

**PENTAGON FRAUD ANALYSIS ON FINANCIAL REPORT FRAUD
DETECTION IN FOOD AND BEVERAGE SUB-SECTOR COMPANIES
LISTED ON THE IDX IN THE 2018-2023 PERIOD**

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Abstract

The purpose of this study was to determine the effect of fraud pentagon elements of opportunity(X1), pressure(X2), competence(X3), arrogance (X4) and rationalisation(X5) as independent variables on financial statement fraud as the dependent variable in food and beverage sub-sector companies listed on the IDX for the period 2018-2023. This study uses quantitative methods with descriptive analysis and multiple linear regression tests. From the results of the analysis of the discussion conducted by researchers, based on the t-test the opportunity variable (X1) has a negative and significant effect on fraudulent financial statements for the variables of pressure (X2), competence (X3), arrogance (X4) and razionalization (X5) there is no significant effect on fraudulent financial statements. However, based on the F test, the opportunity (X1), pressure (X2), competence (X3), arrogance (X4) and razionalisation (X5) variables simultaneously have a significant effect on financial statement fraud.

Keywords: *Fraud Pentagon; F-Score ; Financial Statement Fraud*

INTRODUCTION

The importance of the existence, sustainability and success of a company in a competitive business world requires transparency and demands trust from stakeholders, especially in relation to financial reports. It is crucial for companies to ensure that their financial reports are accurate, reliable and free from fraud. In this case, transparency of financial reports is essential to foster trust and ensure the sustainability of the company in the long term. Because financial reports are an inseparable part of the business. As a report on the company's performance in a certain period, this data helps accountants in knowing the exact financial condition of the company.

The preparation of a company's financial report is carried out in a certain period. Usually companies make financial reports when their company's accounting period enters the end. This accounting period is determined by each company. Some are done at the end of each year, some are done every few months. To maintain good company performance, companies must continue to improve their performance and make choices that can increase value for the Company's stakeholders. However, the business environment does not always function well, which allows companies to commit fraud in financial reporting.

Financial statement fraud is a misstatement or omission of amounts or disclosures that is intentionally made with the aim of deceiving its users. This action is also often called financial statement fraud. Fraud is an intentional act that is carried out consciously to use company resources unfairly and intentionally present incorrect data in order to gain personal gain and cause reporting errors in financial statements (Kurrohman et al., 2017). Looking at the Indonesian fraud survey from the Association of Certified Fraud Examiners (ACFE) in 2019, 239 cases of fraud were found in Indonesia with 22 cases of financial statement fraud reported and financial statements led with the highest percentage in the category of the four largest fraud disclosure media, touching 38.9%.

In the Indonesian capital market, one example of fraudulent financial reporting that has occurred in an industrial and food company is PT Tiga Pilar Sejahtera (TPS) Food Tbk. PT TPS Food is suspected of manipulating its 2017 financial statements by manipulating financial statements that are different from the accounting statements used by auditors when auditing the 2017 financial statements. The Ernst and Young Indonesia investigation report found fraud in financial accounting, which is different from the accounting used by auditors in auditing the 2017 accounting accounts. It is stated that the TPSF Group accounts, fixed inventory and sales of Rp4 trillion 662 billion and EBITDA of the food unit of Rp329 billion. Cash flow of Rp1.78 trillion is said to have occurred through various initiatives of the TPSF Group to parties suspected of being affiliated with the old Management. There is no adequate disclosure to relevant stakeholders regarding relationships and transactions with affiliated parties. This may violate the Decree of the Chairman of the Capital Market and Financial Institution Supervisory Agency No. KEP-412/BL/2009 concerning Affiliated Transactions and Conflicts of Interest in Certain Transactions.

In an effort to study fraud in financial reports, research has been conducted on the factors that cause fraud, one of which is the pentagon fraud theory. Marks (2012) found that the theory has elements in the form of arrogance, competence/capability, pressure, opportunity, and rationalization. The pentagon fraud theory looks at a broader fraud scheme and is related to manipulation by the CEO and CFO.

The Indonesia Stock Exchange has many companies with various industries including the manufacturing industry which is different from the service industry and the natural resource management industry. The manufacturing industry has a lot of inventory in its warehouse. The large amount of inventory which is a company asset also makes the inventory very vulnerable to manipulation, such as making fictitious records or double records (Mufidah, 2017). This statement is supported by the theory of Arens (2015) which states that fictitious inventory has become several major cases of financial reporting fraud. Manufacturing companies also have a high level of transaction complexity, so that it will make it easier for management to manipulate the company's financial statements by thinking that the fraudulent actions will be difficult to detect (Husmawati P., 2017). Therefore, on this occasion the author took the object of research on the food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange

Based on the above and the novelty of this research, the author is motivated to conduct a study entitled "PENTAGON FRAUD ANALYSIS ON FINANCIAL REPORT FRAUD DETECTION IN FOOD AND BEVERAGE SUB-SECTOR COMPANIES LISTED ON THE IDX FOR THE 2018-2023 PERIOD. The hypotheses in this study are:

1. Fraud pentagon element opportunity significant effects on financial reporting fraud.
2. Fraud pentagon element pressure significant effects on financial reporting fraud.
3. Fraud pentagon element competence significant effects on financial reporting fraud.
4. Fraud pentagon element arrogance significant effects on financial reporting fraud.
5. Fraud pentagon element rationalization significant effects on financial reporting fraud.
6. Fraud pentagon elements opportunity, pressure, Competence, arrogance, rationalization simultaneously significant effects on financial reporting fraud.

