificantly affect inappropriate reporting. It can be concluded that the results of this study do not support the H9 hypothesis which states that the number of CEO photos influences inappropriate statement.

V. CONCLUSION AND SUGGESTION

A. Conclusion

Study runs to find out whether detection financial reporting titles using Pentagon fraud in banking between of 2016-2018. The pressure proxies using targeted outcome, stability performance, and pressures from outside parties, and shares hold by management, proxies are used. Intentional material misstatement in this research is proxies using Beneish M-Score.

All hypotheses that have been formulated and tested, there is 1 (one) variable that has a significant influence to dependent variable, reporting headings which is auditor change.

We have findings: changes in external auditor do not necessarily mean the company is doing a financial reporting report, but the change in the external auditor can refer to the regulation on the limitation of the external auditor's service period which is regulated by PMK No. 17 / PMK.01 / 2008 limit the length of engagement.

B. Suggestion

Suggestions or recommendations that can be provided from the results:

1. Industry/Bank

Advice is aimed at companies and special companies and companies listed on the BE in general in the business sector, hoping that they can increase their level of caution when giving information to the public so as not to mislead the financial reporters. This advice is given because this is the case, stakeholders are far smarter and more critical in knowing that there is a lot of misappropriation, so that reputation company is threatened, and investors will think back before investing in the companies without knowing.

2. for the next researcher

Further research is suggested to use methods to conduct study on headline financial reporting. This is suggested because some of the elements of the Pentagram Concept such as rationalization, capability, and arrogance are difficult to measure. Further research is suggested to increase the period of research period and increase the number of research samples.

3. for the shareholders

Understanding is recommended to be more careful and critical in determining the options for investing. This should be done in anticipation of the possibility of a lot of fraud committed by the company. Understanding can use the detection plan done in this research publishing presence headline.

