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Financial Sustainability: The Effect Of Fraud Triangle On Financial Statement Fraud

Alni Rahmawati[1*], Andriana Dita Pramesty[2]
[1] Management Study Program, Fakultas Ekonomi and Bisnis Universitas Muhammadiyah Yogyakarta
[2] Management Study Program, Fakultas Ekonomi and Bisnis Universitas Muhammadiyah Yogyakarta

*Coresponden Autor: alni_rahma@umy.ac.id

Abstract: This research aims to determine the influence of Fraud Triangle Theory on financial statement fraud. This research uses a sample of manufacturing companies in the consumer goods sector listed on the Indonesia Stock Exchange using the Purposive Sampling method. This research is quantitative research using primary data based on financial reports published by the Indonesian Stock Exchange. The sample in this study was 174. Hypothesis testing in this study used multiple regression analysis and MRA (Moderated Regression Analysis) through the EViews 12 application. Based on the results of the analysis carried out, it was found that (1) Financial stability had a positive effect on fraud, (2) Ineffective monitoring did not influence on fraud. (3) Change in Auditor has a positive effect on fraud, (4) Audit committee is a non-moderating variable of financial stability on financial statement fraud. This research can provide insight as well as knowledge about how one financial reporting fraud can be measured using the Beneish M Score formula. The results can be used by the company so that the company can present financial statements free of fraud that are material so that they do not develop into a scandal because they have a strong influence on the economic decision-making of investors, creditors, and other stakeholders. The study focuses only on manufacturing companies listed on the Indonesian stock exchange for the period 2018-2022 and uses the Beneish M-score formula as a measure to detect fraudulent financial reporting.

Keywords: Financial Stability, Ineffective Monitoring, Change In Auditor, Komitee Audit

BACKGROUND

Financial statements are one of the most important information in assessing the development of the company, it can also be used to assess the achievements that the company wants to achieve in the past, present and plans in the future. The purpose of making financial statements according to Statement of Financial Accounting Concept (SFAC) No.1 is to provide useful information for investors and creditors as well as company stakeholders to make a decision for the company. However, currently many individuals take actions that harm the company, one of which is committing fraud.

In economic terms, this action is called fraud or fraud, and cases of fraud often occur in various sectors. Financial statement fraud is a deliberate action carried out by individuals by hiding, omitting, or changing something in it that causes losses and provides benefits for people who do it. (Utomo, 2018).

One of the cases of manufacturing companies detected by financial statement fraud is PT Tiga Pilar Sejahtera Food Tbk (AISA). AISA also known as TPS Food is a manufacturing company that runs in the field of consumer goods. PT Tiga Pilar Sejahtera Food (AISA) found that there was income derived from fictitious income. AISA management performs engineering by changing the net income of financial statements by mentioning false income and changing asset accounts into actual owned.

As for knowing the factors that can affect financial reporting fraud, there are theories to determine the occurrence of financial reporting fraud, one of the theories used to detect financial reporting fraud is the fraud triangle proposed by Cressey in 1953. This theory says that fraud occurs because it is supported by three factors, namely pressure, opportunity and rationalization. Researchers added audit committee variables as moderation variables in this study.

This study aims to, (1) Test and analyze the effect of financial stability on fraud in manufacturing companies in the consumer goods sector listed on the IDX, (2) Test and analyze the effect of ineffective monitoring on fraud in manufacturing companies in the consumer goods sector listed on the IDX, (3) Test and analyze the effect of change in auditors against fraud in manufacturing companies in the consumer goods sector listed on the IDX, (4) Testing and analyzing audit committee variables as moderation variables affecting financial stability on fraud in manufacturing companies in the consumer goods sector listed on the IDX. This research is expected to increase knowledge and insight on how to detect fraud in financial statements.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory

According to Kurniadi &; Wardoyo (2022), agency theory is a theory that explains the working relationship between company owners (shareholders) and management in the company. Agency theory explains the contractual relationship between agent and principal. The relationship between shareholders or investors (principal) and management (agent) is rarely created because of a conflict of interest. Parties authorized by shareholders are called agents or management (Ijudien, 2018). To manage company resources for the benefit of shareholders or principals. Therefore, management must be responsible for the management of the company to the holder.

