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THE ROLE OF COMPANY SIZE AS A MODERATING VARIABLE AGAINST FINANCIAL STATEMENT FRAUD: THE BENEISH MODEL PERSPECTIVE

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ABSTRACT

Purpose: *This study aims to prove the influence of External Pressure, Ineffective Monitoring, Quality of External Auditors, Changes in Auditors and Frequency of CEO Depictions and Company Size as a moderation of Fraud in a company's Financial Statements.*

Methodology/approach: *In this study, researchers used a type of quantitative research. Purposive sampling was used as a technique in determining the sample for this study. The data used are company annual reports and the population in this study are companies engaged in the textile and garment manufacturing sub-sector for the 2017-2021 period with a total sample of 55.*

Findings: *This study states that the variables Quality of External Auditors and Frequency of CEO Descriptions have an effect on fraudulent acts in reports financial statements, while the variables of Ineffective Oversight, External Pressure and Change of Auditor have no effect on fraudulent acts in financial statements. For the moderating variable in this study, company size is not able to moderate the relationship between ineffective monitoring and fraud in financial statements.*

Practical implication: *The theoretical implication of this research is to increase academic knowledge about the factors that cause fraudulent financial statements.*

KEYWORDS: *Company Size; External Pressure; Fraud; Financial Statement; Ineffective Monitoring; Quality of External Auditors.*

ABSTRAK

Tujuan penelitian: Penelitian ini bertujuan untuk membuktikan pengaruh External Pressure, Ineffective Monitoring, Kualitas Auditor Eksternal, Perubahan Auditor dan Frekuensi Gambaran CEO dan Ukuran Perusahaan sebagai moderasi terhadap Fraud dalam Laporan Keuangan suatu perusahaan.

Metode/pendekatan: Dalam penelitian ini, peneliti menggunakan jenis penelitian kuantitatif. Purposive sampling digunakan sebagai teknik dalam menentukan sampel penelitian ini. Data yang digunakan adalah laporan tahunan perusahaan dan populasi dalam penelitian ini adalah perusahaan yang bergerak di bidang manufaktur subsektor tekstil dan garmen periode 2017-2021 dengan jumlah sampel 55.

Hasil: Penelitian ini menyatakan bahwa variabel Kualitas Auditor Eksternal dan Frekuensi Gambaran CEO berpengaruh terhadap tindakan kecurangan dalam laporan keuangan, sedangkan variabel Pengawasan Tidak Efektif, Tekanan Eksternal dan Perubahan Auditor tidak berpengaruh terhadap tindakan kecurangan dalam laporan keuangan. Untuk variabel pemoderasi dalam penelitian ini, Ukuran Perusahaan tidak mampu memoderasi hubungan antara Ineffective Monitoring dan Fraud dalam Laporan Keuangan.

Implikasi praktik: Implikasi teoritis dalam penelitian ini adalah untuk meningkatkan pengetahuan akademik mengenai faktor-faktor penyebab terjadinya kecurangan laporan keuangan.

KATA KUNCI: Kecurangan; Kualitas Auditor Eksternal; Laporan Keuangan; Pengawasan Tidak Efektif; Tekanan Eksternal; Ukuran Perusahaan.

INTRODUCTION

Financial statements are things that must be prepared by a company or entity at the end of each period. This is because financial statements have an important function because they contain an overview of a company's financial position and performance in the current period. According to (Hidayat, 2018) Financial reports are a tool that can be used by entities to communicate conditions related to their financial conditions to interested parties, both from internal entities and external entities. Therefore, it is not uncommon for managers to manipulate financial reports so that they look good, fraud in financial reports needs to be minimized so as not to harm the many parties involved. Detection of financial statements is an important thing to do to find out whether the company or entity is committing fraud, one of which can be by using the M-Score Model ratio analysis or what is often called the Beneish M-Score Model. The Beneish M-Score model is a prediction model for fraudulent financial statements – management profit, where the ratios contained therein have proven to have capability predict fraudulent financial statements (Hugo, 2019). A number of fraud cases occurred throughout the world throughout 2019. Even large companies such as Facebook and Google, which are known to have good financial controls, are also not immune from fraud. In Indonesia itself, not a few cases of fraud have occurred. As in the case of fraudulent financial statements that occurred at PT. Garuda Indonesia (Persero) Tbk in 2018.

