FRAUD PENTAGON THEORY PERSPECTIVE: FRAUDULENT FINANCIAL REPORTING IN SHARIA BANKING REGISTERED AT FINANCIAL SERVICE AUTHORITY (OJK)

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Abstract. *This research aims to examine the effect of fraud pentagon theory towards Fraudulent Financial Reporting in Sharia Banking registered at Financial Services Authority (OJK). Fraud pentagon theory includes five elements, namely Pressure proxied by financial target, financial stability, external pressure, and institutional ownership, Opportunity proxied by ineffective monitoring, and quality of external auditor, Rationalization proxied by change in auditor, Capability proxied by change in directors, and Arrogancy proxied by frequent number of CEO's picture. This type of research is quantitative research. Samples were taken by using purposive sampling and data analysis tool used is SPSS (Statistical Package for the Social Sciences). The results of this research stated that financial target, financial stability, external pressure, institutional ownership, ineffective monitoring, change in auditor, and change in director does not affect Fraudulent Financial Reporting. While quality of external auditor and frequent of CEO's picture has a positive significant effect on Fraudulent Financial Reporting. So its proves that Sharia Banking must carry out financial statement audits and prioritize the quality of external auditor to prevent fraudulent financial reporting.*

Keywords: *Fraud, Fraud Pentagon Theory, Fraudulent Financial Reporting, Sharia Bank*

Abstrak. *Penelitian ini bertujuan untuk menguji pengaruh teori fraud pentagon terhadap Fraudulent Financial Reporting pada Perbankan Syariah yang terdaftar di Otoritas Jasa Keuangan (OJK). Teori fraud pentagon mencakup lima elemen, yaitu tekanan (pressure) yang diproksikan dengan target keuangan, stabilitas keuangan, tekanan eksternal, dan kepemilikan institusional; kesempatan (opportunity) yang diproksikan dengan pengawasan yang tidak efektif dan kualitas auditor eksternal; rasionalisasi (rationalization) yang diproksikan dengan pergantian auditor; kapabilitas (capability) yang diproksikan dengan pergantian direksi; serta arogansi (arrogancy) yang diproksikan dengan frekuensi kemunculan foto CEO.*

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Jenis penelitian ini adalah penelitian kuantitatif. Sampel penelitian diambil dengan menggunakan teknik purposive sampling, dan alat analisis data yang digunakan adalah SPSS (Statistical Package for the Social Sciences). Hasil penelitian menunjukkan bahwa target keuangan, stabilitas keuangan, tekanan eksternal, kepemilikan institusional, pengawasan yang tidak efektif, pergantian auditor, dan pergantian direksi tidak berpengaruh terhadap Fraudulent Financial Reporting. Sementara itu, kualitas auditor eksternal dan frekuensi kemunculan foto CEO berpengaruh positif dan signifikan terhadap Fraudulent Financial Reporting. Dengan demikian, dapat disimpulkan bahwa Perbankan Syariah harus melaksanakan audit laporan keuangan serta memprioritaskan kualitas auditor eksternal guna mencegah terjadinya fraudulent financial reporting.

Kata kunci: *Fraud, Teori Fraud Pentagon, Fraudulent Financial Reporting, Bank Syariah.*

Introduction

Fraud remains a persistent and critical challenge in the global business environment, posing significant threats to organizational sustainability, market integrity, and economic stability. According to the survey conducted by the Association of Certified Fraud Examiners (ACFE, 2024), a total of 1,921 fraud cases were reported across 138 countries in 2023, resulting in aggregate losses exceeding USD 3.1 billion, with an average loss of USD 1.7 million per case. Although asset misappropriation accounted for the largest proportion of cases (89%), followed by corruption (48%) and financial statement fraud (5%), financial statement fraud generated the highest median loss, amounting to USD 766,000 per case. This figure substantially exceeds the median losses caused by corruption (USD 200,000) and asset misappropriation (USD 120,000), indicating that financial statement fraud, despite its relatively low frequency, poses the most severe financial consequences for stakeholders.

The incentive to present financial statements in a favorable condition often motivates management to manipulate accounting information in order to conceal adverse conditions and mislead users of financial reports. Fraudulent financial reporting is therefore considered one of the most detrimental forms of fraud, as it not only causes substantial financial losses to investors, creditors, and regulators but also

undermines market credibility, erodes investor confidence, and disrupts overall economic stability.