LITERATURE REVIEW

The dependent variable of this study is fraudulent financial reporting. Measurement of the dependent variable uses the Fscore model which means the sum of two variables, namely accrual quality and financial performance. Accrual quality is calculated by RSST accrual and financial performance is calculated by changes in accounts receivable, inventory accounts, cash sales accounts and changes in profit (EBIT). The independent variables in this study are opportunity, pressure, competence, arrogance and rationalization.

RESEARCH METHODS

Quantitative data processing methods are used in this study. Where secondary data will be processed according to the formula and statistical calculations used to measure each variable, then the data will be analyzed and processed IBM SPSS Statistics 29.

- a. Descriptive Analysis
- b. Classical Assumption Test
- c. Multiple Linear Regression Analysis

Hypothesis Testing

- a. t-test (Partial)
- b. F-test (Simultaneous)
- c. R² Test

RESULTS AND DISCUSSION

1. Results

Table 1. Multiple Linear Regression Test Results

Model	Coefficients ^a					
	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1	(Constant)	10134.390	8748.876		1.158	.252
	PELUANG	-19.183	4.910	-.515	-3.907	<.001
	TEKANAN	-.820	.797	-.154	-1.029	.309
	KOMPETENSI	-3.359	187.306	-.003	-.018	.986
	AROGANSI	228.945	1655.202	.019	.138	.891
	RASIONALISASI	-2141.602	2880.973	-.091	-.743	.461

a. Dependent Variable: KECURANGAN LAPORAN KEUANGAN

Based on the test result data in table 1, the values in column B Unstandardized Coefficients are Constant 10134.390, Opportunity (X1) is -19.183, Pressure (X2) is -0.820, Competence (X3) is -3.359, Arrogance (X4) is 228.945 and Rationalization (X5) is -2141.602 so that the multiple linear regression equation is $Y = 10134.390 + (-19.183)X1 + (-0.820)X2 + (-3.359)X3 + (228.945)X4 + (-2141.602)X5 + e$.

Table 2. F Test Results (Simultaneous)

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1813724805.0	5	362744961.01	4.696
	Residual	3707520719.7	48	77240014.994	
	Total	5521245524.8	53		

a. Dependent Variable: KECURANGAN LAPORAN KEUANGAN
b. Predictors: (Constant), RASIONALISASI, TEKANAN, PELUANG, AROGANSI, KOMPETENSI

Based on the test results data table 2 obtained a significance value of $0.001 < 0.05$ and if viewed from the side of F table and F count, F table is formulated with $(K; n-k)$ worth $(5; 54-5) = 49$, then the F table value is 2.40 so that when compared F count $4.696 > F$ table 2.40. So it can be concluded that the independent/free variables of opportunity, pressure, competence, arrogance and rationalization simultaneously have a significant effect on the dependent/bound variable of financial statement fraud.

Table 3. R^2 Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.573 ^a	.328	.259	8788.62987

a. Predictors: (Constant), RASIONALISASI, TEKANAN, PELUANG, AROGANSI, KOMPETENSI

Based on the test results data table 3 the coefficient of determination obtained the adjusted R-Square value of 0.259 (25.9%). This means that the ability of the independent variables in this study affects the dependent variable by 25.9% while the remaining 74.1% is explained by other variables not listed in this study.

2. Discussion

1. Opportunity (X1) is proxied by the nature of the company with the ratio of changes in receivables, the significance value is $0.001 < 0.05$, then H_a is accepted, reinforced by the value of t table $< t$ count $2.00958 < 3.907$, but t count is negative, so there is a negative influence.
2. Pressure (X2) is proxied by external pressure with the value of leverage, the significance value is $0.309 > 0.05$, then H_a is rejected, reinforced by the value of t table $> t$ count, namely $2.00985 > 1.029$, which means there is no influence.
3. Competence (X3) measured by the proportion of independent commissioners, significance value $0.986 > 0.05$, then H_a is rejected, reinforced by the value of t table $> t$ count, namely $2.00985 > 0.018$, which means there is no influence.
4. Arrogance (X4) measured by the frequency of appearance of the CEO image, significance value $0.891 > 0.05$, then H_a is rejected, reinforced by t table $> t$ count, namely $2.00958 < 0.138$, which means there is no influence.
5. Rationalization (X5) or auditor change, significance value $0.461 > 0.05$, then H_a is rejected, reinforced by t table $> t$ count, namely $2.00958 > 0.743$, which means there is no influence.

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6. The F table value is 2.40 so that when compared F count 4.696> F table 2.40. So it can be concluded that the independent/free variables of opportunity, pressure, competence, arrogance and rationalization simultaneously have a significant effect on the dependent/bound variable of financial report fraud.

CONCLUSION

Based on the research results, the following conclusions can be drawn:

1. Opportunity partially has a negative and significant effect on financial reporting fraud.
2. Pressure partially does not have a significant effect on financial reporting fraud.
3. Competence partially does not have a significant effect on financial reporting fraud.
4. Arrogance partially does not have a significant effect on financial reporting fraud.
5. Rationalization partially does not have a significant effect on financial reporting fraud.
6. All independent variables have a simultaneous and significant effect on financial reporting fraud.

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