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Fraudulent Financial Statements at Sharia Banks

Neni Uciati*[1] and Hasan Mukhibad[2]

[1,2]*Accounting Department, Faculty of Economics, Universitas Negeri Semarang*

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ABSTRACT

This study aims to analyze the determinants of fraudulent financial statements in the perspective of crowe's fraud pentagon theory at Sharia Commercial Banks in Indonesia. The population of this study was Sharia Commercial Banks in Indonesia with observation period in 2015-2018. Samples are selected by using purposive sampling method. Analysis of research data used panel data regression analysis. The results of this study indicate that sharia compliance, change in director and frequent number of CEO's picture have a positive and significant effect on fraudulent financial statements. This study also finds that financial stability, financial target, and effective monitoring have no significant effect on fraudulent financial statements. Sharia Commercial Banks are advised not to make changes to the composition of the board of directors within a short span of time so that financial fraud can be minimized. The weakness of this research is that there is a pressure condition in the element of the crowe's fraud pentagon theory that has not been studied. The addition of research objects from several different countries as well as extending the period of observation is also recommended in order to obtain more accurate research results.

INTRODUCTION

Performance of a company can be seen and analyzed from a variety of perspectives according to the needs of stakeholders. Financial statement is a tool used to see and analyze the condition and performance of a company's finance. The results of the analysis are used by the stakeholders in decision making. These stakeholders include management, employees, investors, creditors, suppliers, customers, and government.

Based on Financial Accounting Standards Guidelines (PSAK) No.1, the purpose of financial statements is to provide information about financial position, financial performance, and cash flow of entities that are beneficial to the most of users of financial statements in making economic decisions. Financial statement presented is a report that is in accordance with the conditions or the actual condition of the company so that the report does not mislead stakeholders in the decision-making process. The desire of the company to always show good performance often forces the company to manipulate financial statements. The manipulation of financial statements will harm stakeholders because the information presented is not in accordance with reality.

Manipulation of financial statements with the aim of displaying the performance of good company is referred to as fraud or cheating. In the original language, fraud or cheating covers various actions against the law (Tuanakotta, 2012). Fraudulent financial reporting is a misstatement or deliberate omission of the amount or disclosure with the aim to deceive users of financial statements (Arens, et al, 2012).

Report of Association of Fraud Examiners (ACFE) in 2014 about Occupational Fraud shows 26.4 percent of fraudulent financial reporting cases and 11 percent of corruption cases (Dogas, 2015). This fraudulent financial reporting case is carried out by exaggerating revenues by recording expected sales in the future, minimizing expenses through ways such as capitalizing operating costs, inflating the net worth of assets by deliberately failing to apply an appropriate depreciation schedule, hiding liabilities from the company (Pinkasovitch, 2019).

Based on a survey conducted by ACFE in Indonesia in 2016, the order of fraud that occurred was corruption, misuse of wealth, and fraud in financial statements. Even though the fraudulent financial statements

* *E-mail: neniuciati407@gmail.com*
Address: L2 Building 2nd floor, Campus Sekaran, Gunungpati, Semarang, Indonesia, 50229

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are in the last place, the losses caused are quite large. In the Indonesian fraud survey 2016, the financial and banking industry occupies the second position as the party most harmed by fraud.

Sharia banks according to article 1 (7) of Law no. 21 of 2008 concerning Sharia Banking is a bank that carries out its business activities based on the sharia principles. Sharia banks which operations are based on the principles of Islamic law should always provide good and correct financial reporting. In fact, fraud actions on Sharia banks still occur.

Empirical cases of fraud in the sharia banking sector among others in 2013, three officials of the PT Bank Syariah Mandiri Bogor Branch Office broke into funds through fictitious financing worth Rp. 102 billion with a potential loss of Rp. 59 billion (Prabowo, 2013). In 2016, Edo Ferdian, a former employee of the Padang branch BSM committed a series of violations which caused losses of more than Rp4 billion. The crimes committed by the defendant included falsification of documents, illegal withdrawal of customer funds and transfer of savings (Ishaq, 2016).