Agency theory explains the relationship between fraud variables and financial statement fraud. This is because the principal always wants the company's financial position to be in good condition and based on the wishes of the principal, the company will provide a financial target that must be met by management. Therefore, management often sets very high financial targets, but sometimes they are not able to meet them. The inability of management to meet the target will cause a clash between shareholders and management and this will lead to financial statement fraud (Nazilla, 2021).

Fraud

Fraud or what we usually call financial statement fraud is a misstatement or omission of amounts or disclosures that are deliberately done to deceive users. Fraud is a form of fraud by eliminating or reducing the amount deliberately done to deceive its users (Fitri et al., 2019). Fraud according to the Association of Certified Fraud Examiner (ACFE) (2019) is knowing the misstatement of the truth or hiding a material fact to cause harm to others (ACFE Indonesia, 2019).

The speed and method of detection of financial fraud reporting can greatly affect the number of crimes. In addition, businesses can take action to improve their ability to detect fraud, increase employee confidence in their ability to detect fraud and help prevent such behavior in the future (ACFE Global, 2020). in developing a model for classifying fraud called the fraud tree. Fraud tree has three branches, including:

1. Asset misappropriation
   Asset deviation, namely misuse, embezzlement, theft of company assets or assets by parties both inside and outside the company.
2. Deceptive or fraudulent statements or reports
   Financial statement fraud includes actions taken by officers or executives and senior managers of a company or government agency to cover up the actual financial condition by performing financial engineering or beautifying the presentation of financial statements in order to obtain their personal benefits or benefits related to their position and responsibilities.
3. Corpusis (corruption)
   This type of corruption fraud is the most difficult to track because it involves cooperation with other parties. This type of fraud often cannot be detected because the parties who work together enjoy mutual benefits. Corruption includes abuse of authority or conflict of interest, bribery, receipt of gifts and gratuities illegal, and economic extortion, also known as illegal levies or pungli (Mia Tri Puspitaningrum et al., 2019).

Financial Statement Fraud Detection

To detect financial statement fraud, one of them is by using the Beneish M-score formula. Beneish M-Score Model is a mathematical model used to detect fraud in financial statements (Santosa &; Ginting, 2019). Beneish M-Score is a financial statement analysis technique that can be applied to detect financial statement fraud in the form of profit manipulation of earnings overstatement. This statement has been answered by Messod D. Beneish, a professor at Indiana University who examines quantitative differences between identified companies that manipulate profits and companies that do not. Then, he uses the company's financial data to calculate the company's financial ratios to find out whether the ratio change is caused by changes or whether there are conditions that can encourage changes (Widowati &; Oktoriza, 2021).

Fraud Triangle Theory

One of the basic concepts of fraud prevention and detection is to use the fraud triangle. This concept is also called Cressey's Theory because this research was conducted by Ronald R. Cressey in 1953 and published under the title Other's People Money: A Study in the Social Psychology of Embezzelent. This theory says that fraud occurs because it is supported by three factors, namely pressure, opportunity and rationalization (Suryani &; Fajri, 2022). There are three components of the fraud triangle are pressure, opportunity, and rationalization.

There are three components of the fraud triangle are pressure, opportunity, and rationalization.

