Asia Pacific Fraud Journal
E-ISSN: 2502-695X, ISSN: 2502-8731
Volume 8, Issue 2 (July-Desember) 2023
*Asia Pacific Fraud Journal now has been accredited "**SINTA 3**" by Ministry of Research and Technology of The Republic of Indonesia (No SK. 225/E/KPT/2022).*
Available online at: http://apfjournal.or.id/index.php/apf

Detecting Fraud in Financial Statements Through the Fraud Triangle Model: The Case of Indonesia

✉Agoestina Mappadang
Economic and Bisnis Faculty, Universitas Budi Luhur, Jakarta, Indonesia

ARTICLE INFORMATION
Article History:
Received April 8, 2022
Revised October 13, 2023
Accepted December 1, 2023

DOI:
10.21532/apfjournal.v8i2.244

ABSTRACT
Referring to ACFE Global's in the year 2016 until 2018 RTTN, fraudulent financial statement detection is a typical frequency occurrence and gets a large median loss. This study's purpose is to determine the perspective of the fraud triangle as measured by three elements where fraud occurs in financial statements and is proxied by earnings management. The population is chosen from banking industries that have been listed on the Indonesia Stock Exchange in 2018-2020. The research sample was 25 banks based on the purposive sampling method as criteria sampling. Objects found are 75 objects and hypothesis testing used binary logistic regression. The results show that the fraud triangle perspective simultaneously affects fraud on financial statements. But, partially only pressure factors as proxied by return on assets were shown to be significantly positive, while other pressure factors were financial stability, external pressures, the nature of the industry, effective monitoring with the measure by the independent commissioner, and the rationalization factor, measured by total accruals (TACC) have no significant. The fraud triangle measurement is only used in this research to detect fraud. In addition, very limited sample use because it only covers 4 years so it cannot provide sufficient confidence. It is important to ascertain and analyze fraud factors that can affect financial reporting to minimize fraud that occurs. Management must obtain the widest possible information for making the right decisions so that the triggers of fraud can be minimized and eliminated.

Keyword: Fraud triangle, Pressure, Opportunity, Rationalization, Fraudulent Financial Statement, Earnings Management.

How to Cite:
Mappadang, A. (2023). Detecting Fraud in Financial Statements Through the Fraud Triangle Model: The Case of Indonesia. *Asia Pacific Fraud Journal, 8*(2), 269-280. https://dx.doi.org/10.21532/apfjournal.v8i2.244.

✉Corresponding author :
Email: agustina.mappadang@budiluhur.ac.id

1. INTRODUCTION

The financial statements are very important as a part of a company. Financial reports record various incomes, expenses, and other information related to company finances. However, in the financial reporting process, fraud often occurs. ACFE as an Association of Certified Fraud Examiners (2016) states that fraud that often occurs and tends to increase is financial statement fraud compared to others. Acts of fraud in financial statements certainly have a bad impact because the available information is not in accordance with existing conditions so it can affect a company, especially during the decision-making process (Schuchter & Levi, 2015).

The ACFE 2016 conducted a survey and found the frequency of the industrial sector committing financial statement fraud is quite high, and the sector that most commits fraud in financial statements is the financial sector, namely banking. This is very concerning because banks have very strict procedures and policies with minimum CAR criteria. In addition, banks are under the supervision of the Authority of Financial Services. In addition to the results of the survey, other things in the ACFE survey, 2016 found financial statement fraud in 10% of cases that occurred and an average loss of $975,000 compared to cases of loss of asset misappropriation of 83% and losses due to corruption with a presentation of 35.4% and a loss value of $200,000 (ACFE, 2016).

The number of frauds in the banking industry in Indonesia that occurred, the FSA as a banking supervisory agency issued POJK no.39/POJK.03/2019 as a strategic step to prevent fraud. The POJK stipulates that banks form a work unit that functions to formulate and create fraud avoidance strategies within their institutions. The work unit will later carry out functions for prevention, detection, and investigation as well as reporting and sanctions always monitoring, evaluating, and following up on findings obtained as well as the duties and functions carried out (Nyakarimi et al., 2020).