In Indonesia, incidents of fraudulent financial reporting have also been documented, particularly within the banking sector, which plays a strategic role in the national financial system. One prominent case involved PT Bank Bukopin Tbk, which restated its financial statements for three consecutive years (2015–2017) due to misstatements related to credit card receivables and errors in the presentation of Sharia financing and receivables. These restatements resulted in declining net income and increasing expenses, thereby misleading investors and other stakeholders in their economic decision-making processes (Ratnasari & Solikhah, 2019). Such cases highlight the vulnerability of banking institutions to fraudulent reporting practices and emphasize the importance of effective fraud detection mechanisms.

As fraudulent financial reporting continues to evolve in complexity, auditors, regulators, and academics are required to deepen their understanding of the underlying factors that drive such behavior. Alongside this development, fraud research has expanded considerably, producing various theoretical frameworks aimed at explaining and detecting fraudulent behavior within organizations. One of the most widely adopted frameworks is Crowe's Fraud Pentagon Theory (2011), which extends Cressey's Fraud Triangle by incorporating arrogance as an additional determinant of fraud. This theory posits that fraud is driven by five interrelated elements: pressure, opportunity, rationalization, competence, and arrogance.

Despite its widespread application, empirical findings regarding the Fraud Pentagon Theory remain mixed and inconclusive. Nindito (2018) found that arrogance does not significantly influence financial statement fraud. In contrast, Tessa and Harto (2016) reported that pressure — proxied by financial stability (ACHANGE) and external pressure (LEVERAGE) — as well as arrogance — measured by the frequency of CEO photographs (CEOPIC) — significantly affect the likelihood of fraudulent financial reporting. Similarly, Siddiq, Achyani, and Zulfikar (2017) demonstrated that pressure, rationalization, competence, and arrogance significantly influence fraudulent financial reporting, whereas opportunity does not.

More recent studies further confirm the presence of empirical inconsistencies. Achmad et al. (2022) found that pressure and opportunity significantly affect the probability of fraud, while rationalization, capability, and arrogance show inconsistent effects across firms. Meanwhile, Fitriana (2024) revealed that financial target and financial stability do not significantly influence fraudulent financial reporting; however, weak oversight by the board of commissioners and audit committee significantly increases fraud risk. These divergent findings indicate that empirical evidence regarding the determinants of fraudulent financial reporting remains fragmented, suggesting that the explanatory power of the Fraud Pentagon Theory may vary depending on institutional characteristics, governance quality, and sector-specific conditions.

Notably, the majority of prior studies in Indonesia focus on conventional banking institutions and employ similar variables, methodologies, and observation periods. As a result, limited attention has been given to Islamic banking institutions, which operate under distinct governance structures, Sharia principles, and ethical frameworks that may influence managerial behavior and fraud risk differently. The unique characteristics of Islamic banks—such as Sharia supervisory boards, profit-and-loss sharing mechanisms, and ethical compliance requirements—raise important questions regarding whether conventional fraud detection models can be applied uniformly across different banking systems.

This gap in the literature indicates that the applicability of the Fraud Pentagon Theory within the context of Islamic banking remains underexplored. Accordingly, this study aims to provide a deeper and more context-specific examination of Crowe's Fraud Pentagon Theory by assessing its effectiveness in detecting fraudulent financial reporting in Islamic banking institutions in Indonesia. By focusing on Islamic banks and incorporating recent observation periods, this research seeks to address inconsistencies in prior findings, extend existing empirical evidence, and contribute to a more nuanced understanding of fraud detection within faith-based financial institutions. The findings of this study are expected to offer theoretical contributions to fraud literature and practical implications for regulators, auditors, and bank governance mechanisms in strengthening fraud prevention and detection strategies.

Literatur Review

Agency Theory

The agency relationship perspective serves as the fundamental basis for understanding corporate governance. Corporate governance provides guidance for managers (agents) in managing a company according to best practices. Through such governance, managers are expected to make financial decisions that benefit all stakeholders. Therefore, a more in-depth analysis is necessary to ensure that the implementation of corporate governance effectively drives the company toward achieving its objectives. This includes the need for a strong organizational culture, organizational commitment, and internal control systems to support the application of corporate governance principles (Nissa, Mardian, & Nasution, 2019).