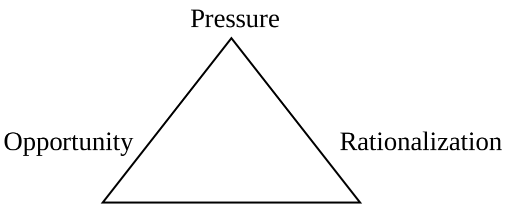

Figure 1. Fraud Triangle Theory

a. Pressure
   Rahmanti said pressure is the reason people commit fraud. If a company's financial prospects decline, many businesses are forced to manipulate its financial statements. According to SAS No. 99, there are four common types of pressure that can lead to cheating.
b. Financial stability
   Financial stability is a condition that describes the company's financial condition in stable condition. An example of a risk factor: a company might manipulate profits when its financial stability or profitability is threatened by economic conditions (Prisca Kusumawardhani, 2022)
c. External pressure
   External pressure is excessive pressure for management to meet the requirements or expectations of a third party. Examples of risk factors: when companies face a trend in the level of expectation of investment analysts, pressure to provide the best performance for investors and significant creditors for the company or other external parties (Prisca Kusumawardhani, 2022).
d. Personal financial need
   Personal financial need is a situation where the financial condition of company executives also affects the company's finances. An example of a risk factor is the significant financial importance of an entity's management; Management receives a significant share of compensation that depends on achieving aggressive targets for stock price, operating results, financial position, or cash flow. Management also guarantees personal property for the entity's debts. (Prisca Kusumawardhani, 2022).
e. Financial targets
   Financial targets are excessive pressure on management to achieve financial targets set by directors or management. An example of a risk factor: a company might manipulate profits to meet analysts' forecasts or benchmarks such as the previous year's earnings (Prisca Kusumawardhani, 2022).
f. Opportunity
   According to Elder et al., opportunities are when management or staff have the opportunity to present financial statements. This can occur due to weak internal controls, poor management supervision, or stable financial conditions. According to SAS No. 99, there are three types of financial statement fraud that may occur in three categories of conditions, namely nature of industry, ineffective monitoring, and organizational structure. Nature (Prisca Kusumawardhani, 2022).
g. Nature Of Industry
   The Nature Of Industry is concerned with the emergence of risks for companies in industries that involve significantly greater estimation and consideration. An example of a risk factor: inventory valuation carries a greater risk of misstatement for companies whose inventory is spread across multiple locations. The risk of misstatement of these supplies increases if they become using (Prisca Kusumawardhani, 2022).
h. Ineffective Monitoring
   Ineffective monitoring is a condition where the company does not have a supervisory unit that effectively monitors the company's performance. Examples include: the dominance of management by one person or small group, without compensation control, ineffective supervision of the board of directors and audit committee over the financial reporting process and internal control and the like (Prisca Kusumawardhani, 2022).
i. Organizational Structure

Organizational structure is a complex and unstable organizational structure. Examples of risk factors: overly complex organizational structure, high turnover of company personnel such as senior managers or directors (Prisca Kusumawardhani, 2022).

j. Rationalization

The most difficult part to measure in the fraud triangle is rationalization. Skousen et al. stated that industrial conditions, ineffective supervision, and organizational structure are these conditions. Cheating can occur because of someone's rationalization. The reasons vary but justifications will always be there. Rationalization is carried out through decisions made consciously where fraudsters put their interests above the interests of others (rationalization) (Faradiza, 2019).

Committee audit

The Audit Committee is a committee under the board of commissioners consisting of at least one independent commissioner and independent professionals from outside the company whose responsibilities include assisting auditors to maintain their independence from management. Basically, the main task of the audit committee is to assist the board of commissioners in carrying out supervisory duties over the performance of the board of directors (Nuhasanah et al, 2022). In addition, the company's financial statements, external audits, and supervision of the company's internal control system are all the responsibilities of the audit committee (Amaliyah &; Herwiyanti, 2019).

In the literature review, the following hypotheses can be drawn:

Influence Finacial Stability Towards Financial Statement Fraud

One of the causes of fraud is the pressure caused by financial stability. The higher the level of stability, the higher the Financial statement fraud . Management in a company will always describe the company in good condition, so the company will be viewed as good by investors who want to invest in the company.

