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THE EFFECT OF FRAUD PENTAGON ON EARNINGS MANAGEMENT WITH AUDIT COMMITTEE AS MODERATING VARIABLE

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Abstract: his study aimed to examine the effect of fraud pentagon, external pressure, financial targets, ineffective monitoring, change in auditor, change of directors, and a frequent number of CEO's pictures on earnings management; with the audit committee as moderating variable. The population was State-Owned Enterprises that were listed on Indonesia Stock Exchange (IDX) during 2015-2019. The Sampling technique used purposive sampling with 12 State-Owned Enterprises as the sample. Furthermore, there were 2 models of analysis, i.e. multiple linear regression and Moderated Regression Analysis (MRA) in order to analyze the secondary data in form of companies' financial statements; . As a result, it concluded that external pressure, financial target, and a frequent number of CEO's pictures affected earnings management. However, ineffective monitoring, change in auditor, and change of directors did not affect earnings management. In contrast, the audit committee was able to moderate the effect of external pressure, financial targets, change of director, and a frequent number of CEO's pictures on earnings management. On the other hand, the audit committee was not able to moderate the effect of ineffective monitoring and change in auditor on earnings management.
Keywords: Fraud Pentagon, Audit Committee, Earnings Management

INTRODUCTION

Badan Usaha Milik Negara (BUMN) are commercial enterprises owned by the state through direct investment. The management of BUMN is carried out by directors and supervision by commissioners together with the supervisory board based on the law. One form of accountability of the directors and commissioners is to make financial reports for shareholders. These financial statements contain company operating data and are used to analyze business performance. Fraud in financial statements can undermine the trust of information users and the market. Cases of financial statement fraud in the BUMN environment usually occur in the form of manipulation of financial statements. Manipulation is done by doing earnings management, Earnings management cases in Indonesia, such as that of PT Garuda Indonesia Tbk, show how this practice affects the company's image. The role of auditors is important in detecting fraud and reducing the risk of harming the company. Auditing standards emphasize the importance of fraud detection in financial statements. The study uses Crowe's fraud pentagon theory and audit committee as moderating variables to test the effect on earnings management. The audit committee plays a role in maintaining both internal and external corporate governance. The research focuses on the effect of fraud pentagon theory on earnings management with discretionary accrual proxies. Pressure, opportunity, rationalization,

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competence, and hubris variables are used as predictive factors for fraud. Conducted on state-owned companies on the IDX for the 2015-2019 period. This research is expected to help increase understanding of fraudulent practices in the financial statements of state-owned companies in Indonesia. This study applies Crowd's fraud pentagon theory. The existence of contradictions from various previous studies, which examined the fraud pentagon theory indicator on earnings management, resulted in a research gap, so the researchers wanted to expand this research by using the audit committee as a moderating variable. Lastanti (2020) states that the role of the audit committee in a company is very strong, especially in the effectiveness of the company's internal and external controls. In achieving good corporate governance, internal and external control authorities are needed. The audit committee is one of the parties that plays a role in maintaining the quality of corporate governance and is an independent institution formed and elected by the board of directors and is responsible for internal supervision and activities in the company (Yunita, 2020). The audit committee uses internal audit as the main source of information to create good quality governance.

Based on this literature, researchers are interested in testing the effect of fraud pentagon theory on earnings management where the proxy used is discretionary accruals with the Jones modification model. While the independent variables in this study are variable pressure proxied by external pressure and financial targets, variable opportunity proxied by ineffective monitoring, variable rationalization proxied by change in auditor, variable competence with change of directors, and variable arrogance proxied by CEO's picture. The choice of proxies for these variables is based on the inconsistent findings of the variables in Rusman and Tanjung's research (2020), Santoso and Surenggono (2018), Septriyani and Handayani (2018), (Apriliana and Agustina, 2017).