Crowe's fraud pentagon theory

The Fraud Pentagon Theory, proposed by Crowe Howarth (2011), explains the factors that trigger fraud. This theory is an extension of Cressey's Fraud Triangle Theory (1953), with the addition of two new elements—competence and arrogance—as further determinants of fraudulent behavior (Sasongko & Wijayantika, 2019). The main distinction between the fraud triangle and the fraud pentagon lies in their scope: the fraud triangle primarily focuses on fraudulent actions committed at the middle management level, whereas the fraud pentagon provides a broader framework that encompasses manipulations conducted by top executives, such as CEOs and CFOs.

The first element of the fraud pentagon is arrogance. Arrogance refers to a lack of conscience, characterized by a sense of superiority or hubris in individuals who believe that internal controls do not apply to them. According to Achsin and Cahyaningtyas (2015), arrogance arises from an individual's belief that they are capable of committing fraud and that existing control mechanisms cannot affect them. As a result, perpetrators often feel free to engage in fraudulent activities without fear of potential sanctions.

The second element is competence (or capability), which refers to an individual's ability to commit fraud. Competence encompasses an employee's skill to circumvent internal controls, devise sophisticated embezzlement schemes, and

manipulate social situations to their advantage by persuading or influencing others to cooperate in fraudulent acts (Marks, 2014).

The third element is opportunity. Weak internal controls provide individuals with the chance to commit fraud. According to Sukirman and Sari (2013), opportunities arise when perpetrators believe that their fraudulent actions will not be detected, or even if detected, no serious consequences will follow. Opportunities are generally associated with the organizational environment in which fraud occurs, often due to weak internal controls, inadequate managerial supervision, and unclear operational procedures.

The fourth element is pressure. Pressure refers to the motivation to commit and conceal fraud. As stated by Tuanakotta (2012), individuals may engage in the misappropriation of company funds due to intense personal or financial pressure that they cannot disclose to others. Such circumstances create non-shareable problems, compelling individuals to resolve them secretly through fraudulent means.

The fifth element is rationalization, which refers to the mental justification used by perpetrators to legitimize their fraudulent actions. According to Sukirman and Sari (2013), rationalization serves as the cognitive process through which individuals justify unethical behavior as acceptable. Fraud perpetrators often construct logical explanations to defend their actions. Tuanakotta (2012) further explains that rationalization allows individuals to reconcile their illegal behavior with their self-image as trustworthy persons.

Method

The research method employed in this study is a quantitative research method using both descriptive and verifikative approaches. The descriptive method begins with the process of collecting and recording data to describe existing phenomena, analyze them, and draw relevant conclusions. Meanwhile, the verificative method aims to test hypotheses derived from the descriptive findings through statistical analysis, thereby determining whether the proposed hypotheses are accepted or rejected (Sintya et al., 2025).

The data analysis method applied in this study is quantitative analysis. Quantitative analysis involves examining research problems by quantifying variables and numerical data to produce measurable and objective information for further interpretation.

In this study, logistic regression analysis is used as the primary analytical tool. According to Priyatno (2009), logistic regression is a statistical technique used to estimate outcomes based on changes in independent variables, or to predict the probability (odds) of an event occurring given specific independent variable values. The hypothesis testing in this research is conducted using a logistic regression model, which can be represented by the following equation:

FFR = ß0 + ß1ROA + ß2ACHANGE + ß3LEV + ß4OSHIP+ ß5BDOUT + ß6BIG+ ß7CPA + ß8DCHANGE + ß9CEOPIC + ε

Description:

FF = A dummy variable is used in this study, where a code of 1 represents companies that restated their financial statements, and a code of 0 represents companies that did not.