Looking at the research that has been done, there are various factors that allow researchers to use it as a tool to detect fraud in financial statements (financial statement fraud), namely: financial stability, personal financial needs, external pressure, financial targets, ineffective monitoring, quality of external auditors , auditor turnover, frequent number of CEOs, changes in company accounting policies, audit opinions, industry shareholding, director turnover and company size. In his research (Fuadin, 2017) explains that there are several variables that are considered inconsistent, including; financial stability, personal financial needs, external pressures, ineffective monitoring, financial targets, capabilities, auditor changes, nature of industry and company size (size). In this study, the reference was research conducted by Ulfah et al., (2017) which stated that the financial target variable had no significant effect on fraudulent financial reporting. This is not in line with research conducted by Lindasari (2019) and (Agusputri & Sofie, 2019) Agusputri & Sofie (2019) which say that the financial target variable has no significant effect on fraudulent financial statements. Ulfah et al., (2017) says that the financial stability variable does not significantly influence financial statement fraud, this is supported by several researchers namely Ferica et al., (2019) and Agusputri & Sofie (2019) who in his research also said that the financial stability variable had no effect on fraudulent financial statements. In contrast to Aprilia (2017) which states that the financial stability variable has a significant effect on fraudulent financial statements. Silvia (2020) says that the external pressure variable has a significant influence on financial statement fraud. This statement is different from research from Ulfah et al., (2017), Ferica et al.,(2019), (Aprilia, 2017) and Agusputri & Sofie (2019) which says that the external pressure variable has no significant influence on fraudulent financial reporting. Lindasari (2019) explains that the ineffective monitoring variable has a significant influence on fraudulent financial reporting which is in line with research conducted by Agusputri & Sofie (2019) which also states that the ineffective monitoring variable has a significant influence on fraudulent financial reporting. However, this is different from the research conducted by Ulfah et al., (2017), Ferica et al (2019) , (Silvia, 2020) and (Aprilia, 2017) who in their research showed results that ineffective monitoring was not has a significant influence on fraudulent financial statements. Some of these studies produced different findings or results between one study and another or found a gap in the results of the study. Based on the phenomenon of gaps and research gaps that have been described in the research above, the researcher is interested in developing and deepening research with variables, research objects, years and methods that are different from previous studies.

What distinguishes this research from previous studies are: (1) researchers conducted research on fraud in financial reports in companies engaged in manufacturing because manufacturing companies have financial reports that are much more complex. (2) the researcher also adds a company size variable because in several studies that have been conducted it states that one of the factors for the occurrence of fraud can be influenced by the size of the company. (3) researchers use the Beneish Model as an analysis of ratio calculations to detect fraud in financial statements. (4) in this study, researchers used the Partial Least Square Analysis method or what is often referred to as PLS as a measuring tool.

H1: Effect of external pressure (external pressure) on financial statement fraudulent financial statements

External Pressure is excessive pressure for management to meet the requirements or expectations of third parties. This pressure will cause management to manipulate financial statements. Management will justify all kinds of ways to display perfect financial reports so that its performance is considered good in a current period. Research conducted by Silvia (2020) shows that there is a significant influence between external pressure on fraudulent financial statements. This is in contrast to research conducted by Agus & Sofie (2019) which says that external pressure has no significant effect on fraudulent financial statements.