Hypothesis Development

The Effect of External Pressure on Earnings Management

External pressure is when management must meet third-party demands for funding, affecting corporate funding issues. External pressure is measured using the leverage ratio with the ratio between total liabilities and total assets. If the debt ratio is high in a company, then the company is considered to have high debt and has a high credit risk. The higher the credit risk, the more the lender is concerned about the loan provided. A high leverage condition allows for default. To overcome this situation, management tries to take steps that can give the impression that the company is not experiencing losses (Santoso and Surenggono, 2018). So it can be concluded that the higher the leverage ratio in the company, the higher the possibility of earnings management in the company. High leverage levels can lead to default, requiring management to demonstrate financial stability and avoid earnings management to avoid default and maintain business operations. Research conducted by (Imtikhani & Sukirman, 2021), (Nurardi & Wijayanti, 2021), (Rusmana & Tanjung, 2020), states that external pressure proxied by leverage has a positive effect.

H1: External Pressure affects Earnings Management

The Effect of Financial Target on Earnings Management

According to (Setiawati & R. M. Baningrum., 2018) financial targets have a close relationship with company performance, with ROA as one of the measurements to assess the level of profit earned by the company on the effort spent. The higher the ROA targeted by the company, the more vulnerable management will be to fraud. Financial targets are closely related to company performance, with ROA as one of the

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measurements to assess the level of profit earned by the company for the effort spent. The higher the ROA targeted by the company, the more vulnerable management will be to fraud. Research conducted by (Santoso & Surenggono, 2018) (Septriani & Handayani, 2018) shows that ROA is used as an indicator to detect financial statement fraud.

H2: Financial Target affects Earnings Management

The Effect of Ineffective Monitoring on Earnings Management

Agency theory explains that supervision from an independent party is needed to control management performance. One of the principles of corporate governance is the existence of an independent board of commissioners. Weak supervision of the independent board of commissioners can open up opportunities for fraud. The lack of effective supervision in the company creates opportunities for actors to carry out earnings management. According to Septriani and Handayani (2018), ineffective monitoring in the company increases the risk of actions that violate the rules, including fraud. Thus, ineffective supervision is positively related to the possibility of earnings management. Conversely, effective supervision can reduce this risk... This is supported by (Putri & Saphira, 2019) (Septriani & Handayani, 2018) state that ineffective monitoring which is proxied by the ratio of the independent board of commissioners (BDOUT) has an influence on earnings management. Based on the description above, the following hypothesis is formulated:

H3: Ineffective Monitoring affects Earnings Management

Effect of Change in Auditor on Earnings Management

In agency theory, information asymmetry occurs when management has more in-depth knowledge of business processes than stakeholders. Management has control over the information presented, so stakeholders need auditors to verify the truth of the financial statements (Septriani and Handayani, 2018). However, audit failures can occur, for example due to auditor changes. New auditors tend to lack a thorough understanding of the company's position, so fraud committed by management may not be detected. Rationalization of fraud by management is often considered a reasonable action. In this case, a change in auditor can be an indicator. Old auditors are usually more competent in detecting fraud than new auditors. Auditor changes are often used by companies to eliminate traces of fraud found by previous auditors. This increases the risk of management falsifying financial statements, with the aim of minimizing detection by the new auditor (Yesiariani and Rahayu, 2017; Siddiq et al., 2017).. Research conducted by (Novitasari & Chariri, 2019), (Siddiq et al., 2017) shows that auditor turnover has a positive effect on financial statement fraud. Based on the above statement, the hypothesis can be formulated as follows:

H4: Change in Auditor affects Earnings Management

Effect of Change of Director on Earnings Management

Change of directors is often used to cover up fraud, aiming to improve company performance by replacing less competent directors, but it can also lead to increased stress and financial manipulation. Based on research by (Uciati & Mukhibad, 2020), the results show that director turnover has a positive impact on fraudulent financial reporting. Changing directors can be seen as a company's effort to replace the previous director who has discovered fraud committed by the company ((Uciati & Mukhibad, 2020)). The higher the level of competence of the director, the quality of work will increase, so the possibility of fraud is also lower.