This puts pressure on management to use financial statements as a medium to cover unstable financial conditions by manipulating financial statements to be seen as able to manage company assets properly and meet the expectations of investors (Ozcelik, 2020). This statement is supported by research by Nazilla (2021), Lionardi &; Suhartono (2022), Chandra & Suhartono (2020) and Ashma'&; Laksmi (2023) showing where financial stability has a positive effect on fraud. With that, the hypothesis proposed by the researcher is:

H_1: Financial Stability positive effect on financial statement fraud

Influence Ineffective Monitoring toward Financial Statement Fraud

Ineffective Monitoring is a condition where there is no effectiveness of the internal supervision system owned by the company (Skousen et al., 1953). The more independent board of commissioners, the greater the act of financial reporting fraud because there is domination of management by one person or small group and ineffective supervision of directors and audit committees over financial reporting. So they will not feel monitored and will commit acts of negligence secretly without being noticed by the independent board of commissioners.

Research (Aini et al., 2021), Drice & Nuryani (2022) and Krisnawati &; Masdiantini (2022) states that ineffective monitoring has a positive effect on fraud. With that, the hypothesis proposed by the researcher is:

H_2 : ineffective monitoring positive effect on financial statement fraud

Influence Change In Auditor Towards Financial Statement Fraud

According to Fernando Pasaribu & Kharisma, (2018), change in auditor is a replacement of a public accounting firm carried out by a company and can result in a transition period for the company. The greater the turnover of auditors, the greater the act of financial fraud because auditors are important supervisors who have certain qualifications in auditing a company's financial statements. If auditor changes are frequent, it can lead to audit failure, which management can use to commit greater fraud. In addition, it can eliminate evidence of fraud so that it is not known by the next auditor

This statement is supported by this research conducted by N. Indriani &; Rohman (2022), Tiapandewi et al., (2020), Santoso (2019) and Octavianus Lauwrens &; Budi Yanti (2022), change in auditors has a positive effect on financial fraud.With that, the hypothesis proposed by the researcher is:

H_3 : Change in Auditor Positively Affects Financial Statement Fraud

The Effect of the Committee as a Variable of Financial Stability Moderation on Financial Statement Fraud

The higher the level of stability, the higher the financial statement fraud will also be weakened by the audit committee because even though the company's management is under pressure from stakeholders to maintain the company's financial stability, the existence of the audit committee can change the conditions and contributions made to prevent financial statement fraud. This statement is reinforced by research by Octavianus Lauwrens &; Budi Yanti, (2022) which states that audit committees moderate financial stability variables against fraud.With that, the hypothesis proposed by the researcher is

H_4 : Audit Committee moderates financial stability on financial statement fraud.

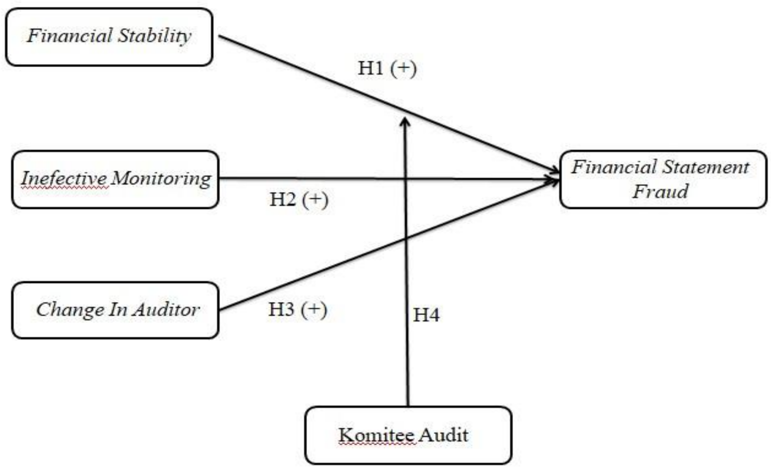

Figure 1. Research Model

RESEARCH METHODS

The research approach used is a quantitative approach, with the object of research being in the Manufacturing Company in the consumer goods sector listed on the Indonesia Stock Exchange for the 2018-2022 period. The type of data used in this study is secondary data, while data collection is carried out by means of documentation. The sampling technique used is purposive sampling with the following conditions: 1) Consumer goods sector manufacturing companies listed on the Indonesia Stock Exchange During the observation period; 2) Companies that use Rupiah (Rp) currency for the research period; 3) Companies that earn profits for the research period. The number of samples that met purposive sampling was 174 samples data totaling 65 manufacturing companies in the consumer goods sector.