H2: Effect of Ineffective Monitoring on fraudulent financial reporting

One way to minimize fraud is to implement a good monitoring mechanism. The definition of ineffective monitoring itself is a condition in which the internal control system is not working effectively. According to SAS No. 99, this happens because there is one person or a small group that dominates the management in the company without oversight of compensation, the ineffectiveness of the board of commissioners, directors and audit committee oversight of the financial reporting process, thus opening up opportunities for fraudulent acts. In research conducted by Ferica et al (2019) and Aprilia (2017) explains that there is a significant influence between ineffective monitoring of fraudulent financial statements. However, it is different from the research conducted by Lindasari (2019) which states that there is no significant effect between ineffective monitoring on fraudulent financial statements.

H3: Effect of external auditor quality on fraudulent financial statements

All auditors, both those belonging to the Big Four and non-Big Four KAPs, have the same position, that is, they both must comply with auditing standards in carrying out their duties. Therefore an external auditor is needed who has adequate quality and expertise in auditing financial statements. In research conducted by (Silvia, 2020) explains that the quality of external auditors has a significant influence on fraudulent financial statements. This is inversely proportional to the research conducted by (Ferica et al., 2019) where the research conducted stated that the quality of external auditors has no significant effect on fraudulent financial statements.

H4: 4. Effect of Change In Auditor on fraudulent financial statements

Changing auditors is considered capable of hiding traces of fraud that have been found by previous auditors**.** Companies that have negative motivation tend to change their independent auditors when the company wants to hide things that are not reasonable for the public to know with a lower quality auditor than the previous auditor. The company will of course seek the truth in its own way without even thinking about the public interest when the information presented by the company is unreliable or misleading. In research conducted by (Ulfah et al., 2017) and (Silvia, 2020) explained that Change in Auditor has a significant influence on fraudulent financial statements. This is different from research conducted by Agusputri & Sofie (2019) which states that change in auditors has no significant effect on fraudulent financial statements.

H5: Effect of Frequent Number of CEO's Picture on fraudulent financial statements

(Tessa G., 2016) in their research said that the number of CEO photos displayed on the company's financial statements can illustrate the level of arrogance or superiority that exists in the CEO. This is in accordance with one of the elements expressed by Crowe's Howarth namely arrogance. The level of arrogance possessed by a CEO can be used as a shield to take all actions so that he can maintain his current position. Therefore, a fairly high level of arrogance can be one of the reasons for fraud to occur