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H5: Change of Directors affects Earnings Management

The Effect of CEO Picture (CEOPICT) on Earnings Management

According to (Sudaryono, 2021) CEO arrogance and superiority can trigger fraudulent actions because they feel unbound by the company's internal controls. The level of CEO arrogance can be seen from the number of CEO photos in the company's annual report. Research by (Uciati & Mukhibad, 2020) (Sasongko et al., 2019), and (Triastuti et al., 2020) show that a large number of CEO photos can influence fraudulent financial reporting. For example, the COSO study found that the majority of CEO fraud involves images of a combination of pressure, arrogance, and greed. Research by (Nanda et al., 2019) concluded that a high number of CEO photos has a negative impact on fraudulent financial reporting. In research conducted by (Bawekes et al., 2018) stated that arrogance proxied by frequent number of CEO's picture affects financial statement fraud. so the hypothesis proposed in this study is:

H6: Frequent number of CEO's picture affects Earnings Management

Audit Committee as Moderation on the Effect of External Pressure on Earnings Management

Auditing standard No. 99 highlights the pressure on managers to commit irregularities due to third-party obligations and debt payments. Internal parties, audit committees, control, and internal audits must work together to reduce or avoid fraud. ((Gusnardi, 2009). The purpose of the audit committee is to ensure that the financial statements prepared by management are true and accurate. Companies with audit committees generally have more transparent and accountable company management. (Wailan'An et al., 2019) explained in their research that the presence of an audit committee will weaken the pressure on financial statement fraud. Based on the description above, the hypothesis can be formulated as follows:

H7: The Audit Committee moderates the effect of external pressure on earnings management.

Audit Committee as Moderation on the Effect of Financial Target on Earnings Management

An audit committee ensures smooth financial reporting, oversees management performance, and strengthens fraud detection by establishing a strong relationship with financial targets.. This statement is in accordance with the results of research by (Mardiani et al., 2017) which proves that the audit committee strengthens financial targets on the detection of financial statement fraud. Based on the description above, the following hypothesis is formulated:

H8: The Audit Committee moderates the effect of financial targets on earnings management.

Audit Committee as Moderation on the Effect of Ineffective Monitoring on Earnings Management

The audit committee, under agency theory, helps commissioners oversee business management, preventing fraud by controlling actions and ensuring financial reports are not manipulated. The results of research conducted by (Mardiani et al., 2017) state that the audit committee is able to weaken ineffective monitoring of fraudulent financial statements. So that the hypothesis formed based on the theory above is:

H9: The audit committee moderates the effect of ineffective monitoring on earnings management.

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Audit Committee as Moderation on the Effect of Change in Auditor on Earnings Management

(SAS No. 99., n.d.) states that management's relationship with the auditor is a management rationalization. Changing auditors is common, but sometimes aims to hide previous findings and commit fraud. The audit committee is expected to prevent auditor turnover to cover up management rationality. Research conducted by (Santoso, 2019) states that financial statement fraud on the basis of auditor turnover can be moderated by the presence of an audit committee. Based on the description above, the hypothesis can be formulated as follows:

H10: The audit committee moderates the effect of change in auditor on earnings management.

Audit Committee as Moderation on the Effect of Change of Directors on Earnings Management

(Wolfe & Hermanson, 2004) state that Changes in directors or CEOs can indicate fraud, as managers' ability to make changes based on interests can expose a company to financial statement fraud. The Audit Committee's access to company information supports its audit function. (Wailan'An et al., 2019). Therefore, an audit committee is needed to supervise the board of directors to prevent fraud. With the audit committee, it is hoped that the qualifications of the directors will not lead to fraudulent financial reporting. Based on the theory above, the following hypothesis can be concluded:

H11: The audit committee moderates the effect of change of directors on earnings management.

Audit Committee as Moderation on the Effect of CEO's picture on Earnings Management

The arrogance of a leader in a company can lead to fraud, necessitating monitoring and control by the audit committee. This committee reviews and provides advice on decision-making and management activities. However, the CEO's arrogance may prevent internal control from affecting his actions, making the Control Committee crucial in mitigating this impact. (Tessa & Harto, 2016)

H12: Audit committee moderates the effect of CEO's image on earnings management.