Operational Definition

a. Financial statement fraud

Measured by the Beneish M Score formula. The Beneish model built using financial statement ratios can be used for public companies (Özcan, 2018). According to (Beneish et al., 2013), the Beneish M Score formula is as follows:

Beneish M-Score = - 4.84 + 0.920 DSRI + 0.528 GMI + 0.404 AQI + 0.892 SGI + 0.115 DEPI – 0.172 SGAI – 0.327 LVGI + 4.679 TATA

Information:

DSRI = Days Sales in Receivable Index
GMI = Gross Margin
AQI = Asset Quality Index
SGI = Sales Growth Index
DEPI = Depreciation Index
SGAI = Sales and General Administrative Expense Index
LVGI = Leverage Index
TATA = Total Accruals to Total Assets

Table.1 Financial Ratios Beneish M. Score

Name	Formula
DSRI	$\frac{\text{Accounts receivable t/Sales t}}{\text{Accounts receivable t} - 1/\text{Salest} - 1}$
GMI	$\frac{\text{Gross profit t} - 1 \text{ / Sales t} - 1}{\text{Gross pofit t / Sales t}}$
AQI	$\frac{\{\frac{(1 - \text{Current Asset t } + \text{Fix Asset t})}{Total\ aset\ t}\}}{\{(1 - \text{Current Asset }(t-1) + \text{ Fixed Asset }(t-1)\} / \text{Total Assets}(t-1)}$
SGI	$\frac{\text{Sales t}}{\text{Sales }(t-1)}$
DEPI	$\frac{\{\text{Depreciation }(t-1) / (\text{ Depreciation t} - 1 + \text{ Fixed Asset }(t-1))\}}{\{\text{Depreciation t / (Depreciation t } + \text{ Fixed Asset t})\}}$
SGAI	$\frac{\text{Sales and Administration Fees t/Sales t}}{\text{Sales and Administration Fees }(t-1)/\text{Sales}(t-1)}$
LVGI	$\frac{\text{Total Liability t / Total Asset t}}{\text{Total Liability }(t-1) \text{ / Total Assets }(t-1)}$
TATA	$\frac{\text{EAT(t)} - \text{Cash Flow from operating activities (t)}}{\text{Total Asset t}}$

Source : (Beneish et al., 2013)

The company is considered fraud if the Beneish M-Score is more than -2.22. If the value is lower than -2.22, the company is considered not to have committed fraud. (Beneish et al., 2013)

b. Financial stability

Financial Stability is a description of the stability or not of a company's financial condition. According to Skousen et al., (1953) financial stability can be measured by:

$$\text{ACHANGE} = \frac{\text{Total Asset}_{\text{t}-\text{TotalAsset t}-1}}{\text{Total Asset}}$$

c. Ineffective monitoring

Ineffective monitoring is ineffective supervision by the organization due to the lack of an existing supervision system in the organization (Gede Prema Utama &; Adi Yuniarta, 2020). According to Skousen et al., (1953) ineffective monitoring can be measured by the formula:

$$\text{BDOUT} = \frac{\text{Number of independent board of commissioners}}{\text{Total Board of Commissioners}}$$

d. Change In Auditor

According to Skousen et al., (1953). The rationalization proxied by change in auditor can be measured by AUDCHANGE with the following formula:
AUDCHANGE = dummy variable for auditor changes, namely if there is a company that changes the Public Accounting Firm (KAP) is given the code 1 and if the company does not make changes to the auditor, it is given the code 0.