ß0 = Constant

ROA = Return On Assets

ACHANGE = The ratio of total asset changes for the period 2014–2018

LEV = The ratio of total liabilities to total assets

OSHIP = The ratio of institutional ownership

BDOUT = The ratio of independent commissioners

BIG = External auditor quality

CPA = Change in independent auditor

DCHANGE = Change in board of directors

CEOPIC = The number of CEO's pictures contained in the company's annual report

ε = Error

Result and Discussion

Results of Data Analysis

The hypotheses in this study were tested using a logistic regression model. The purpose of this analysis is to obtain a comprehensive understanding of the relationships between the independent variables—financial target, financial stability, external pressure, institutional ownership, ineffective monitoring, external auditor quality, change in auditor, change in directors, and the frequency of the CEO's pictures in the annual report—and the dependent variable, fraudulent financial reporting.

Descriptive Statistics Results

Based on the results of the descriptive statistical test, a total of 70 observational data points were obtained. This number is derived from the multiplication between the research period of 5 years (2014–2018) and the 14 Islamic Commercial Banks included in the study sample.

Table 1. Statistical Description

	N	Min	Max	Mean	Std. Deviation
FFR	70	0,00	1,00	0,1286	0,33714
ROA	70	-8,09	20,13	1,1191	3,35592
ACHANGE	70	-48,00	53,08	6,2570	10,7575
LEV	70	0,03	0,97	0,2707	0,26511
OSHIP	70	0,00	1,00	0,8141	0,34815
BDOUT	70	0,00	1,00	0,6092	0,18813
BIG	70	0,00	1,00	0,4571	0,50176
CPA	70	0,00	1,00	0,7143	0,45502
DCHANGE	70	0,00	1,00	0,5714	0,49844
CEOPIC	70	0,00	13,00	3,4000	1,82891
Valid N (listwise)	70				

Source: Processed data using SPSS (Statistical Package for the Social Sciences).

Table 1. presents the descriptive statistics of each research variable. Based on Table 4.1, the statistical results for the dependent variable (Y), namely *fraudulent financial reporting* proxied by financial statement restatement, show a minimum value of 0.00, a maximum value of 1.00, and an average value of 0.1286. This indicates that

the rate of financial statement restatement is 12.86%, with a standard deviation of 0.33714.

The financial stability variable shows a minimum value of -48.00, a maximum value of 53.08, and a mean value of 6.2570, indicating that the average level of financial stability of the companies is 625.7%, with a standard deviation of 10.7575. The external pressure variable records a minimum value of 0.03, a maximum value of 0.97, and a mean value of 0.2707, which indicates that the average debt ratio of Islamic Commercial Banks is 27.07%, with a standard deviation of 0.26511.

The institutional ownership variable shows a minimum value of 0.00, a maximum value of 1.00, and an average value of 0.8141, indicating that the average level of institutional share ownership in Islamic Commercial Banks is 81.41%, with a standard deviation of 0.34815. The ineffective monitoring variable records a minimum value of 0.00, a maximum value of 1.00, and a mean value of 0.6092, which indicates that the level of ineffective internal control in Islamic Commercial Banks averages 60.92%, with a standard deviation of 0.18813.

The external auditor quality variable shows a minimum value of 0.00, a maximum value of 1.00, and an average value of 0.4571, indicating that 45.71% of Islamic Commercial Banks employed the services of Big Four public accounting firms, with a standard deviation of 0.50176. The change in auditor variable records a minimum value of 0.00, a maximum value of 1.00, and an average value of 0.7142, which means that 71.43% of Islamic Commercial Banks changed their auditors during the 2014–2018 period, with a standard deviation of 0.45502.

The change in directors variable shows a minimum value of 0.00, a maximum value of 1.00, and an average value of 0.5714, indicating that 57.14% of Islamic Commercial Banks experienced changes in their board of directors during the 2014–2018 period, with a standard deviation of 0.49844. The frequent number of CEO's pictures variable records a minimum value of 0.00, a maximum value of 13.00, and an average value of 3.4000, which suggests that the average level of CEO prominence (as a proxy for arrogance) in Islamic Commercial Banks is represented by 3.4 photos per annual report, with a standard deviation of 1.82891.

Hosmer and Lemeshow Test Results

To determine the difference between the predicted and observed values, the Hosmer and Lemeshow test was performed using the Chi-square approach. If the significance value of the Hosmer and Lemeshow test is equal to or less than 0.05, the null hypothesis is rejected, indicating a significant difference between the model and the observed data. This means that the model does not have a good goodness-of-fit and is unable to accurately predict the observed values.