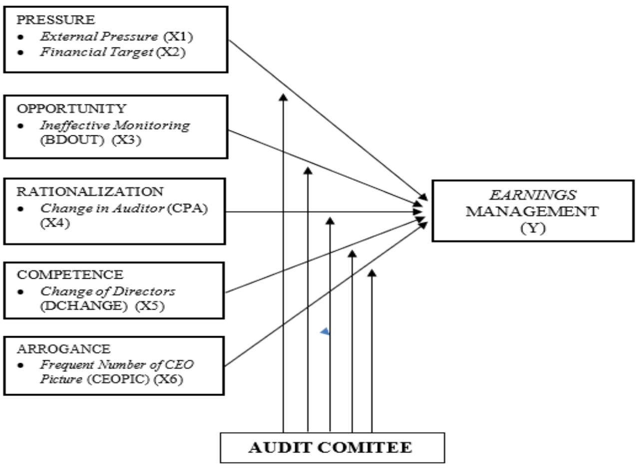

Figure 1. Conseptual Framework
(Wolfe & Hermanson, 2004)

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METHODS

Overview of the Population (Object) of Research

The population in this study were all State-Owned Enterprises (BUMN) companies listed on the Indonesia Stock Exchange (IDX) for the 2015-2019 period. Of the total 115 BUMNs, 23 BUMNs are public companies / issuers that have been listed on the capital market and public companies that are indirectly owned by the government where the company is a subsidiary of one of the public state-owned companies and the rest are the result of the acquisition of private companies with state-owned companies.

Data Analysis Technique

The data analysis technique used in this research is quantitative analysis in the form of numbers using statistical methods. After all the data is collected, it is then processed and analyzed according to the research needs. The data obtained from the annual report of each company will be used in accordance with the indicators determined in accordance with the measurement of each variable. Furthermore, the calculation results will be analyzed to prove the feasibility of the data. The analytical tool used in this study uses multiple linear regression with a moderation model based on the interaction test or Moderated Regression Analysis (MRA) test. The data collected will be analyzed using SPSS software.

Multiple Linear Regression Analysis

Equation 1:

$$\boldsymbol{DACC = \beta 0 + \beta 1LEV + \beta 2ROA + \beta 3BDOUT + \beta 4CPA + \beta 5DCHANGE + \beta 6CEOPIC + \beta 7KA + \varepsilon}$$

Equation 2:

$$\boldsymbol{ACC = \beta 0 + \beta 1LEV + \beta 2ROA + \beta 3BDOUT + \beta 4CPA + \beta 5DCHANGE + \beta 6CEOPIC + \beta 7KA + \beta 8\, LEV_{KA} + \beta 9\, ROA_{KA} + \beta 10\, BDOUT_{KA} + \beta 11\, CPA_{KA} + \beta 12\, DCHANGE_{KA} + \beta 13\, CEOPIC_{KA} + \varepsilon}$$

Information:

β0	= Konstanta
β 1,2,3,4,5,6	= Coefficient Koefisien
DACC	= Akrual Diskresioner
LEV	= Ratio Leverage
ROA	= Return on Asset
BDOUT	= Independent board of commissioners ratio
CPA	= Change of Public Accountant Firm
DCHANGE	= Director Change
KA	= Audit Comitee
CEOPIC	= Number of CEO Photos
ε	= error

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RESULTS AND DISCUSSION

Result

Normality Test

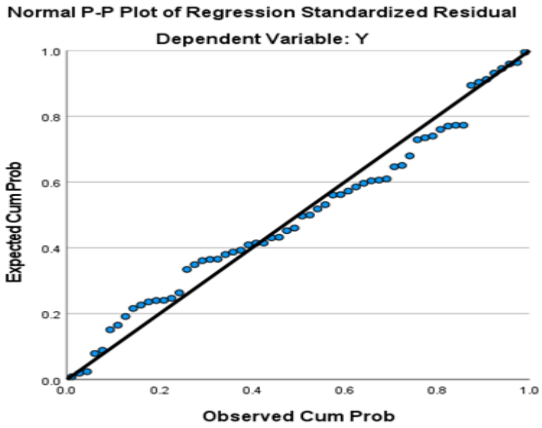

Figure 2 Normality Assumption Test Graph
Source: SPSS Output Results version 27 (2023)

Based on the results of the research analysis using the normal P-P Plot graph, it is explained that the data distribution (points) is around the diagonal line and has followed the direction of the diagonal line between 0 (zero) and the meeting of the Y axis with the X axis. This shows that the data in the study is normally distributed.