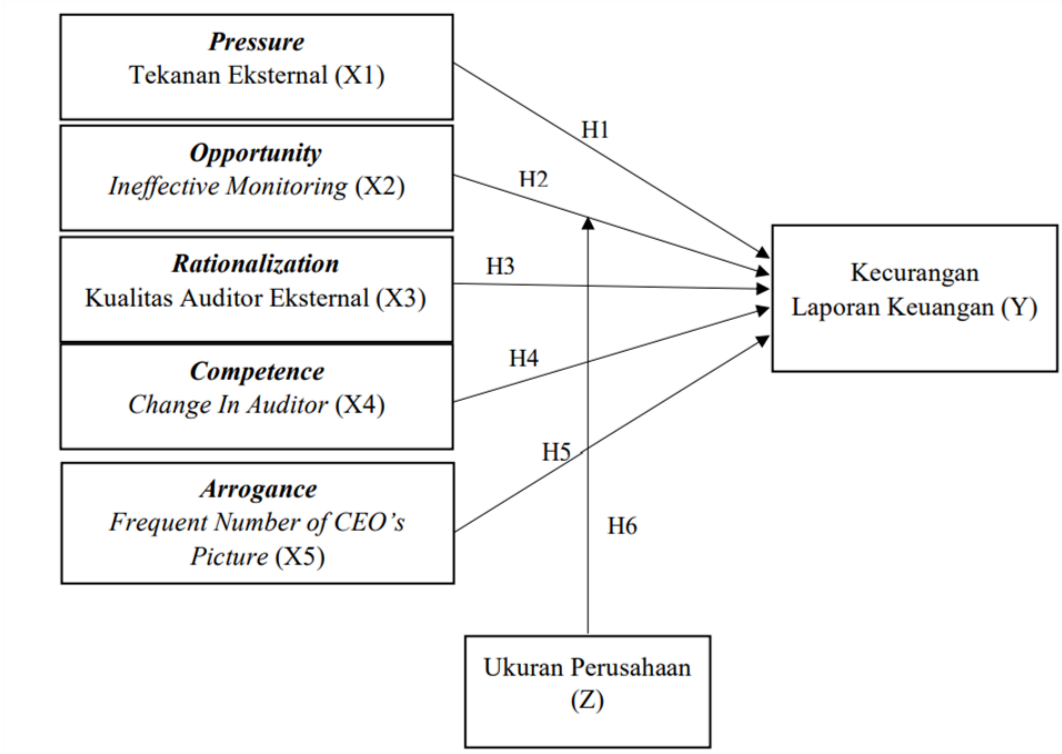

Figure 1. Conceptual Framework

From the hypothesis described above, the conceptual framework in this study is as follows

H6: The effect of company size in strengthening the positive effect of ineffective monitoring on fraudulent financial reporting

According to Priantara in (Ulfah et al., 2017) fraud perpetrators believe that their activities will not be detected. According to the American Institute of Certified Public Accountants (2002), ineffective monitoring is a condition in which the internal control system does not operate effectively, which creates opportunities for fraud. This happens because there is one person or a small group that dominates the management in the company due to the absence of compensation oversight, the ineffectiveness of the board of commissioners, directors and audit committee oversight of the financial reporting process, thus opening up opportunities for committing fraud. A small group that dominates management in the company with the condition of the size of the company, the supervision of a small group will become a large group in an effective control system.

METHOD

Research Design

In this study, researchers used a type of quantitative research. The initial step taken after the researcher determines the research title is to formulate the problem, objectives and benefits of the research to be carried out. Furthermore, hypothesis testing is carried out to explain the relationship between related variables. The data collection technique in this study comes from secondary data obtained from the official website owned by the Indonesia Stock Exchange (IDX). The data that has been collected will be processed using a statistical tool in the form of Partial Least Square (PLS) and with that the results of the research that has been carried out will be obtained.

Types of Research

This type of research is divided into 2 (two), namely quantitative research and qualitative research. Where quantitative research is research that uses data in the form of numbers to test and analyze existing studies in research. While qualitative research is research conducted to investigate, find and explain a problem that exists in the social environment that cannot be measured and described with numbers.

This research uses quantitative data types and the data used is secondary data sourced from the official website of PT. Indonesia Stock Exchange (IDX).

Research Locations

This research uses and studies data in the form of financial reports on companies engaged in manufacturing and data obtained from the Indonesian Stock Exchange (IDX). The data is accessed through the official website owned by the Indonesia Stock Exchange at www.idx.co.id.

Population and Sample

1. Population

The population is the generalization area of an object/subject that has the qualities and characteristics that have been determined by the researcher to then be studied and conclusions drawn from his research (Sugiyono 2012). In this study, the population that will be used is textile and garment sub-sector manufacturing companies that have been listed on the Indonesia Stock Exchange (IDX) with a total population of 13 companies in 5 years, totaling 39.

2. Samples

The sample is part of the number and characteristics taken from the population (Sugiyono 2012). Sampling in this study used purposive sampling, namely where the selection and sampling used certain criteria and objectives. The number of samples obtained was 55 with the criteria used for sample selection in this study as follows:

1. Companies engaged in manufacturing in the textile and garment sub-sector which have been listed on the Indonesia Stock Exchange in 2017-2021.

2. The company was not delisted from the Indonesia Stock Exchange during the observation period.

3. The company issues an annual report during a predetermined observation period.

4. The company publishes an annual report that has been audited during the observation period.

5. Disclose complete data relating to the variables used in the study (all data needed by researchers is available in publications during the 2017-2021 period)

Types and Sources of Data

The type of data used in this research is secondary data in the form of annual financial reports of companies engaged in the textile and garment manufacturing sub-sector in 2017-2021. Secondary data in question regarding external pressure, ineffective monitoring, quality of external auditors, change in auditors, frequent number of CEO's picture and company size. The data source in this research is in the form of an annual report obtained from the official website of the Indonesia Stock Exchange (IDX), namely www.idx.co.id.