Regarding the number of fraud cases that have arisen, to detect fraud, the IFAC issued International Standards on auditing, or ISA no. 240 (2009). ISA no. 240/2009 was introduced by Cressey D.R, (1953) as one of the founders of ACFE, namely the Fraud triangle. It have three fraud factors are categorized pressure and rationalization as endogenous factors and opportunity as exogenous factors. The concept of this theory was then adopted in Indonesia in SAS no. 99 which aims additional the auditor's duties to get more effective fraud detection that occurs in financial statements (Skousen et al., 2011)

Several previous studies related to fraud by previous researchers, Wicaksana & Suryandari, (2019); Pratiwi, R.P., & Nurbaiti, (2018), dan Rini & Achmad, (2012). In this study, the research conducted is different from previous research, namely from the number of variables used, the research period is longer, and the sample population is taken with the highest level of fraud based on the ACFE survey, namely in banking. In this study, each crucial variable was separated by the 2018-2020 research period. Other studies that use variable elements developed are from researchers (Simon et al., 2015); (Dimitrijevic et al., 2015); (Ghafoor et al., 2019) the study focuses on changes in the quoted spread and quoted depth following the fraud announcement. Design/methodology/ approach: The study uses a unique set of fraud sample using enforcement action releases (EARs). Purpose of this study to investigate the significance of three element that trigger the fraud triangle in the financial statement.

2. LITERATURE REVIEW AND HYPO-THESIS

Theory of Agency

Theory of agency from Jensen and Meckling, (1976) is the originator of agency theory or agency theory which explains that conflicts occur in investors or owners who act as principals and company management as agents occur because of the separation of responsibilities and

authorities of owners and agent. This theory emphasizes that the conflict of interest occurs cause of information asymmetry. Management as the executor of the company is sure that every data and information is known compared to the principal. The responsibility of the company lies with management (Rachmawati, 2014). Management understands which information can be conveyed to the owner and which cannot. Management can sort out information that according to it can be hidden from the owner or even unknown to the owner and can even be manipulated with a specific purpose.

Fraud

Fraud definition refer to ACFE is the use or abuse of one's position to profit and intentionally misuse company resources or assets. The classification of ACFE is divided into 3 categories (Zimbelman & Albrect et al, 2012), namely: (a) rigged assets, namely misuse of assets or vital company/organizational resources; (b) corruption, ie someone uses his position and influence to carry out business activities and gain personal or other benefits. This is not in accordance with the responsibilities carried out on employees or workers and the rights of other parties; (c) the occurrence of fraudulence in reporting of financial (Kratcoski, 2018).

Fraud Triangle

The theory was originally initiated by Donald R. Cressey (1953) in SAS No. 99 about the Consideration of Fraud in audit of the Financial Statement. The Pressure, Opportunity and Rationalization as elements of Fraud Triangle. This theory discusses the trigger factors that cause people to commit fraud. Cressey associates these three elements must appear until a violation occurs. These trigger factors are known has three elements, namely pressure which is perceived on-shareable financial need, opportunity and rationalization (Huang et al., 2017); (Schuchter & Levi, 2015). These factors are divided into three conditions, namely: (i) management or employees who receive incentives or are under pressure, (ii) there are gaps such as lack of control, ineffective control, override controls by management and (iii) rationalize.

Pressure, an important element of the pressure element is the pressure that suppresses the life of the perpetrator, even though the perpetrator cannot share the problem with other people. Fraud pressure is considered the dominant factor in 95% of the number of fraud cases that make someone decide to commit a crime (Khamainy et al., 2021). For indicated the financial stability must be referring to the financial company's condition which is influenced by various national economic conditions, the industrial environment and the operating conditions of the company itself.

External Pressure, related to the obligation to meet targets or standards required by third parties (SAS no. 99). Both from the level of profitability, the need to get additional capital, the company's poor performance that makes the confidence of investors fade. There are 4 categorize of general conditions that always occur according to SAS 99, which lead to fraud, namely stability of financial, external pressure, personal of financial need and targets of financial.

Fraudulent on Financial Statement

Fraudulent acts that occur in financial statements are fraud committed by management or parties who have managerial positions in order to manipulate the real financial situation that occurs. The fraud is carried out by financial engineering which is called financial engineering to get the maximum profit possible. This can also be referred to as window dressing or digging a hole to cover a hole that often occurs (Simon et al., 2015). Based on the ACFE, fraudulent acts committed are carried out in two ways, namely Overstatements or Understatements of Net Income. Increased profits (or overstatements) can be suspected that this action is indicated: (1) recording of different transactions; (2) income made

without (fictitious) evidence; (3) Hiding/ lowering debts and expenses; (4) Assessing assets that contrary to generally accepted accounting statement rules; (5) disclosure of irregularities. On the other hand, if management takes actions to reduce net income or Net Income (Understatements), it is certain that there are indications of (1) the difference between the recording time of the transaction and the actual time; (2) decreased income; (3) liabilities/debts and expenses have increased; (4) asset valuation that is not in accordance with the applicable PSAK; (5) improper disclosure.