Table 2. Similarity of logistic regresion model

Step	Chi-square	Df	Sig.
1	4,446	8	0,815

Source: Processed data using SPSS (Statistical Package for the Social Sciences).

Based on the results of the logistic regression model's goodness-of-fit test, the Chi-square value was 4.446 with a significance level of 0.815. Since the significance value is greater than 0.05 (> 0.05), it can be concluded that there is no significant difference between the predicted values of the logistic regression model and the observed data. This indicates that the model is acceptable and fits the observed data well.

Classification Matrix Test Results

The classification matrix test is used to assess the accuracy of the logistic regression model in predicting the occurrence or non-occurrence of fraudulent financial reporting. This test compares the predicted classification results with the actual observed outcomes. The model's predictive accuracy is indicated by the percentage of correctly classified cases. A higher classification accuracy implies a better model performance in distinguishing between companies that engage in financial statement fraud and those that do not.

Table 3. Classification Matrix Test

Observed	Predicted FFR		Percentage
	Non-Restatement	Restatement Correct	
Non-Restatement	60	1	98,4

Restatement	8	1	11,1
Overall Percentage			87,1

Source: Processed data using SPSS (Statistical Package for the Social Sciences)

Based on the results of the classification matrix test, the model predicted that 61 Islamic banks did not perform financial statement restatements, while the actual observation showed 60 banks, resulting in a classification accuracy of 98.4%. Conversely, the model predicted that 9 Islamic banks conducted restatements, while the actual observation indicated only 1, resulting in a classification accuracy of 11.1%. Overall, the total classification accuracy of the model is 87.1%, which indicates that the logistic regression model is able to correctly classify the majority of cases.

Hypothesis Testing Results

The parameter estimation can be observed through the regression coefficients. The regression coefficient of each tested variable indicates the nature and direction of the relationship between the independent and dependent variables. Hypothesis testing was conducted by comparing the probability (significance) values. If the significance value is less than 0.05, the regression coefficient is considered significant at the 5% level. This means that the null hypothesis (H_0) is rejected and the alternative hypothesis (H_1) is accepted, indicating that the independent variable has a significant influence on the dependent variable.

This regression analysis aims to examine the extent to which all independent variables affect the dependent variable. The results of the regression coefficients were determined based on the significance (Sig.) values. The results of the hypothesis testing produced the following regression model:

Tabel 4. Logistic Regresion Coefficient Test Result

		B	S.E.	Wald	df	Sig.	Exp(B)
2Step 1a	ROA	-0,003	0,003	1,094	1	0,296	0,997
	ACHANGE	0,000	0,000	0,742	1	0,389	1,000
	LEV	0,013	0,024	0,267	1	0,606	1,013

OSHIP	-0,024	0,020	1,517	1	0,218	0,976
BDOUT	-0,023	0,026	0,795	1	0,373	0,977
BIG	3,673	1,557	5,424	1	0,020	39,356
CPA	1,715	1,617	1,126	1	0,289	5,558
DCHANGE	-1,047	0,950	1,215	1	0,270	0,351
CEOPIC	0,540	0,237	5,179	1	0,023	1,716
Constant	-3,407	3,038	1,258	1	0,262	0,033

Source: Processed data using SPSS (Statistical Package for the Social Sciences).

$$FFR = -3,407 - 0,003X_1 + 0,000X_2 + 0,013X_3 - 0,024\,X_4 - 0,023X_5 + 3,673X_6 + 1,715X_7 - 1,047X_8 + 0,540X_9$$

From the regression equation above, it can be explained that the constant (a) of -3.407 indicates that there is an influence from the nine ratios (X_1 to X_9), implying that Islamic banks will experience a fraudulent financial reporting (FFR) level of -20.981. The variable X_1 (ROA) has a coefficient value of -0.003, which is negative, meaning that for every 1-unit increase in ROA, the FFR will decrease by 0.003. The variable X_2 (ACHANGE) has a coefficient value of 0.000, which is positive, indicating that a 1-unit increase in ACHANGE does not significantly affect FFR. The variable X_3 (LEV) has a positive coefficient value of 0.013, meaning that for every 1-unit increase in LEV, the FFR will increase by 0.013.