e. Moderation Variables
The variable moderated by the researcher is the audit committee. According to Skousen et al., (1953), the audit committee uses the following formula:

$$KA = \Sigma \text{ Member of Audit Committee}$$

Analysis Tools

The analysis tool used to test the influence between these variables is Eviews12, besides the analysis method used is MRA (Moderated Regression Analysis)

Descriptive Statistical Analysis

Inferential analysis

1. Model selection method
   a) Chow Test
   The chow test aims to determine which model is better used between Common Effect and Fixed Effect models (Mulfita &; Yusra, 2019).
   b) Hausman Test
   Statistical testing to choose whether the model used is a random effect model or a fixed effect model using the Hausman test
   c) Lagrange Multiplier Test
   The Lagrange Multiplier (LM) is used to test whether the random effect model is better than the common effect model.
2. Model Equation
   This study uses 2 regression equation models, namely multiple linear regression and Moderated Regression Analysis (MRA), so that the equation model is described as follows:

$$Y = \alpha+\beta 1X1+\beta 2X2+\beta 3X3+\varepsilon \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad (1)$$

$$Y = \alpha+\beta 1X1+\beta 2X2+\beta 3X3+\beta 4(X1*Z)+\varepsilon \ldots\ldots\ldots\ldots\ldots\ldots \quad (2)$$

Information :

α	= Constant value
β1- β3	= Regression Coefficient
β4	= Regression Coefficient
Y	= Financial Statement Fraud
X1	= Financial Stability
X2	= Ineffective Monitoring
X3	= Change In auditor
Z	= Komitte Audit
X1*Z	= Interaction of independent variables with moderation
ε	=Error term

3. Classical Assumption Test
   a) Normality Test
   The Normality Test aims to test whether in a regression model, the dependent variable, the dependent variable or both have a normal distribution or not. (Alni Rahmawati, SE. et al., 2019).
   b) Heterokedasticity Test

For the Heteroscedasticity Test, as well as the Normality test, a method that is often used in determining whether a model is free from heteroscedasticity problems or not (Nihayah, 2019).

c) Autocorrelation Test
The autocorrelation test aims to test whether in the linear regression model there is a correlation between the fault of the intruder in period t with the error of the intruder in period t-1 (previous). To analyze the existence of autocorrelation using Durbin-Watson Test (DW test) (Alni Rahmawati, SE. et al., 2019).

d) Multicollinearity Test
Multicolonicity means that between independent variables contained in the model have a perfect or near-perfect relationship (the correlation coefficient is high or = 10). This test aims to test whether the regression model found a correlation between independent variables (Alni Rahmawati, SE. et al., 2019).

e) F Test
It is a test to find out whether the independent variable in the pesnelitian model affects the dependent variable. This test is carried out by comparing the value of sig F with alpha (0.05), which shows that there is an influence on each independent variable on the dependent variable (Muhammad Fadhilullah, 2019).

f) t Test
Test Value t: The t-test is used to determine whether there is an influence of the relationship between the independent variable and the dependent variable partially or individually. If the sig value < α (0.05) and the regression coefficient are in the same direction as the hypothesis, the hypothesis is accepted.

g) Determinant Test (R^2)
That R^2 represents the ratio-value of values modeled with the variability of the original data values. In general, r2 is used as information about the fit of a model. R^2 is also interpreted as the proportion of response variance described by the reggresor (independent variable / X) in the model. Thus, if R^2 = 1 would mean that the corresponding model describes all variability in variable Y (dependent variable) can be described by variable X/independent variable, while the remaining 0.2 is influenced by unknown variables or inherent variability. (Alni Rahmawati, SE. et al., 2019).

RESULTS

Descriptive Statistical Analysis

Table 2. Descriptive Statistical Test Result

Variable	Mean	Deviation Standart	Min	Max	N
Fraud	-1,08634	0,72035	-2,93929	0,74370	174
financial stability	0,14487	0,26973	-0,17818	1,79784	174
Ineffective Monitoring	0,43817	0,11350	0,25	0,83330	174
Change in Auditor	0,13793	0,34582	0	1	174
Comittee Audit	2,97126	0,16754	2	3	174

Source : Processed by researchers (2023)

Judging from the dispersion, it shows that ineffective stability and audit committee have centralized data (homogeneous), this can be seen from the standard deviation value which is smaller than the mean value. While fraud, financial stability, change in auditor have data that is spread out (heterogeneous), this can be seen from the standard deviation value which is greater than the mean value.