Fraud detection in financial statement

According to Mappadang & Yuliansyah, (2021); Kratcoski, (2018); Repousis, (2016) that the analysis to detect the occurrence of fraud in various ways, namely: first, the analysis of the Vertical technique, how to conduct an analysis related to the relationship of each item-item in the financial statements by providing an overview of the percentage. Second, Horizontal technical analysis is an analysis of the percentage change in each item item in the financial statements in several periods. Third, namely ratio analysis using financial ratios in measuring the relationship between financial statement items. In addition, financial statements containing elements of fraud tend to leave certain traces (Hoopes et al., 2012). Traces or indicators are criteria for conditions for fraud which, according to Zack, (2013) include Revenue Based Schemes (RBS), Asset Based Schemes (ABS) and Expense/ Liability Schemes. In this study, fraud detection uses earnings management.

Earnings Management

Based on research from (Scott & Sweeney, 1998), that the actions of managers who use accounting policy selection with a certain motivation to achieve some of the goals desired by management, this is categorized as earnings management action. Use of the accruals in preparing financial report is a way of doing earnings management (Scott & Meisel, 2020). In positive accounting theory, earnings management actions are driven by various motivations. Management carries out earnings management because it is driven by several motivations (Mappadang et al., 2019)

Including bonus motivation (plan hypothesis), political motivation, debt motivation, tax motivation and also CEO turnover motivation. The discretionary accruals by reducing total accruals (TACC) with nondiscretionary accruals (NDACC) (Peasnell et al., 2000) is a measure to determine the occurrence of earnings management. The abnormal accrual rate that comes from management's policy to manipulate earnings is referred to as DACC. Calculation of the appropriate DACC using the Modified Jones Model.

Research Model

Management faces pressure due to conditions of increasingly rapid technological development and companies must continue to innovate, this is stated in SAS 99. Pressure can be a trigger for management to carry out earnings management (Oktarigusta & Lutfiana, 2017). The management strives for the company to continue to grow so that one of the ways management commits fraud is by presenting asset conditions with overstated figures. (Zimbelman & Albrect et al, 2012). Huang et al., (2017) states that it is a negative affect of financial stability (FINS) as a measured by asset growth on fraud occur. On the other hand (Zahro & Yulia, 2018) shows a positive influence and in line the research Skousen & Twedt, (2009) and Skousen et al. (2011).

H1: There is a positive significance between financial stability and fraud detection in financial statement.

External pressure arises because there is a pressure on management to meet the level of achievement of the certain criteria, both in terms of adding funds in the form of debt. In addition, external pressure requires management to perform well and generate profits in order to pay the high financial burden (Aghghaleh & .,

2014). Result from (Zahro & Yulia, 2018); (Fitri et al., 2019)cases of frauds are rarely covered by the media. Even though some fraud might not be material enough to be detected, the motivation for conducting fraud exist, especially when the internal systems have some leakage. The fraud triangle and the Beneish model are two well-developed theories to understand the motivations for fraud and to detect earnings manipulation in a business. Therefore, this empirical research aims to examine the applicability of the fraud triangle components combined with the M-score from Beneish model. The investigation involves panel data from 270 non-financial companies listed on IDX (Indonesia Stock Exchange showed a positive significance, on the other hand, Okarigusta's research, (2017) stated that there was no effect.

H2: There is a positive significance between external pressure and fraud detection in financial statement