This phenomenon shows that Sharia banks do not have a guarantee that they will be free from the risk of fraud. This proves that the presence or absence of fraud is not solely caused by the principles used by the banking themselves. Fraud that occurs in Sharia banks can be examined based on the theory put forward by previous researchers.

The purpose of this study is to examine the determinants of financial statement fraud on Sharia banks based on the theory of crowe's fraud pentagon. Theory of Crowe's fraud pentagon consists of five elements that influence the occurrence of fraud including pressure, opportunity, rationalization, competence, and arrogance. The limitation of this study is that it will only examine the determinants of fraudulent financial statements.

In contrast to the previous studies, this study uses the value of earnings stability which is used to measure the variable of financial stability pressure. The rationalization variable is proxied using sharia compliance, which is measured using the value of self-assessment in sharia bank GCG reports. Sharia compliance is an element that exists in Islamic entities and has not been thoroughly studied its influence on fraudulent financial statements

Pressure is a situation that arises because of the motivation to commit fraud. Pressure is the condition of management or employees under pressure that gives reasons for committing fraud (AICPA, 2002). Financial stability is one of the conditions which causes management to be depressed so as to commit fraud.

Financial stability is a condition that describes the condition of the company in a stable state. At the time the company is in an unstable financial condition, the management is in a depressed position to continue to show that the company is in good condition. According to SAS No.99 (AICPA, 2002) managers will be pressured to commit fraud when the company's financial stability is threatened. Good financial stability can be seen from increased earnings or stable earnings.

The low level of profit generated by the company will put pressure on management. This pressure will encourage management to manipulate profits as a tool to maintain the company's financial stability. Based on the theory of crowe's fraud pentagon, the pressure for management to always display high profits will increase the risk of fraud. Studies conducted by Lou & Wang (2009), Sihombing and Rahardjo (2014), Widarti (2015), Yesiariani & Rahayu (2014), Wahyuningtias (2016), and Junita (2016) find that financial stability has a significant effect on fraudulent financial statements.

H_1: Financial stability has a positive and significant effect on the fraudulent financial statement.

Another pressure condition that influences fraud is financial target. Financial target is achievements that must be met by management with regard to corporate finance. One of them is the acquisition of high profits in order to get large capital from investors. Unrealistic financial target puts management under great pressure so that it encourages management to commit fraud (AICPA, 2002).

Based on the theory of crowe's fraud pentagon, if the financial target set is higher, the heavier the burden borne by management in managing the company. The target will depress management so that they no longer consider right or wrong to achieve it. The company's financial target is measured using the ratio of return on assets (ROA).

ROA is a ratio that shows the amount of return on total assets used by a company. Skousen, et al, (2009) mention ROA is a measure of operational performance used to show how efficiently an asset has worked. The higher ROA means the better company performance which shows that the company is run efficiently. Therefore, companies with high ROA targets will have a high risk of fraud as well. Research conducted by Amara et al. (2013), Yesiariani & Rahayu (2014), Widarti (2015), Putriasih et al. (2016), Supri, Rura, & Pontoh (2018), Yulianti, Pratami, Widowati, & Prapti (2019), as well as Rengganis, Sari, Budiasih, Wirajaya, & Suprasto (2019) find that financial target has a significant effect on financial statement fraud. Meanwhile, Handoko & Selly (2020), Safiq & Seles (2019), Diansari & Wijaya (2018) as well as Prasmaulida (2016) find no relationship between financial targets and financial statement fraud.

H_2: Financial target has a positive and significant effect on financial statement fraud.

The second element of the crowe's fraud pentagon theory is opportunity. Opportunities will arise if the company has weak control. Opportunities in SAS 99 (AICPA, 2002) influenced by companies that provide gaps in committing financial statements (nature of industry) such as effective monitoring or effective supervision.

Effective monitoring is a monitoring system carried out effectively related to corporate governance. Efforts to minimize fraud one of which can be done with an effective monitoring system (Skousen et al., 2009). Companies with effective monitoring systems should have a low level of fraud because the opportunity to commit fraud in the company is small.