Table 2
Multikolinieritas Test Resukt
Coefficients[a]

Model		Collinearity Statistics		
		Tolerance	VIF	Information
1	(Constant)			
	EP	.487	2.055	Free Multikolinieritas
	FT	.428	2.338	Free Multikolinieritas
	BDOUT	.859	1.164	Free Multikolinieritas
	CPA	.726	1.777	Free Multikolinieritas
	DCHANGE	.733	1.694	Free Multikolinieritas
	CEO	.588	1.700	Free Multikolinieritas
	KA	.728	1.374	Free Multikolinieritas

a. Dependent Variable: Y
Source: SPSS Output Results version 27 (2023)

In the table above, it can be seen that the regression model does not experience multicollinearity disorders. This can be seen in the Tolerance value (TOL)> 0.1 and Variance Inflation Factor (VIF) < 10. Thus it can be concluded that there is no multicollinearity between the independent variables in the regression model.

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Autokorelasi Test

Table 3 Autokorelasi Test Result
Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.653[a]	.426	.349	.32121	1.925

Source: Output SPSS Resukt versi 27 (2023)

The table value using a 5% confidence degree, a sample size of 60 and a number of independent variables of 7 is as follows:

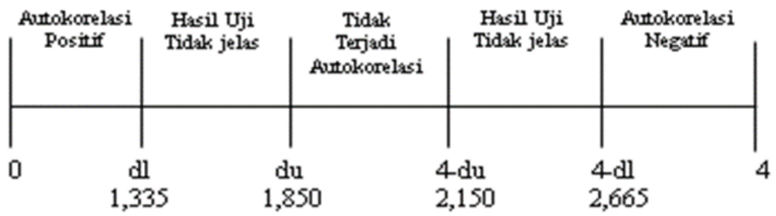

Figure 3 Table value using 5% confidence degree
Source: (Ghozali, 2016)

The autocorrelation test results show that the durbin watson value of 1.925 lies between du to 4-du. So it can be concluded that there is no autocorrelation.

Table 4 Glejser Test Result
Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-.156	.346		-.451	.654
	EP	.058	.243	.045	.237	.813
	FT	-.253	.918	-.055	-.275	.784
	BDOUT	-.197	.408	-.068	-.483	.631
	CPA	.126	.242	.255	.523	.603
	DCHANGE	-.094	.237	-.193	-.397	.693
	CEO	.025	.058	.074	.435	.665
	KA	.068	.041	.252	1.640	.107

a. Dependent Variable: abs_res

Source: SPSS Output Results version 27 (2023)

Based on the Glejser test table above, it is known that the significance value of each independent variable is greater than 0.05. So it can be concluded that there are no symptoms of heteroscedasticity in the regression model.

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Model Feasibility Testing (F Test)
Before moderation:

Table 5 F Test Result
ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.990	7	.570	5.524	.000[b]
	Residual	5.365	52	.103		
	Total	9.355	59			

a. Dependent Variable: Y

Source: SPSS Output Results version 27 (2023)

Based on the table above, from the results of the F test before moderation in this study, the calculated F value is 5.524 and a significance of 0.000. By using an α level of 0.05 or 5%, the calculation results show that the sig value (0.000 <0.05), so it can be concluded that the model used in this study is feasible to use.

After Moderation:

Table 6 F Test Result
ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.575	13	.506	8.370	.000[b]
	Residual	2.780	46	.060		
	Total	9.355	59			

a. Dependent Variable: Y

Source: SPSS Output Results version 27 (2023)

Based on the table above, from the results of the F test after being moderated in this study, the calculated F value is 8.370 and a significance of 0.000. By using an α level of 0.05 or 5%, the calculation results show that the significance value (0.000 <0.05), so it can be concluded that the model used in this study is feasible to use.

