

## **ABSTRACT**

*This study aimed to examine the elements of fraud in fraud pentagon theory against indications of fraudulent financial reporting on financial and banking sector in Indonesia at 2012-2014. Independent variables in this research were financial targets, financial stability, external pressure, institutional ownership, ineffective monitoring, quality of external audits, changes in auditors, change of directors, and the frequent number of CEO's picture, while the dependent variable was fraudulent financial reporting that proxied by financial restatements.*

*This study used 156 samples which came from 52 banking and financial sector companies listed on the Indonesia Stock Exchange in 2012-2014. This research was conducted by quantitative methods using secondary data. The secondary data derived from financial reporting that are downloaded from the company website and IDX. The sampling method was purposive sampling. The data analysis using the logistic regression method.*

*The results of this study indicate that there are three variables which were significant in detecting the occurrence of fraudulent financial reporting, including financial stability, external pressure, and the frequent number of CEO's picture. These variables represent the two elements in a pentagon fraud Crowe's theory; pressure and arrogance.*

*Keywords: Fraud, Fraud Triangle, Fraud Diamond, Fraud Pentagon, Fraudulent Financial Reporting, Financial Restatement*