Data Collection Techniques

The data collection technique used in this research is the documentation method. Where the data is collected which is taken and studied from documents owned by the company, especially in its financial statements which can be accessed through the official website of the Indonesia Stock Exchange (IDX), namely www.idx.co.id besides that the data is also studied through literature study . Literature study is carried out using journals as well as research that has been done previously and books that are related to fraud in financial reports (fraudulent financial reporting).

Data Analysis Techniques

The data analysis technique used in this study is the Partial Least Square analysis model or commonly known as PLS. The advantage of PLS analysis according to Ghozali (2008:4) is that PLS is a very strong analytical method because it does not require many assumptions in its testing. The data used does not have to be normally distributed multivariate (indicators on a category scale, ordinal, interval to ratio) can be used with the same method and in PLS the samples used do not have to be in large numbers (Ghozali, 2013).

RESULT AND DISCUSSION

Measurement Model (Outer Model)

a. Validity test

In the data validity test, the results of convergent validity and discriminant validity are used, where convergent validity uses a loading factor value of > 0.50 but if the results of the loading factor < 0.50 it means that the indicator can be reduced or eliminated so that it gets the appropriate model.

From the picture above, it can be seen that in this study all indicators have been declared valid and there is no need to change or remove any of the existing indicators.

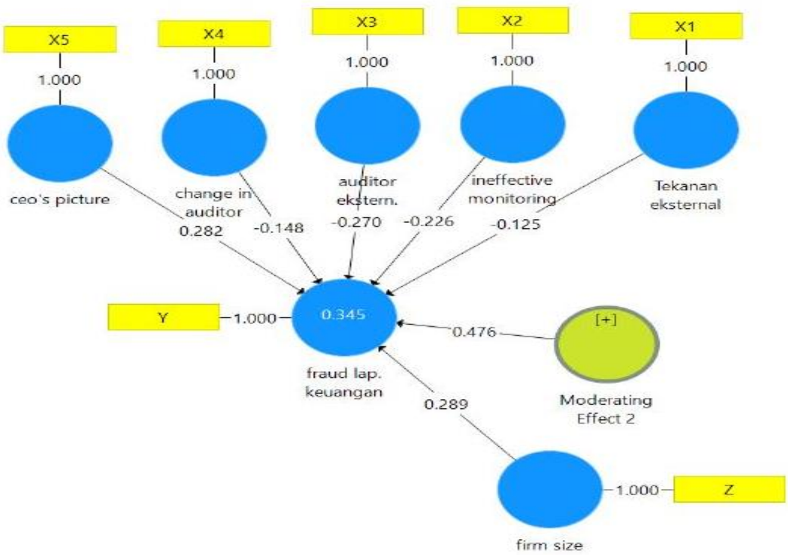

Figure 2. Outer Model

Table 1. Outer Model

	Moderating Effect 2	Tekanan Eksternal	Auditor Eksternal	CEO's Picture	Change In Auditor	Firm Size	Fraud Lap. Keuangan	Ineffective Monitoring
Moderating Effect 2	1.000							
Tekanan Eksternal	0.091	1.000						
Auditor Eksternal	0.075	-0.370	1.000					
CEO's Picture	-0.147	-0.022	0.099	1.000				
Change In Auditor	0.153	-0.044	0.211	0.166	1.000			
Firm Size	-0.787	-0.159	-0.137	0.279	-0.189	1.000		
Fraud Lap. Keuangan	-0.069	-0.113	-0.339	0.281	-0.201	0.266	1.000	
Ineffective Monitoring	0.084	-0.101	0.227	-0.030	0.159	-0.124	-0.319	1.000

The construct results show that the value of the AVE root is greater than the value of one construct with another construct. Looking at the table above, it can be concluded that this research has met the discriminant criteria.

b. Reliability Test

The reliability test can be done using two ways, namely by looking at the Cronbach's Alpha value where the value must be > 0.6 and the second way is to look at the Composite Reliability value where the value must be > 0.7 to be said to be reliable.