Model Selection Method

a. Chow Test

Table 3. Chow Test

Effect Test	Prob.
Cross-section Chi-square	0,0000

Source:Eviews 12 software results

Based on the results of the chow test in the table above, it is known that the probability value is 0.0000 because the probability value is 0.0000< 0.05, then, the estimation model used is the Fixed Effect model (FEM).

b. Hausman Test

Table 4. Hausman Test Result

Cross-section random	0,0014

Source: Data processed

Based on the results of the Chow test in the table above, it is known that the probability value is 0.0014. Because the probability value is 0.0014 < 0.05, the estimation model used is the Fixed Effect Model (FEM).

Multiple Linear Regression Testing

Tabel 5. Regression Equation Results

Variable	Coefficient
C	-1,1909
ACHANGE	1,3259
BDOUT	-0,3429
CIA	3,6408

Source: processed data

Based on the table above, a multiple linear regression equation is obtained as follows :

$$Y = -1{,}1909\ C + 1{,}3259\ ACHANGE - 0{,}3429\ BDOUT + 3{,}6408\ CIA$$

Classical Assumption Test

Based on the results of classical assumption tests (normality, multicolleniarity, autocorrelation and heteroscedasticity), there is no violation of classical assumptions, so the regression model is Best Linear Unbias Estimation (BLUE)

F test

Table 6. F test Result

Model	Prob (F-statistic)
Regresi 1	0,000151

Source : Eviews 12 Software Processing Results

Based on the table above, it is known that the value of prob (F-statistic), which is 0.000151 < 0.05, it can be concluded that the regression model in this study is feasible to use.

t test

Table 7. t test

No	Variable	Coefficient	Prob.	Information
1	ACHANGE	1,3259	0,0000	didukung
2	BDOUT	-0,3429	0,5065	Tidak didukung
3	CIA	3,6408	0,0464	didukung

Source : Eviews 12 Software Processing Results

Koefisien Determinasi R^2

Table 8. Hasil Koefisien Determination

Model	R-squared	Adjusted R-squared
Regresi 1	0,580289	0,315000

Sumber : Hasil Olah Software Eviews 12

Based on the table above, it is known that the value of the coefficient of determination (R-squared) is R2 = 0.315000. This value can be interpreted that Achange, BDOUT, Change In Auditor affect Fraud by 31% the rest is influenced by other factors.

Testing Moderated Regression Analysis (MRA)

a. Moderation Regression Equation Analysis (MRA)

Table 9. Moderation Regression Equation Results

No	Variable	Coefficient
1	C	-2,2708
2	ACHANGE	1,7251
3	BDOUT	-3,5865
4	CIA	3,3708
5	KA	-3,2108
6	ACHANGE * KA	-0,1544

Source : Eviews12 Processed

Y = -2,2708C +1,7251 ACHANGE- 3,5865 BDOUT+ 3,3708 CIA-3,2108KA -0,1544 ACHANGE*KA

b. F test

Table 10. F Test Result

Model	Prob(F-statistic)	Information
MRA	0,000299	Not supported

Source : Eviews 12 Software Results

Based on the table above, it is known that the prob value (F-statistic), which is 0.000299 < 0.05, it can be concluded that the regression model in this study is feasible to use.

c. t test

Table 11. t test Result

Variable	Coefficient	Prob.
ACHANGE * KA	-0,1544	0,5577

Source : Eviews 12 Software Processing Results

Test the interaction between Financial stability (ACHANGE) and the Audit Committee as a moderation variable with prob values of 0.5577 > 0.05. Which means Audit committees that do not moderate financial stability moderate fraud. So it can be said that hypothesis 4 (H4) is not supported.