In sharia entities, there is a unique organ that is not contained in conventional entities, that is Sharia Supervisory Board (SSB) which is in charge of conducting supervision on sharia principles. The opportunity to commit fraud becomes small if SSB does its duties and responsibilities well. However, if the duties and responsibilities of SSB are not carried out well, then the opportunity for management to commit fraud becomes large. According to the theory of crowds' fraud pentagon, according to (AICPA, 2002) one of the opportunities for fraud is caused by the presence or absence of effective monitoring related to corporate governance.

The study of the previous researchers shows that there are no inconsistencies in the results which examine the relationship between monitoring and fraudulent financial reporting. (Supri et al., 2018) find the effectiveness of monitoring will have a negative effect on fraudulent financial reporting. This is in line with the finding of (Supri et al., 2018), (Rengganis et al., 2019) find that the number of audit committees, the ratio of independent commissioners and the number of audit committee meetings can reduce fraudulent financial reporting. Different finding is presented by Handoko & Selly (2020); Prasmaulida (2016), as well as Diansari & Wijaya (2018) do not prove the relationship between the two. Meanwhile, Yulianti et al. (2019) use external auditor quality as the proxy of the measurement of monitoring effectiveness does not find the relationship between auditor quality with fraudulent financial reporting.

We use different proxy from the previous researchers, namely the number of SSBs as proxy in measuring the variable of monitoring. This is because SSB has duty similar to those of external auditors (Mukhibad, 2018). Research by Nuryanti (2018) shows that effective monitoring proxied using the number of SSB of Islamic entities has a significant influence on financial statement fraud.

H_3: Effective monitoring has a negative and significant effect on fraudulent financial statements.

The third element of the crowe's fraud pentagon theory is rationalization, that is the perpetrator behaves that the fraud committed is right. Cressey found that in general a person who commits a crime will rationalize it by seeing the crime as an act that can be justified (Tuanakotta, 2017). For a person or group that has low moral standards, it will tend to be easier to find justification for fraud committed.

Sharia compliance is a moral directive or preventive action in order to ensure that the operations of Islamic bank are in accordance with Islamic values. Thus, fraud will increase if the level of compliance of Sharia banks is low. This is in accordance with the theory of crowe's fraud pentagon that is individuals or groups will think that the act of fraud committed is the right thing. The result of the study by Akbar et al. (2017) indicates a significant relationship between sharia compliance with fraudulent financial statement. High sharia compliance value indicates that sharia compliance owned by the entity is getting worse.

H_4: Sharia compliance has a positive and significant effect on fraudulent financial statements.

The fourth element of the crowe's fraud pentagon theory is competence. Competence is the ability possessed by management or employees in committing fraud. Competence is the ability of employees to fool internal control, make fraud strategies, and control the situation for their own benefit (Crowe, 2011).

Companies often change directors to improve company performance. When there is a change in directors, there are stress period situations or bad conditions that will open up opportunities for fraud (Tessa & Harto, 2016). This condition is in accordance with the theory of crowe's fraud pentagon will increase the ability of individuals or groups to commit fraud. In addition, a conflict of interest makes the change of directors seen as an effort to hide fraud by replacing the old directors with new directors. Wolfe & Hermanson (2004) as well as Yusof et al. (2015) conclude that the changes in directors affects on the fraudulent financial statement. Meanwhile, Rengganis et al. (2019), Yulianti et al. (2019), Handoko & Selly (2020), and Supri et al. (2018) do not find the relationship between changes in director with fraudulent financial reporting.

H_5: Change in director has a positive and significant effect on fraudulent financial statement.

The fifth element of the crowe's fraud pentagon theory is arrogance. Arrogance in the crowe's fraud pentagon wants to prove that a leader's arrogance will have a negative impact on the company (Crowe, 2012). Arrogance is proxied with frequent number of CEO's pictures, namely profiles, photo achievements and picture displays of CEO displayed in the company's annual report (Yusof et al. 2015).

The purpose of the CEO to show his picture is that the CEO wants to show and does not want to lose the position. The high level of arrogance is shown by the more profiles displayed by the CEO. According to the crowe's fraud pentagon theory, high arrogance will lead to fraud because the CEO will think that there are exceptions to internal controls for himself. The research results of Tessa and Harto (2016) as well as Nuryanti (2018) find that there is a significant influence between frequent numbers of CEOs' pictures with financial statement fraud. Different from the previous researchers, (Yulianti et al., 2019) does not find the relationship between the two.