The table above shows that the Cronbach's Alpha value of each construct has a value of 1000 where the value is more than 0.60 and the Composite Reliability value shown in the table above for each construct is 1000 where the value is also more than the minimum criterion of 0.70 so it can be concluded that the measurement used in this study is reliable.

Measurement of Model Structure (Inner Model)

In the Measurement of the Structure of the Model (Inner Model) this time, it is done by looking at the value of R2 to assess how much influence the independent variable has and seeing the value of the Path Coefficient (β) of the independent variable.

Table 2. Composite Reliability value

	Cronbach's Alpha	rho_A	Composite Reability	Average Variance Extracted (AVE)
Moderating Effect 2	1.000	1.000	1.000	1.000
Tekanan Eksternal	1.000	1.000	1.000	1.000
Auditor Eksternal	1.000	1.000	1.000	1.000
CEO's Picture	1.000	1.000	1.000	1.000
Change In Auditor	1.000	1.000	1.000	1.000
Firm Size	1.000	1.000	1.000	1.000
Fraud Lap. Keuangan	1.000	1.000	1.000	1.000
Ineffective Monitoring	1.000	1.000	1.000	1.000

Table 3. value of R2

	R Square	*R Square Adjusted*
Fraud Lap. Keuangan	0,345	0,227

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Moderating Effect 2 -> fraud lap. keuangan	0.476	0.492	0.258	1.846	0.065
Tekanan eksternal -> fraud lap. keuangan	-0.125	-0.116	0.105	1.190	0.235
auditor ekstern. -> fraud lap. keuangan	-0.270	-0.277	0.085	3.163	0.002
ceo's picture -> fraud lap. keuangan	0.282	0.295	0.082	3.443	0.001
change in auditor -> fraud lap. keuangan	-0.148	-0.149	0.131	1.126	0.261
firm size -> fraud lap. keuangan	0.289	0.313	0.169	1.706	0.089
ineffective monitoring -> fraud lap. keuangan	-0.226	-0.243	0.150	1.507	0.132

Figure 3. Hypothesis Testing

Seen in the table above, it shows that the resulting R Square value is 0.690 which explains that the variables External Pressure (X1), Ineffective Monitoring (X2), Quality of External Auditor (X3), Change in Auditor (X4), Frequent Number of CEO's Picture (X5) and Company Size (Z) have a contribution of 0.345 or 34.5% while the remaining 65.5% is influenced by other variables outside the study.

Hypothesis Testing

Based on the results of these tests, hypothesis testing can be calculated by comparing the results of the *t-statistic* value with the *p-value* in the booststrap calculation when the t-statistic value is > 1.96 and the *p-value* is <0.05 meaning that the hypothesis is accepted, if the *t-statistic value* < 1.96 and *p values* > 0.05 means the hypothesis is rejected.

1. Effect of External Pressure (X1) on Financial Statement Fraud (Y)
   This study shows that the External Pressure (X1) variable has an Original Sample value of -0.125 and a t-statistics of 1.190. The measurement results show that t-statistics < t-table with a significant level of 5% = 1.96, then the External Pressure variable do not have an effect on Financial Statement Fraud.