The variable X_4 (OSHIP) has a coefficient value of -0.024, which is negative, meaning that for every 1-unit increase in OSHIP, the FFR will decrease by 0.024. The variable X_5 (BDOUT) has a coefficient value of -0.023, also negative, indicating that a 1-unit increase in BDOUT will decrease the FFR by 0.023. The variable X_6 (External Auditor Quality) has a positive coefficient value of 3.673, meaning that the presence of an external auditor classified as a Big Four firm increases the FFR by 3.673. The variable X_7 (Auditor Change) has a positive coefficient value of 1.715, implying that when there is a change of auditor, the FFR increases by 1.715.

The variable X_8 (Director Change) has a coefficient value of -1.047, which is negative, meaning that each occurrence of a director change will decrease the FFR by 1.047. The variable X_9 (Number of CEO Pictures in the Annual Report) has a positive

coefficient value of 0.540, indicating that for every additional CEO photo included in the annual report, the FFR will increase by 0.540.

Discussion

Based on the results of the data analysis, the findings can be further explained as follows:

Financial Target Has No Effect on Fraudulent Financial Reporting

Based on the hypothesis testing results, it can be concluded that the financial target, proxied by ROA, does not have a significant partial effect and shows a negative direction toward fraudulent financial reporting in Islamic commercial banks registered with the Financial Services Authority (OJK) during the 2014–2018 period. This is indicated by a significance value of 0.289 > 0.05 and a negative coefficient (B = -0.003). The increase in ROA among banks in Indonesia generally aims to enhance the quality of the company so that it can compete with other financial institutions by developing new products that meet customer needs and improve customer convenience.

Furthermore, most banks in Indonesia possess high-quality human resources capable of adapting to market developments. The presence of competent human capital prevents employees from feeling pressured by financial targets. In addition, companies tend to adhere firmly to the principles of Good Corporate Governance (GCG) without manipulating financial statements to increase shareholder value.

These findings are consistent with previous research conducted by Chyntia (2016), Aprilia (2017), and Maria (2017), which also found that financial targets do not significantly affect fraudulent financial reporting.

Financial Stability Has No Effect on Fraudulent Financial Reporting

Based on the results of hypothesis testing, it can be concluded that financial stability, as measured by ACHANGE, does not have a significant effect on fraudulent financial reporting in Islamic commercial banks registered with the Financial Services Authority (OJK) during the 2014–2018 period. This finding is supported by the significance value of 0.389, which is greater than the threshold of 0.05, indicating that

changes in total assets do not significantly influence the likelihood of fraudulent financial reporting.

This result suggests that fluctuations in asset levels do not necessarily lead management to commit fraud. In general, Islamic banks in Indonesia tend to maintain stable financial conditions and adhere to prudential banking principles in accordance with sharia values. Management focuses more on maintaining public trust and ensuring compliance with financial reporting standards rather than manipulating financial data for short-term gains.

The results of this study are consistent with the findings of Chyntia (2016) and Rahmadika & Marsono (2017), which also indicate that financial stability does not have a significant effect on fraudulent financial reporting.

External Pressure Has No Effect on Fraudulent Financial Reporting

Based on the results of hypothesis testing, it can be concluded that external pressure, measured by the leverage ratio, does not have a significant partial effect but shows a positive direction toward fraudulent financial reporting in Islamic commercial banks registered with the Financial Services Authority (OJK) during the 2014–2018 period. This is indicated by a significance value of 0.606 > 0.05 and a positive coefficient (B = 0.013).

External pressure, as proxied by the leverage ratio, does not significantly affect fraudulent financial reporting because a high leverage ratio does not necessarily create pressure on management to manipulate financial statements. This is due to the company's ability to meet its debt obligations, supported by an increase in total assets.

Moreover, companies are not solely dependent on debt as a source of financing; they can also issue additional shares to obtain funds from investors. This diversification of financing sources reduces the pressure on management and minimizes the incentive to commit fraud.

The results of this study are consistent with previous research conducted by Dopi (2017), Aprilia (2018), and Fitri (2019), which also found that external pressure has no significant effect on fraudulent financial reporting.

Institutional Ownership Has No Effect on Fraudulent Financial Reporting

Based on the results of hypothesis testing, it can be concluded that institutional ownership has no significant partial effect and shows a negative direction toward fraudulent financial reporting in Islamic commercial banks registered with the Financial Services Authority (OJK) during the 2014–2018 period. This is indicated by a significance value of 0.218 > 0.05 and a negative coefficient (B = -0.024).