H_6: Frequent number of CEO's picture has positive and significant effect on fraudulent financial statement.

RESEARCH METHOD

This research was a quantitative research using the design of hypothesis testing on Sharia Commercial Banks in Indonesia in 2015-2018. This study used secondary data in the form of annual reports and Good Corporate Governance (GCG) Reports of Sharia Commercial Banks, which were published on a website each of the Sharia banks. The total population was 14 BUS. Samples were selected by purposive sampling method. Data collection technique used documentary technique in the form of data from annual reports and GCG reports of Sharia banks in 2015-2018. Data analysis technique used panel data regression models using e-views 9.

The dependent variable in this research was fraudulent financial statement and the independent variables include financial stability, financial targets, effective monitoring, sharia compliance, change in director, and frequent numbers of CEO's picture. The dependent variable is measured using LLP discretionary value or the value of the receivable loss costs. DLLP is the flexibility of bank managers in managing or evaluating the LLP value or the value of receivable loss costs in the current year (Mersni & Othman, 2016). LLP is the main accrual value in the banking sector which is divided into LLP discretionary and non-discretionary LLP. The model is as follows:

LLP= Non-discretionary LLP + Discretionary LLP

The value of DLLP was influenced by the value of non-performing financing (NPF) at the beginning of the year, changes in the value of NPF, and changes in the total value of the financing provided. The hypothesis built was that the amount of non-performing financing (NPF) at the beginning of the year, changes in the value of NPF, and changes in the total value of financing would affect LLP positively. NDLLP was estimated using the following equation:

$$LLPit = \beta + \beta 1NPFit\text{-}1 + \beta 2\Delta NPFit + \beta 3\Delta TFit + \varepsilon it \quad .....(1)$$

Explanation:

LLPit = Loan Loss Provision t on the agreements of Murabahah, Salam, Istishna, Musyarakah, and Mudharabah with Bank i Year t
NPFit-1 = initial NPF on bank i year t
ΔNPFit = Changes in NPF value on bank i year t
ΔTfit = Changes in total value of financing on bank i year t
β = Coefficient
ε = Error

Formula (1) was estimated using panel data regression to get the coefficient value. Table 1 shows the estimation results based on the results of CEM test. Based on the results of the CEM test, it was found that non-performing financing (NPF) at the beginning of the year, changes in the value of NPF, and changes in the value of total financing have a positive and significant effect at the 1% level. Then, the result of the coefficient estimation was used to find the value of NDLLP.

$$NDLLPit = \beta + \beta 1NPFit\text{-}1 + \beta 2\Delta NPFit + \beta 3\Delta Tfit \quad ....(2)$$

Finally, the DLLP value was obtained by calculating the difference between the total LLP and the estimated NDLLP. The equation is:

DLLPit = LLPit -NDLLPit ....(3)

Table1. Results of CEM test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.393451	1.015440	-1.372263	0.17760
NPF	0.565974	0.119449	4.738184	0.0000*
DNPF	0.487786	0.101769	4.793075	0.0000*
DTF	0.152798	0.036458	4.191081	0.0001*

Source: Secondary data processed in 2019
Explanation:
*significant at the level of 1%

The DLLP value was then used as a proxy for the dependent variable. The regression equation used to determine the determinant of fraudulent financial statements in this study is as follows:

$$DLLP = \beta + \beta 1\ STALL + \beta 2\ ROA + \beta 3\ JRSSB + \beta 4\ SHCOM + \beta 5\ CHANGED + \beta 6\ CEOPICT + \varepsilon$$

Explanation:
DLLP; Fraudulent Financial Statement.
STALL; Financial Stability, measured by ratio of changes in net income.
ROA; Financial Target, measured using net income compared to total assets.
JRSSB; Effective Monitoring, measured using the number of meetings conducted by SSB.
SHCOM; Sharia Compliance, measured using GCG self assessment results.
CHANGED; Change in Director, measured using the presence or absence of changes in directors.
CEOPICT; Frequent Number of CEO's Picture; measured using the number of CEO photos in the annual report.