In this study, the moderation variable used is included in the type of potential moderation variable or Homologiser Moderator because this variable does not interact with the independent variable and does not have a significant relationship with the dependent variable

d. Coefficient of Determination R^2

Table 12. Result of The Coefficient of Determination

Model	R-squared	Adjusted R-squared
MRA	0,582262	0,305109

Based on the table above, it is known that the value of the coefficient of determination (Adjusted R-squared) is R2 = 0.305109. This value can be interpreted that ACHANGE moderated by Komitte audit affects Fraud by 30%, the rest is influenced by other factors.

Discussion

Financial stability has a positive effect on financial statement fraud. This is because management utilizes financial statements as a medium in covering unstable financial conditions by manipulating financial statements to be seen as able to manage company assets properly and meet the expectations of investors (Ozcelik, 2020).

(Lionardi &; Suhartono, 2022), (Chandra &; Suhartono, 2020) and Ashma'& Laksmi (2023) which show that Financial stability has a positive effect on financial statement fraud.

Ineffective Monitoring does not affect financial statement fraud because an independent Board of Commissioners is usually formed to ensure good company management (GCG) and prevent incorrect financial reporting. However, the appointment of an independent board of commissioners is only carried out to comply with formal regulations or regulations (Mardianto &; Tiono, 2019).This condition can be caused by the fact that, although companies choose positions for independent boards of commissioners only to meet statutory requirements, they do not seek to apply Good Corporate Governance (GCG) principles in the process of preventing fraud in financial statements. In addition, the majority shareholders are the people who can best see the performance of the board of commissioners, so the independent board of commissioners cannot be used as a measure of the level of financial statement fraud that will occur. The number of independent commissioners in a company cannot be used as a measure of the level of financial statement fraud that will occur. The results of this study support research (Mardianto &; Tiono, 2019) which shows that ineffective monitoring has no effect on financial statement fraud.

Change In Auditor has a positive effect on financial statement fraud. Due to changes in the use of public accounting services carried out by the company, it can be considered as an effort to eliminate traces of fraud found by previous auditors. Fraudsters believe that the change of auditor will not find fraud. This trend prompted companies to replace their independent auditors. Therefore, the higher the change in the use of public accountants can indicate higher financial statement fraud.

The results of this study support the research of N. Indriani &; Rohman (2022), Tiapandewi et al., (2020), Santoso (2019) and (Octavianus Lauwrens &; Budi Yanti, 2022), which shows that Change In Auditor has a positive effect on financial statement fraud.

Although it has the authority to perform supervisory functions on management, the audit committee does not moderate the effect of pressure on financial statement fraud because the responsibility of the audit committee related to company management is very limited, in the end the audit committee cannot effectively supervise changes in assets resulting in fraud committed by management.

If there is an audit committee in a company, the audit committee can supervise the company, especially if the company experiences an increase or decrease in assets. Such an increase or decrease can be caused by various methods applied. If the method applied is correct and appropriate, then the audit committee, then the audit committee cannot disclose its findings that are considered inappropriate in the audit meeting, therefore the audit committee cannot moderate. According to research by Nurhasanah et al., (2022), Sandra & Murtanto, (2019) and (Larasati et al., 2020) that the audit committee does not moderate financial stability variables against financial statement fraud.

CONCLUSION

Management utilizes financial statements as a medium in covering unstable financial conditions by manipulating financial statements to be seen as able to manage company assets properly and meet the expectations of investors. The opportunity factor does not affect financial statement fraud because even though it is not under good supervision but already has high self-awareness and is able to be responsible, fraud will not occur. Fraudsters believe that the change of auditor will not find fraud. This trend prompted companies to replace their independent auditors.

Although it has the authority to perform supervisory functions on management, the audit committee does not moderate the effect of pressure on financial statement fraud because the responsibility of the audit committee related to company management is very limited, in the end the audit committee cannot effectively supervise changes in assets resulting in fraud committed by management.

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