This finding suggests that a high proportion of institutional share ownership does not create pressure on the company to commit financial statement fraud. For the company, there is essentially no difference between shares owned by institutional investors or individual investors, as it remains an obligation of the company to distribute dividends to all shareholders.

The distribution of dividends does not distinguish between institutional, individual, or managerial ownership; rather, it depends on the *type* of shares held—common or preferred stock. Therefore, institutional ownership does not necessarily influence management behavior or decision-making related to financial reporting practices.

The results of this study are consistent with previous research by Tessa (2016), Maria (2017), and Helda (2018), which also found that institutional ownership does not significantly affect fraudulent financial reporting.

The Effectiveness of the Monitoring System Has No Effect on Fraudulent Financial Reporting

Based on the results of hypothesis testing, it can be concluded that the effectiveness of the monitoring system does not have a significant partial effect and shows a negative direction toward fraudulent financial reporting in Islamic commercial banks registered with the Financial Services Authority (OJK) during the 2014–2018 period. This is indicated by a significance value of 0.373 > 0.05 and a negative coefficient (B = -0.023).

This result can be explained by the fact that the proportion of independent commissioners in Islamic commercial banks generally exceeds 50% of the total number of board commissioners, which means that the supervisory function has been carried out effectively and optimally. The board of commissioners performs its duties and responsibilities independently, guided by the principles of Good Corporate

Governance (GCG), to ensure proper governance practices at every level of the organization and across all operational units.

Furthermore, the board of commissioners supervises the performance of the directors and provides advice and recommendations to ensure compliance with banking regulations. They also ensure that management follows up on audit findings from the Internal Audit Unit (SKAI), Public Accountants, Bank Indonesia, and the Financial Services Authority (OJK).

The results of this study are consistent with previous research conducted by Dopi (2017), Maria (2017), and Helda (2018), which found that ineffective monitoring does not have a significant effect on fraudulent financial reporting.

External Auditor Quality Has a Positive Effect on Fraudulent Financial Reporting

Based on the results of hypothesis testing, it can be concluded that external auditor quality has a significant partial effect and shows a positive direction toward fraudulent financial reporting in Islamic commercial banks registered with the Financial Services Authority (OJK) during the 2014–2018 period. This is indicated by a significance value of 0.020 < 0.05 and a positive coefficient (B = 3.673).

This finding can be explained by the fact that large Public Accounting Firms (Big Four) are generally considered to provide higher-quality audits than smaller firms due to their greater experience and expertise. If auditors from Big Four firms possess superior skills, it can be assumed that their clients are more likely to apply accounting standards correctly, resulting in fewer errors in financial statement reporting.

The results of this study are consistent with previous research by Pittman (2010) and Apriliana (2017), which also found that external auditor quality significantly affects fraudulent financial reporting.

Auditor Change Has No Effect on Fraudulent Financial Reporting

Based on the results of hypothesis testing, it can be concluded that auditor change does not have a significant partial effect but shows a positive direction toward fraudulent financial reporting in Islamic commercial banks registered with the Financial Services Authority (OJK) during the 2014–2018 period. This is indicated by a significance value of 0.289 > 0.05 and a positive coefficient (B = 1.715).

This finding may be due to the fact that the sample companies that changed auditors did so not to reduce the likelihood of detection of financial statement fraud by the previous auditor, but rather to comply with the Indonesian Ministry of Finance Regulation No. 17/PMK.01/2008. According to Article 3, Paragraph 1 of this regulation, the provision of general audit services on a company's financial statements by the same Public Accounting Firm (KAP) may be carried out for a maximum of six consecutive fiscal years, and by the same auditor for a maximum of three consecutive fiscal years for the same client.

The results of this study are consistent with the findings of Chyntia (2016) and Helda (2018), which also concluded that auditor changes do not have a significant effect on fraudulent financial reporting.

Director Change Has No Effect on Fraudulent Financial Reporting

Based on the results of hypothesis testing, it can be concluded that director change does not have a significant partial effect and shows a negative direction toward fraudulent financial reporting in Islamic commercial banks registered with the Financial Services Authority (OJK) during the 2014–2018 period. This is indicated by a significance value of $0.270 > 0.05$ and a negative coefficient (B = -1.047).