Table 2. Operational of Independent Variables

Variable	Definition	Measurement	Scale	Sources
Financial Stability (X_1)	Circumstances that describe the company's financial condition	$STAL = \frac{Profit_t - Profit_{t-1}}{Profit_{t-1}}$	Ratio	(Carroll and Stater, 2009)
Financial Target (X_2)	Targets set by responsible parties include sales targets or profitability incentive goals	$ROA = \frac{Profit\ After\ Tax}{Total\ Asset}$	Ratio	(Skousen et al., 2009)

Continuation of Table 2. Operational of Independent Variables

Effective Monitoring (X_3)	Effectiveness of supervision within the company	Total SSB meetings	Ratio	(Purwanti, 2016)
Sharia Compliance (X_4)	Preventive action which ensures that the operational of Sharia banks is in conformity with the values or principles of Sharia.	The GCG self-assessment results of the implementation of Sharia principles	Ratio	(Bank Indonesia, 2011)
Change in Director (X_5)	Changes in directors that occur in the company every year	Dummy Variable Code 1: Changes in directors occur Code 0: Changes in directors do not occur	Nominal	(Tessa and Harto, 2016)
Frequent Number of CEO'S Picture (X_6)	Total of CEO's pictures exist in the company's annual reports	Total of CEO's pictures displayed in the company's annual reports	Nominal	(Tessa and Harto, 2016)

RESULTS AND DISCUSSIONS

Our samples find that the average Fraudulent Financial Statements is 3.48 with a maximum value of 12.71 and a minimum value of 0.25. The number approaching zero indicates that the banks have high potential to commit fraud. Our conclusion is that, on average, samples have not committed fraud. However, there is an indication BTPN Bank in 2017 had the potential to commit fraud (having a 0.25 score).

The average financial stability is 0.26 with a maximum value of 40.46 and a minimum of -48.58. These results show that the average samples experience a slight increase in profit, which is 0.26%. However, there is a bank that experiences a 40.46% increase in profit. Profitability ratio also shows a positive achievement, which is 1.09%. We conclude these results descriptively; the samples have quite good financial performance.

The role of the SSB shows that the average SSB holds meeting 13 times a year. This value exceeds the minimum standard set by the regulator which is 12 times in 1 year. This meeting affects the Sharia compliance score with an average of 2,006 which indicates good category compliance.

The result of descriptive test also shows that samples during the observation period, more than half made director replacement. The slow increase in profit may have caused the replacement of the directors to be frequently performed. In addition, the average bank displays photos of directors on the annual reports 5.57 times.

The panel data regression estimates used are the Common Effect Model (CEM), the Fixed Effect Model (FEM), and the Random Effect Model (REM). Based

Table 4. The Results of Descriptive Statistical Test

Variables	Descriptive Statistics			
	Minimum	Maximum	Mean	Standard Deviation
Fraudulent Financial Statement	0.250000	12.71000	3.478864	2.954196
Financial Stability	-48.58000	40.46000	0.262500	9.827303
Financial Target	-20.13000	12.40000	1.085909	4.977527
Effective Monitoring	8.000000	27.00000	12.93182	3.179862
Sharia Compliance	1.000000	3.000000	2.000682	0.598080
Change in Director	0.000000	1.000000	0.545455	0.503686
Frequent Number of CEO'S Picture	0.000000	18.00000	5.568182	3.419491

Source: Secondary data processed in 2019

Table 3. Results of Selected REM Estimation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-3.308948	1.863099	-1.776045	0.0840
Financial Stability	-0.074609	0.029649	-2.516359	0.0163
ROA	0.079182	0.058039	1.364282	0.1807
Effective Monitoring	0.058628	0.103739	0.565154	0.5754
Sharia Compliance	1.248302	0.504772	2.473000	0.0181**
Change in Director	0.976175	0.550862	1.772087	0.0846*
CEO'S Picture	0.526802	0.082665	6.372745	0.0000***