Hypothesis Test (t test)
Before moderation:

Table 7 Calculation Result of t Test
Coefficients[a]

Model		Unstandardized Coefficients B	T	Sig.	Information
1	(Constant)	.366	.747	.459	Not Significant
	EP	-.229	-.666	.508	Not Significant
	FT	-4.342	-3.345	.002	Significant
	BDOUT	-.462	-.801	.427	Not Significant
	CPA	-.436	-1.276	.208	Not Significant
	DCHANGE	.575	1.718	.092	Not Significant

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CEO		-.128	-1.550	.127	Not Significant
KA		.257	4.410	.000	Significant

Source: SPSS Output Results version 27 (2023) (Processed)

After Moderation:

Table 8 Calculation Result of t Test
Coefficients[a]

Model		Unstandardized Coefficients B	t	Sig.	Information
1	(Constant)	10.497	4.054	.000	Significant
	EP	6.620	3.000	.004	Significant
	FT	21.596	2.781	.008	Significant
	BDOUT	1.229	.566	.574	Not Significant
	CPA	-.373	-1.380	.174	Not Significant
	DCHANGE	-.620	-1.503	.140	Not Significant
	CEO	-2.812	-5.036	.000	Significant
	KA	-2.117	-3.208	.002	Significant
	EP_KA	-1.731	-2.840	.007	Significant
	FT_KA	-6.705	-3.132	.003	Significant
	BDOUT_KA	-.619	-1.044	.302	Not Significant
	CPA_KA	-.098	-1.149	.257	Not Significant
	DCHANGE_KA	.395	3.016	.004	Significant
	CEO_KA	.657	4.732	.000	Significant

a. Dependent Variable: Y

Source: SPSS Output Results version 27 (2023) (Processed)

Discussion

The Effect of External Pressure on Earning Management

Based on the research results in table 7 above, it is known that initially the external pressure variable has no effect on detecting fraudulent financial statements, but in table 8 after the interaction of moderating variables, the external pressure variable has an effect on detecting fraudulent financial statements. related to the final results, the researcher took the results from table 8, assuming that he took the best results from all the tests carried out. The test results show that the external pressure variable can detect financial statement fraud, with a significance value of 0.004 and a positive coefficient of 6.620. H1 is accepted because the significance value is lower than alpha (0.05), indicating that external pressure as measured by the leverage ratio indicates fraud. The leverage ratio has a positive effect on earning management, where companies with debt are more likely to commit fraud to obtain additional debt. The higher the leverage ratio, the higher the level of fraud. Companies that have or still have a lot of debt are more likely to create a false balance sheet because in order to obtain additional debt from both

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investors and creditors, the company must have a high leverage ratio. This finding is consistent with previous research conducted by (Santoso & Surenggono, 2018). (Rusmana & Tanjung, 2020).

Effect of Financial Target on Earnings Management

Based on the research results in table 7 and table 8 above, it is known that the financial target variable proxied by ROA has an influence in detecting fraudulent financial statements. Based on the test results in table 8, the financial target proxied by Return on Asset (ROA) has a significant impact on earnings management, with a regression coefficient of 21.596 and a significant value of 0.008. The higher the financial target, the higher the level of financial statement fraud. Setting high financial targets can increase pressure on managers and the possibility of fraud. To achieve financial targets, companies may utilize accounting methods to manipulate assets. High financial targets can also indicate the company's previous good performance, so the company tries to maintain profits. With the pressure from financial targets, managers can be encouraged to commit fraud, in accordance with (Sudaryono, 2021) where financial targets proxied using the ROA ratio have a significant and positive effect on fraudulent financial reporting.

The Effect of Ineffective Monitoring on Earnings Management

Based on the research results in table 7 and table 8 above, it is known that the ineffective monitoring variable has no effect on detecting fraudulent financial statements. The study shows that ineffective monitoring has no effect on earnings management, with a regression coefficient value of 1.229 and a significance of 0.574. The existence of independent commissioners should improve company performance, but intervention can hinder their function. In state-owned companies, intervention may occur because they are under the ministry of SOEs. Other studies show that ineffective monitoring does not always detect financial statement fraud, and companies generally appoint independent commissioners for better supervision. Intervention by other parties may affect the judgment and supervision of the board of commissioners. This study cannot prove the existence of opportunities for fraud in non-financial BUMN companies. The results of this study are supported by research by (Haqq & Budiwitjaksono, 2020) as well as research by Faidah and Suwarti (2018).

Effect of Change in Auditor on Earnings Management

Based on the research results in table 7 and table 8 above, it is known that the Rationalization variable proxied by change in auditor has no effect on detecting fraudulent financial statements. Rationalization proxied by change in auditor shows a coefficient value of -0.373, while the significance value is greater than the test rate, namely 0.174> 0.05, These results can be concluded that auditor changes have no effect on earnings management.