This finding can be explained by the fact that changes in the board of directors are generally carried out for clear, disclosed reasons in the company's annual report. Such changes often occur because the directors' performance is continuously monitored by the board of commissioners. Directors whose performance is deemed less effective are replaced by more competent individuals who can work optimally to improve the overall quality of the company.

Higher competence among directors also corresponds to greater caution and ethical standards in carrying out their duties, which reduces the likelihood of committing financial statement fraud. The results of this study are consistent with previous research conducted by Dopi (2017), Helda (2018), and Ratna (2019), which also found that director changes do not significantly affect fraudulent financial reporting.

Number of CEO Photos Has a Positive Effect on Fraudulent Financial Reporting

Based on the results of hypothesis testing, it can be concluded that the number of CEO photos has a significant partial effect and shows a positive direction toward fraudulent financial reporting in Islamic commercial banks registered with the Financial Services Authority (OJK) during the 2014–2018 period. This is indicated by a significance value of 0.023 < 0.05 and a positive coefficient (B = 0.540).

The results suggest that the greater the number of CEO photos displayed in a company's report, the higher the indication of CEO arrogance within the organization. A high level of arrogance may lead to fraudulent behavior, as a CEO with a sense of superiority may feel that internal controls do not apply to them due to their status and position.

These findings are consistent with previous research by Chyntia (2016) and Agustina (2019), which also found that the frequency of CEO images positively affects fraudulent financial reporting.

Conclusion

This study examined the influence of the Fraud Pentagon Theory on Fraudulent Financial Reporting (FFR). The Fraud Pentagon Theory comprises five components: Pressure (financial target, financial stability, external pressure, and institutional ownership), Opportunity (ineffective monitoring and external auditor quality), Rationalization (auditor change), Capability (director change), and Arrogance (frequency of CEO photos).

Based on the results of the study and the discussion, the following conclusions can be drawn:

1. Financial Target has no effect on fraudulent financial reporting. This may be because increases in ROA in Indonesian banks are aimed at improving company quality by creating new products that meet customer needs. In addition, most banks in Indonesia have competent human resources.

2. Financial Stability has no effect on fraudulent financial reporting. Managers are unlikely to manipulate financial statements to improve company prospects

when financial conditions are unstable, as they consider the potential impact on future financial health.

3. External Pressure has no effect on fraudulent financial reporting. Companies obtain financing not only through debt from creditors but also by issuing new shares to secure funding from investors. A high leverage ratio does not pressure management to commit financial statement fraud, as the company can still meet its debt obligations supported by asset growth.

4. Institutional Ownership has no effect on fraudulent financial reporting. High institutional shareholding does not exert pressure on the company. The company treats institutional and individual shareholders equally, distributing dividends according to share type, as required by corporate obligations.

5. Ineffective Monitoring has no effect on fraudulent financial reporting. Independent commissioners in Islamic banks generally exceed 50% of the total board, ensuring effective supervision. The board also oversees the directors' responsibilities and provides recommendations to ensure compliance with banking regulations.

6. External Auditor Quality has a positive effect on fraudulent financial reporting. Large Public Accounting Firms (Big Four) are considered to have higher audit quality than smaller firms due to greater experience and expertise. Auditors from Big Four firms can help clients apply accounting standards more accurately, reducing errors in financial statements.

7. Auditor Change has no effect on fraudulent financial reporting. Auditor changes in Islamic banks are generally not intended to reduce the detection of fraud by previous auditors but to comply with Indonesian Ministry of Finance Regulation No. 17/PMK.01/2008, which limits consecutive audit engagements to six years for the same firm and three years for the same auditor.

8. Director Change has no effect on fraudulent financial reporting. Directors are continuously monitored by the board of commissioners. Underperforming directors are replaced by more competent individuals who can optimize company performance.

9. Frequent Number of CEO Photos has a positive effect on fraudulent financial reporting. A higher number of CEO photos in company reports may indicate a high level of CEO arrogance. Excessive arrogance can increase the likelihood of fraud, as the CEO may feel that internal controls do not apply to them due to their status and position.

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