*** significant at the level of 1%, ** Sig. at 5%; * sig. at 10%.

Table 4. Results of Hypothesis Test

Hypothesis	Coefficient	P-Value	Explanation
H_1: Financial stability has a positive effect on fraudulent financial statements in Sharia banks.	-0.074609	0.0163	Rejected
H_2: Financial target has a positive effect on fraudulent financial statements in Sharia banks.	0.079182	0.1807	Rejected
H_3: Effective monitoring has a negative effect on fraudulent financial statements in Sharia banks.	0.058628	0.5754	Rejected
H_4: Sharia compliance has a positive effect on fraudulent financial statements in Sharia banks.	1.248302	0.0181**	Accepted
H_5: Change in director has a positive effect on fraudulent financial statements in Sharia banks.	0.976175	0.0846***	Accepted
H_6: Frequent number of CEO's picture has a positive effect on fraudulent financial statements in Sharia banks	0.526802	0.0000*	Accepted

Source: Data processed, 2019
Description:
* significant at the 1% level
** significant at the 5% level
*** significant at the 10% level

on the results of testing the best model selection, REM model is chosen as the most appropriate model for estimating the regression results in this study.

The classical assumption test conducted in this study is multicollinearity test using bivariate correlation values. Based on the results of testing, this study does not have a multicollinearity problem because the correlation between the dependent variables was less than 0.8. The adjusted R^2 value of 0.572 reflects the independent variable is able to explain fraudulent financial statement of 57%. Meanwhile, the remaining 43% is explained by other variables outside the research model. The results of hypothesis testing can be seen in Table 4.

The Effect of Financial Stability on Fraudulent Financial Statement

Testing hypothesis shows that financial stability has a negative and significant effect on the fraudulent financial statement (H_1 accepted). The result of this study is not in accordance with the theory of crowe's fraud pentagon which states that the pressure of financial stability is one of the elements that influences the occurrence of fraud, where the higher the stability pressure, the greater the fraud that occurs. The test result which shows the opposite direction to the theory is caused due to Sharia banks in the period of 2015-2018 experienced fluctuations in terms of earnings stability.

Based on the results of descriptive analysis, the BUS that experienced the highest profit decline in the period of 2015-2018 was Bank Panin Dubai Syariah in 2017 with a profit decline of -48.58. The BUS that experienced the biggest profit increase was Bank Rakyat Indonesia (BRI) Syariah in 2015 amounting to 40.46. The fluctuations in earnings stability make the test result shows the opposite result where the lower the level of financial stability of the company, the greater the financial statement fraud.

Investors in general will consider earnings as a measure of the success of management performance in managing a company. In a bad condition, management is not able to run its operational activities efficiently which causes the level of profit generated to decrease. The decline in profits will put pressure on the management to manipulate financial statements at certain items so that even though the profits generated decline but the company's fundamentals are still in a safe position. The result of this study supports the research conducted by Darmawan & Saragih (2017), Handoko & Selly (2020), Safiq & Seles (2019), Diansari & Wijaya (2018) and Prasmaulida (2016) which also find that financial stability does not have an influence on financial statement fraud.

The Effect of Financial target on Fraudulent Financial Statement

Hypothesis testing shows that financial targets do not have a significant effect on fraudulent financial statement (H_2 accepted). The result of the study is not in accordance with the theory of crowe's fraud pentagon which states that the higher the financial pressure held by the company, the greater the fraud that occurs. The absence of financial target effect on fraudulent financial statement is possible because the focus of Sharia banks in considering financial performance is not only seen from the value of ROA but other aspects such as the large amount of financing or funding problems. In addition, management also considers that targeted ROA is still reasonable and can be achieved by management so that it does not put pressure on management to commit fraud. The result of this study supports the research conducted by Wahyuningtias (2016),Tessa & Harto (2016), Handoko & Selly (2020); Prasmaulida (2016), and Diansari & Wijaya (2018), as well as Yulianti et al. (2019) the first to show there is no evidence of a relationship between financial targets and financial statement fraud.

Effect of Effective monitoring on Fraudulent Financial Statement

Hypothesis testing shows that effective monitoring has no significant effect on fraudulent financial statement (H_3 accepted). The result of this study is not in line with the theory of crowe's fraud pentagon which states that the better supervision that occurs in the company, the opportunity to commit fraud becomes smaller. The absence of effective monitoring effect in the study shows that there is no supervision conducted by SSB in the company does not affect the size of the fraudulent financial statements that occur in Sharia banks.