According to (Bawekes et al., 2018) auditor changes occur possibly not because the company wants to reduce the detection of fraudulent financial statements by the old auditor, but because the company wants to comply with the finance ministerial regulation No. 17 / PMK, 01 / 2008 article 3 paragraph 1 which states that the provision of general audit services on the financial statements of an entity can be carried out 6 consecutive financial years by the same KAP and 3 consecutive financial years by the same auditor to the same client. (Setiawati & R. M. Baningrum., 2018) also argue that auditor switching occurs possibly because the company is not satisfied with the performance of the previous external auditor, so it decides to change its external auditor. The results of

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research by (Yuniarti et al., 2019) (Arum & Wahyudi, 2020) also found that there was no significant impact of auditor turnover on fraudulent financial reporting. The results of this study are in line with the results of research conducted by (Bawekes et al., 2018) (Setiawati & R. M. Baningrum., 2018),(Sari & Nugroho, 2020)

Effect of Change of Director on Earnings Management

Based on the research results in table 7 and table 8 above, it is known that the Competence variable proxied by change of director has no effect on detecting fraudulent financial statements. Competence proxied by change of director shows a coefficient value of -0.620 while the significance level is greater than the test rate, namely 0.140> 0.05. These results can be concluded that, change of director is not able to detect fraudulent financial statements.

Changing directors can be caused by the company's desire to improve the performance of company management (Harman & Bernawati, 2020) This performance improvement causes the company to need to replace the previous director with a new, more competent director. The higher the level of competence of the director, the quality of work will increase, so the possibility of fraud is also lower. Research conducted by (Harman & Bernawati, 2020), (Triastuti et al., 2020), (Haqq & Budiwitjaksono, 2020) found that director turnover has no significant impact on fraudulent financial reporting.

Effect of CEO Picture on Earnings Management

Based on the research results in table 7 above, it is known that initially the frequent number of CEO's picture (CEOPIC) variable has no effect in detecting fraudulent financial statements, but in table 8 after the interaction of moderating variables, the CEO's picture (CEOPIC) variable has an effect in detecting fraudulent financial statements. related to the final results, the researcher took the results from table 8, assuming that he took the best results from all tests conducted. Based on the test results, the frequent number of CEO's picture (CEOPIC) variable shows a coefficient value of -2.812 with a significant level smaller than the specified criteria, namely 0.000 <0.05. So it can be concluded that the frequent number of CEO's picture affects earnings management.

(Sudaryono, 2021) states that the level of arrogance and superiority of the CEO can cause the CEO to commit fraud, due to the CEO's belief that the company's internal controls do not apply to them, due to their status and position. The results of these tests explain that the greater the number of CEO photos contained in the annual report, can indicate the high level of CEO arrogance in a company which leads to the CEO's courage to commit fraud. From the results of research conducted by (Uciati & Mukhibad, 2020) (Ahmad et al., 2022) and (Sasongko et al., 2019) where the number of CEO photos can have a positive impact on fraudulent financial reporting. Meanwhile, according to research conducted by (Nanda et al., 2019) the number of company CEO photos has a negative impact on fraudulent financial reporting.

The effect of audit committee in moderating external pressure on earnings management

Based on hypothesis testing, the probability of external pressure on earnings management moderated by the audit committee is 0.007 < 0.05. The audit committee can moderate external pressure on earnings management. In agency theory, the relationship between agent and principal is explained, where managers are responsible for the company. The results showed that the audit committee plays a role in preventing financial fraud committed by managers. The coefficient of -1.731 indicates that the audit

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committee can weaken the external pressure on earnings management. A strong audit committee can prevent managers from reporting irrelevant financial information.

The effect of audit committee in moderating financial target on earnings management

From the results of hypothesis testing, the probability value of ROA which proxies financial targets on earnings management moderated by the audit committee is smaller than the predetermined criteria of 0.003 < 0.05. So it can be concluded that the audit committee can moderate the effect of financial targets proxied by ROA on earnings management. But when viewed from the coefficient value of -6.705, the audit committee has the capacity to weaken the impact of financial targets on earnings management. When managers are given difficult targets and with strict supervision by the audit committee, managers must try to improve their performance for the sake of the company's image or company continuity. Companies need an audit committee to provide answers when asymmetry occurs and are expected to minimize or prevent irregularities in financial reports. This means that the role of the audit committee which has expertise in finance is used properly, so that it can prevent management from committing fraud by manipulating company profits in order to achieve predetermined targets.