REFERENCES

1. ACFE, "Report to the Nations 2018 Global Study on Occupational Fraud and Abuse," 2019.
2. T. M. Tuanakotta, "Akuntansi Forensik & Audit Investigatif," in *Edisi 2*, 2010.
3. S. Elias and C. Noone, "The Growth and Development of the Indonesian Economy," *Reserv. Bank Aust.*, 2011.
4. S. G. Ryan, J. W. Tucker, and Y. Zhou, "Securitization and insider trading," *Account. Rev.*, 2016.
5. M. C. Jensen and W. H. Meckling, "Theory of the firm: Managerial behavior, agency costs and ownership structure," *J. financ. econ.*, vol. 3, no. 4, pp. 305–360, 1976.
6. C. Horwath, "Why the Fraud Triangle is No Longer Enough," *Www.Crowe.Com*, 2011.
7. M. B. Clinard and D. R. Cressey, "Other People's Money: A Study in the Social Psychology of Embezzlement.," *Am. Sociol. Rev.*, 1954.
8. D. T. Wolfe and D. R. Hermanson, "The Fraud Diamond : Considering the Four Elements of Fraud," *CPA J.*, vol. 74, no. 12, pp. 38–42, 2004.
9. M. Y. Puspitha and G. W. Yasa, "Fraud pentagon analysis in detecting fraudulent financial reporting (study on Indonesian capital market)," *Int. J. Sci. Basic Appl. Res.*, 2018.
10. C. J. Skousen, K. R. Smith, and C. J. Wright, "Detecting and predicting financial statement fraud: The effectiveness of the fraud triangle and SAS No. 99," *Adv. Financ. Econ.*, vol. 13, no. 99, pp. 53–81, 2008.
11. H. A. Skaife and D. D. Wangerin, "Target financial reporting quality and M&A deals that go bust*," *Contemp. Account. Res.*, 2013.
12. S. O. Abayomi and S. O. Abayomi, "Personal Ethics and Fraudster Motivation: The Missing Link in Fraud Triangle and Fraud Diamond Theories," *Int. J. Acad. Res. Bus. Soc. Sci.*, 2016.
13. P. Morgan and V. Pontines, "Financial Stability and Financial Inclusion," *SSRN Electron. J.*, 2014.
14. D. M. Boyle, F. T. DeZoort, and D. R. Hermanson, "The effect of alternative fraud model use on auditors' fraud risk judgments," *J. Account. Public Policy*, vol. 34, no. 6, pp. 578–596, 2015.
15. H. F. Bawekes, A. M. A. Simanjuntak, and S. C. Daat, "Pengujian Teori Fraud Pentagon Terhadap Fraudulent Financial Reporting (Studi Empiris pada Perusahaan yang Terdaftar di Bursa Efek Indonesia Tahun 2011-2015)," *J. Akunt. Keuang. Drh.*, 2018.
16. B. L. Handoko, "The Effect Of Institutional Ownership And Leverage Towards Profit Management In Consumer Goods Industry Listed In BEI Teori Keagenan (Agency Theory) Manajemen Laba," *Binus Bus. Rev.*, vol. 6, no. 3, pp. 414–423, 2015.
17. P. Casabona and M. Grego, "SAS 99-Consideration of Fraud in a Financial Statement Audit: A Revision of Statement on Auditing Standards 82," *Rev. Bus.*, 2003.
18. H.-J. Kim, A. Kotb, and M. K. Eldaly, "The use of generalized audit software by Egyptian external auditors," *J. Appl. Account. Res.*, vol. 17, no. 4, pp. 456–478, 2016.
19. H. Al-khaddash, R. Al Nawas, P. O. B. Dasman, and A. Ramadan, "Factors affecting the quality of Auditing : The Case of Jordanian Commercial Banks Accounting Department , College of Business," *Int. J. Bus. Soc. Sci.*, vol. 4, no. 11, pp. 206–222, 2013.
20. M. Manzaneque, A. M. Priego, and E. Merino, "Corporate governance effect on financial distress likelihood: Evidence from Spain," *Rev. Contab.*, vol. 19, no. 1, pp. 111–121, 2016.
21. D. H. Caplan, S. K. Dutta, and D. J. Marcinko, "Unmasking the fraud at toshiba," *Issues Account. Educ.*, 2019.
22. A. Kumar and V. A. Kumar, "Pedagogy in Higher Education of Agriculture," *Procedia - Soc. Behav. Sci.*, vol. 152, pp. 89–93, 2014.

AUTHORS PROFILE

Bambang Leo Handoko, Audit practical and academician. He was born in West Java Province of Indonesia. As lecturer and academician, Bambang was a talented researcher and high passion in teaching. He do research and empowers his co-workers in university in term of research and administration matters. A lot of institution, government body, and corporation approach him for research grants. A lot of researchers from around the world cite his paperwork and research publication. He is also a columnist; he wrote a lot of article in education web site provided by the university. He was also a practical worker in audit field. He assisted government as audit staff for vital object securities.

Ang Swat Lin Lindawati, she born in Malang, East Java Province of Indonesia. She was a doctor in Accounting. She passed her study in Muhammadiyah University of Malang for bachelor. She then passed her master and doctor degree from Australia. She was also an entrepreneur. She ever works in a restaurant while conducting her study back then in Wollongong University Australia. She improves her cooking skill by hone her skill in culinary business. Her research is around the topic of audit, and then sustainability reporting. Also, she teaches entrepreneur besides accounting. Nowadays sustainability also related to audit, since corporation need to publish sustainability report alongside financial.

Margaretha Vienna, Graduated student considered the most valuable in Accounting Studies Binus. Her home base is in Alam Sutera Campus of Binus. She is major in auditing and assurance service. She graduated with cum laude result. She took internship at BDO Audit firm Branch of Gading Serpong, Tangerang. The internship takes 2 semesters, because of her outstanding performance as intern, the audit firm propose her to become full time employee. Currently she works in BDO as full-time auditor. She interests in numbers game and shenanigans. She won several competitions as student, some of the competition were national while the rest is local and international