2. Effect of Ineffective Monitoring (X2) on Financial Statement Fraud (Y)
   This study shows that the Ineffective Monitoring (X2) variable has an original sample value of -0.226 with a t-statistics value of 1.507 where t-statistics < t-table with a significance value of 5% = 1.96 then the Ineffective Monitoring variable is not has a positive influence on Financial Statement Fraud (Y).
3. Effect of External Auditor Quality (X3) on Financial Statement Fraud (Y)
   This study shows that the External Auditor Quality variable (X3) has an original sample value of -0.270 with a t-statistics value of 3.163 where t-statistics > t-table with a significant level of 5% = 1.96 then the Quality variable External Auditors have a positive influence on Financial Statement Fraud.
4. Effect of Change in Auditor (X4) on Financial Statement Fraud (Y)
   This study shows that the Change in Auditor (X4) variable has an original sample value of -0.148 with a t-statistics value of 1.126 where t-statistics > t-table with a significant level of 5% = 1.96 then Change in Auditors do not have a positive influence on financial statement fraud.
5. Effect of Frequent Number of CEO's Picture (X5) on Financial Statement Fraud (Y)
   This study shows that the Frequent Number of CEO's Picture (X5) variable has an original sample value of 0.0.282 with t-statistics value of 3.443 where t-statistics > t-table with a significant level of 5% = 1.96 then Frequent Number of CEO's picture have a positive effect on Financial Statement Fraud. Effect of Ineffective Monitoring (X2) on Financial Statement Fraud (Y) with Company Size (Z) as a moderating variable Moderating effect on Ineffective Monitoring (X2), Firm Size (Z) with Fraudulent Financial Statements (Y) has an original sample value (Original Sample) of -0.226 and t-statistics of 1.507 and the measurement results show that t-statistics < t-table with a significant level of 5% = 1.96 then the Firm Size variable (Z) is not able to moderate the relationship between Ineffective Monitoring (X1) and Fraud in Financial Statements (Y).

DISCUSSION

1. Pressure from outsiders (external pressure) has no positive or significant effect on fraud in financial statements. This is supported by research conducted (Agusputri & Sofie, 2019) which in his research stated that external pressure had no positive effect on fraud in financial reports.
   The higher the credit risk of a company, the higher the level of concern for creditors in providing loans to the company so that this can be one of the causes of fraud or fraud in financial reports. They also explained that high leverage has a greater possibility for companies to violate credit agreements so that the possibility of obtaining additional capital through loans is smaller.
   In general, companies to be able to carry out their operational activities so that they run smoothly require sources of funding and capital not only from internal but also from external parties of the company. Companies can make credit loans to banks and other third parties (Husmawati et al., 2017). The higher the credit risk, the greater the level of concern for lenders to provide loans to companies. In addition, the high credit risk of the company makes creditors think that the possibility of the company violating the credit agreement is also quite large. Therefore, the company has the potential to commit fraud in presenting its financial statements so that the company is considered good by creditors and other third parties who will provide sources of funding and capital for the company (Annisya et al., 2016).
2. Ineffective monitoring has no significant effect on fraud in the financial statements. This is supported by research conducted Ulfah et al (2017) which in her research states that

the ineffectiveness of supervision has a negative or insignificant effect on fraud in financial statements.

An independent board of commissioners is a neutral party in a company or entity. His position is as a mediator between the principal and the agent who of course has different interests in a company. This is expected to be able to minimize the possibility of fraud in the financial statements. Her research explained that the existence of an independent commissioner in a company is expected to be able to minimize acts of fraud in financial reports, this can happen if the independent commissioner is carrying out his duties and is different if The independent commissioners have their own goals or interests with the company concerned (Rahmawati & Nurmala, 2019). In this study the second hypothesis was rejected, the results of this study are in line with research conducted by (Manurung & Hardika, 2015), (Indarto & Ghozali, 2016), and (Achmad & Pamungkas, 2018).