The effect of audit committee in moderating ineffective monitoring on earnings management

Based on hypothesis testing, the probability of ineffective monitoring on earnings management moderated by the audit committee is greater than the criteria set (0.302 > 0.05) with a coefficient of -0.619. The results show that the audit committee does not moderate the effect of ineffective monitoring on earnings management. Ineffective monitoring occurs when internal control is lacking, caused by ineffective supervision from the board of directors and audit committee on financial reporting. The audit committee is responsible for ensuring that managers do not commit fraud in the financial statements. However, in this study, the audit committee was unable to moderate ineffective monitoring. Intervention on the board of commissioners and audit committee can reduce their independence, so the audit committee cannot moderate ineffective monitoring.

The effect of audit committee in moderating change in auditor on earnings management

Based on hypothesis testing, the probability of auditor changes on earnings management moderated by the audit committee is greater than 0.257 > 0.05 with a coefficient of -0.098. The results concluded that the audit committee did not moderate the relationship between auditor changes and earnings management. The higher the rationalization owned by management, the greater the level of accounting irregularities. One way of justifying the management is by changing auditors in auditing financial statements. One of the duties of the audit committee is to provide recommendations to the board of commissioners regarding the appointment of auditors so that the existence of an audit committee can reduce fraudulent financial statements. But in this study, the test results show that the audit committee is unable to moderate the change in auditor on earnings management. This is because even though there is a change of auditors, it does not reduce the auditor's ability to detect financial statement fraud.

The effect of audit committee in moderating change of director on earnings management

Based on hypothesis testing, the probability of the effect of change of director on earnings management moderated by the audit committee is small with a coefficient of 0.395 and a significance of 0.004 < 0.05. The audit committee can moderate this effect.

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One of the monitoring of the financial reporting process is carried out by the audit committee. Where the role of the audit committee is to assist the board of directors in terms of company supervision, and assist the board of directors in fulfilling Good Corporate Governance. In addition, the audit committee plays a role in reviewing the risk management implementation activities carried out by the board of directors, and the audit committee also supervises the implementation of follow-up actions taken by the board of directors on the findings of the internal auditor. Thus, the relationship between the change of directors to detect fraudulent financial statements will be stronger with the presence of an audit committee involved to assist the board of directors in fulfilling Good Corporate Governance.

The effect of audit committee in moderating CEO's picture on earnings management

Based on the results of hypothesis testing, the probability of CEO Picture on earnings management moderated by the audit committee is 0.000 <0.05 with a coefficient of 0.657. The audit committee strengthens the effect of the frequent number of CEOs on the detection of earnings management. The appearance of CEO photos in the financial statements of each company in addition to complying with regulations also shows a high level of arrogance. As a result of this, the CEO may just legalize many ways to maintain that position. The audit committee as a supervisor will function more in detection because it will get information that is important to him or with the audit committee the CEO can do whatever he wants because the audit committee function is not running properly.

CONCLUSION

The results of this study contribute to the development of detection of financial Earning Management, especially in earnings management, using the fraud pentagon type fraud model. The results of this study are expected to be able to provide a new perspective on each component of the fraud model, that not everything in this fraud pentagon component can detect irregularities. Based on the explanation in this study, it is concluded that of the 5 indicators in the fraud pentagon that can detect fraud in the company is the presence of pressure and the arrogance of the leadership. The pressure factor in this study is proxied by external pressure and financial targets, where these two variables have a positive effect on earnings management, while the arrogance factor proxied by the frequent number of CEO pictures has a negative effect on earnings management. On the other hand, opportunity, rationalization and competence factors have no effect on earnings management. This study shows that the audit committee is able to moderate the effect of external pressure, financial targets, change of director, frequent number of CEO pictures on earnings management. Meanwhile, the audit committee is unable to moderate the effect of ineffective monitoring and change in auditor on earnings management.

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