The reason for rejecting this hypothesis is due to the conflict of interest that occurs so that the SSB which should be able to ensure that the company's operational activities are in accordance with the value of sharia compliance in collaboration with managers so that fraud continues. In addition, the SSB selected based on the General Meeting of Shareholders (GMS) on the recommendation of the Indonesian Ulema Council (MUI) often does not have an appropriate educational background so they do not understand the condition or operation of the company. The concurrent position of SSB is also considered to have made the supervision carried out not optimal. The result of this study supports the research conducted by Junita (2016). This means that the findings indicate that SSB is not proven to give role in the reduction of the director in committing fraudulent financial statement.

The Effect of Sharia compliance on the Financial Statement Statement

Hypothesis testing shows that good sharia compliance will reduce the occurrence of fraudulent financial statement (H_4 accepted). The result of this study is in line with the theory of crowe's fraud pentagon which states that if rationalization or justification for high fraud actions then fraudulent financial statements will also be high. The banking that has a high level of compliance will think that fraud is prohibited and should not be done.

Fraudulent financial statement is a prohibited act in Islam. This is due to this action is categorized as action that hides information even tend to commit fraud. The better the level of sharia compliance carried out by Sharia Commercial Banks should be able to minimize the fraudulent actions of financial statements carried out by companies. Therefore, if the level of banking sharia compliance is low which is indicated by the higher GCG self-assessment value of sharia compliance, the fraud committed is also higher. This research supports research conducted by Akbar et al. (2017).

The Effect of Change in director on Fraudulent Financial Statement

Hypothesis testing shows change in director has a positive and significant effect on the fraudulent financial statement (H_5 accepted). The result of this study is in line with the theory of crowe's fraud pentagon, which is one of the elements that influences the occurrence of fraud is the ability or capability of a person to commit fraud. Management as an authorized party who manages the company has a broad access that is not owned by other parties in relation to information about the company, this is used as a form of capability management for committing fraud.

Changes in directors are seen as an attempt by the company to replace directors that are considered aware of fraud committed by the company, so that fraud committed by the company is kept confidential. Therefore, if there is banking which has a change in the agenda or changes in the composition of the board of directors, the tendency for fraudulent financial statement will increase. The result of this study supports research conducted by Putriasih et al. (2016), Wolfe & Hermanson (2004) and Yusof, et al, (2015) and rejects the findings by Rengganis et al. (2019), Yulianti et al. (2019), Handoko & Selly (2020), and Supri et al. (2018).

The Effect of the Frequent Number of CEO's picture has effect on Fraudulent Financial Statement

Hypothesis testing shows the frequent number of CEO's picture has a positive and significant effect on the fraudulent financial statement (H_6 accepted). The result of this research is in line with the theory of crowe's fraud pentagon of arrogance element. Arrogance is an attitude of superiority that feels that internal control in the company does not apply to him.

Arrogance can be measured by the CEO's desire to show to everyone his status and position in the company. Where more and more CEO photos displayed in the company's annual report indicates that the more arrogant the CEO, which causes the more courage to commit fraud. The more CEO photos displayed in the company's annual report, the arrogant nature of the CEO is greater so that the fraudulent financial statements will be higher. The result of this study supports the research conducted by Tessa dan Harto (2016) and Nuryanti (2018). The result of this study also rejects the findings by (Yulianti et al., 2019) which states that CEO's pictures do not have a positive effect on the Fraudulent Financial Statement.

CONCLUSIONS

The conclusions of this study are sharia compliance, change in director and frequent number of CEO's pictures have a positive and significant effect, financial stability has a negative and significant effect while financial targets and effective monitoring do not have a significant effect on the fraudulent financial statement. Sharia banks are suggested not to make frequent changes to the composition of the board of directors to minimize the occurrence of fraudulent financial statements. This research has not fully examined the pressure conditions that affect the occurrence of fraud.

This research measures Fraudulent Financial Statement with the DLLP proxy that we refer from (Mersni and Othman, 2016). So that other proxies are highly recommended for further research. In addition, further research is expected to be able to test other pressure conditions and increase the proxy of external audit quality or the replacement of internal auditors to explain the element of opportunity.

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