3. The quality of the external auditor has a positive effect on fraud in the financial statements. This research is in line with research conducted by Silvia (2020) which in his research explained that the quality of external auditors has a significant effect on financial statement fraud.The appointment of an external auditor by the company's audit committee is considered to be able to carry out independent audits so as to avoid conflicts of interest and to ensure the integrity of the audit process. Research on the quality of external auditors focuses on the differences between the selection of audit services from public accounting firms (KAP) by companies, namely, BIG4 (PWC, Deloitte, Ernst&Young, KPMG) and non BIG4 (Adepurwanty et al., 2019). The reason underlying this is that KAP BIG 4 is considered to have more ability to detect and disclose reporting errors in management. The result of this study are supported by (Fimanaya & Syafrudin, 2014) and (Tessa & Harto, 2016), which states that the quality of external auditors has no effect on fraudlent financial statements.
4. Change in Auditor has a negative effect on fraud in the financial statements. Auditor changes have a negative effect on fraud in financial statements. This is in line with research conducted by (Agusputri & Sofie, 2019). which in his research stated that Change in Auditor has a negative effect on fraud in the company's financial statements. Substitution of a public accounting firm or auditor is carried out to cover up or eliminate traces of financial statement fraud committed and known by the previous public accounting firm or auditor. However, it is also possible that the less often a company changes auditors, the higher the risk of fraudulent financial reporting, because the company feels that the auditor in charge of it is not aware that there are indications of fraudulent financial reporting within the company.
5. The frequency of appearance of the CEO's picture (Frequent Number of CEO's Picture) has a positif influence on fraudulent acts that exist in the financial statements. (Aprilia, 2017) stated that the large number of photos of the CEO in the company's annual financial reports can represent the level of arrogance or superiority possessed by the CEO. The more photos of the CEO in the company's annual report, the more it shows that the CEO wants to reveal to everyone the status and power or position he has in a company. The power they have can lead to arrogant behavior in the CEO, assuming that no one can stop his actions, including the internal control policies within the company. This has the potential for the emergence of acts of fraud in a company.

A CEO whose photo is posted a lot tends to want to show everyone the status and position he has in the company because they don't want to lose that status or position (or feel they are not considered), this is in accordance with one of the elements described by Crowe. A high level of arrogance can lead to fraud because with the arrogance and superiority of a CEO, the CEO feels that any internal control will not apply to him because of his status and position. There is also the possibility that the CEO will take any means to maintain the current position and position.

6. Firm size (Size) is not able to moderate the relationship between ineffective monitoring of fraud in financial statements. The use of the firm size variable in this study is included in the Moderation Homologist category which means that the firm size variable is not included in the independent variable and is also not a variable that is able to moderate the relationship between ineffective supervision of fraud in the company's financial statements.
   This is in line with research conducted by (Fuadin, 2017) which in his research explained that the existence of an independent commissioner in a company is expected to be able to minimize acts of fraud in financial reports, this can happen if the independent commissioner is carrying out his duties and is different if The independent commissioners have their own goals or interests with the company concerned. In this study the second hypothesis was rejected.

CONCLUSION

Pressure from outsiders (external pressure) has no significant effect on fraud in the financial statements. Ineffective supervision has no significant effect on fraud in financial statements. The quality of the external auditor has a positive effect on fraud in the financial statements. Auditor change has no significant effect on fraud in the financial statements. The frequency of the appearance of the CEO's picture (Frequent Number of CEO's Picture) has a positive effect on fraudulent acts in the financial statements. Firm size (Size) is not able to moderate the relationship between the ineffectiveness of monitoring fraud in financial statements.From the results and conclusions of the research above, there are still some limitations when conducting research. So that the researchers provide some suggestions for further research as follows: It is hoped that future research can use a longer research period by adding years of research so that the research can provide more valid results and can be used for the long term. Future research can expand the object of research and use companies in different sectors from the current research. Future research is expected to use other moderating variables to determine other factors that influence the analysis of the fraud pentagon. Future research can use other methods for calculating real earnings management. Future research can use different data collection techniques from the current research in order to obtain more diverse research results.

This study has several limitations which can be explained as follows: This study used a relatively small sample of companies, namely only 11 companies in the textile and garment sector. This research only uses a time period of the last 5 years, 2017, 2018, 2019, 2020, and 2021 because the annual financial report for 2022 has not been released on the Indonesia Stock Exchange at the time this research was conducted. There are several companies that did not publish their financial statements in the research year.

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