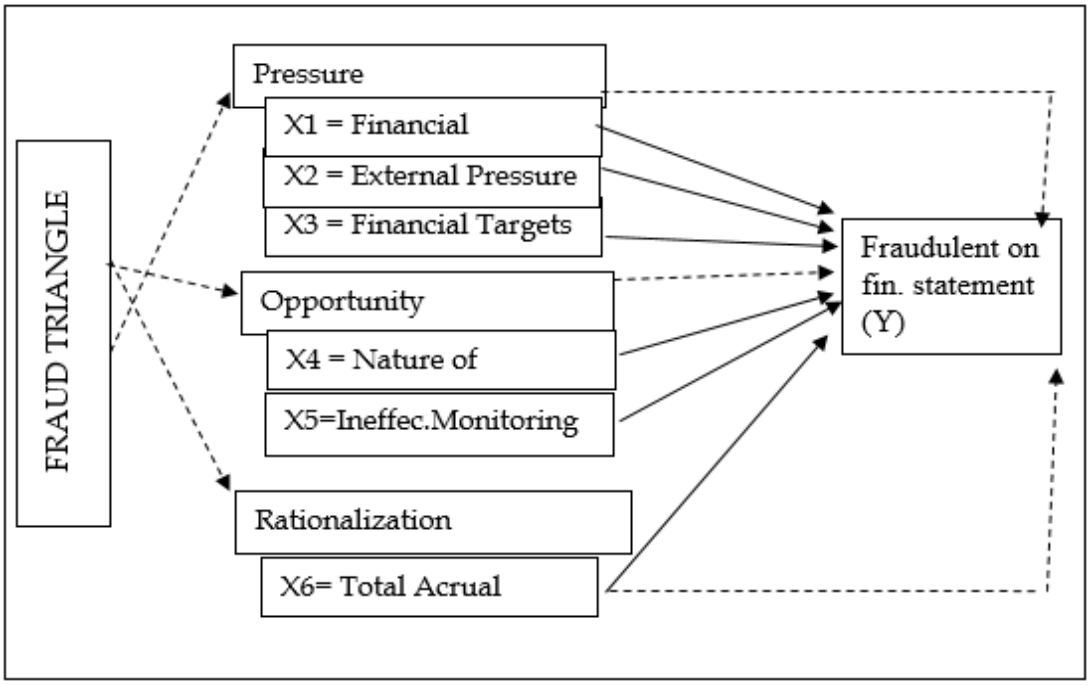
To measure the level of efficiency of the company's performance in managing assets using Return on Asset. So that companies that have a small ROA have great pressure to improve performance and performance so that it can trigger fraud. Research by Prehantika, (2016) dan Aprilia & Sergius, (2015) in their research that the financial targets variable as measured by Return on Asset (ROA) and has a negative significance on financial statements fraud. On the other hand, result from Zahro & Yulia, (2018), that no effect as well as the researchers Mappadang & Yuliansyah, (2021).

H3: There is a negative significance between financial targets and fraud detection in financial statement

Nature of company both in operations and business lines shows the industrial nature. The nature of industry provides a good opportunity for management or employees to commit fraud by estimating subjective account balances for impairment of receivables. Previous researchers (Tiffani & Marfuah, 2015) in their research detected that there was an influence of the nature of the company to detection of financial statements fraud.

H4: There is a positive significance between nature of industry and fraud detection in financial statement

Figure 1. **Research Model**



According to Skousen et al., (2011), companies who have an independent commissioner with a good composition, it will more effective in fraud detection than companies without commissioner independent. The existence of supervision to monitor every company activity will definitely reduce the fraud occurence. But, the other side, the ineffectiveness of the supervisory mechanism will increase fraud. This is supported by research (Aprilia & Sergius, 2015) which states a negative significance of ineffective monitoring on occurrence of fraudulent financial statement. Contrary with research from Oktaviani & Karyawati, (2014) get positive results.

H5: There is a negative significance between ineffective monitoring and fraud detection in financial statement

Total asset accruals was used to detect financial engineering carried out by management, because rationalization is an act to convince the perpetrators that fraud is still in a reasonable category. Perpetrators make justifications for the actions taken. Oktarigusta & Lutfiana, (2017) stated that total asset accrued has a positive effect to detect fraud occur. Contrary, by Aprilia & Sergius, (2015) did not show an effect.

H6: There is a positive significance between total asset accrued and fraud detection in financial statement

Refer to core of the fraud triangle from Cressey in Machado & Gartner, (2017), fraud is the result of various situations, namely a combination of these three elements. Without one of these elements, fraud does not occur. Research from Rachmawati, (2014) dan Mappadang & Yuliansyah, (2021), shows that simultaneously affects of the Fraud Triangle can be occurs of the incidence of fraud.

H7: Simultaneously, the Fraud triangle have a significant to fraud detection in financial statement

3. METHODS

The population used is from the banking industry which is listed on the Indonesian Stock Exchange in 2018-2020. The total samples obtained are 25 banking companies and the total number of observational data is 75 observation objects. Sampling using purposive sampling method using several criteria, namely companies that have complete financial statement data and routinely report and do not experience losses. The next criteria are companies that are not delisted in the sampling period. Technique analysis uses binary logistic regression which aims to test the hypothesis research.

$$FFS = \alpha + ß_1\,FINS + ß_2\,DAR + ß_3\,ROA + ß_4\,NoI + ß_5 INEFMON + ß_6\,TAKA + e$$

Ket:

FFS : *Fraudulent of Financial Statement*
α : Constanta
ß : Coefisient variable
FINS : financial stability
DAR : externalpressure
NoI : natureof industry
INEFMON : Ineffective monitoring
TAKA : Rasionalization
e : *error*

Variable Operation

Fraudulent on Financial Statement

Fraudulent always starts from a misstatement, namely managing income from three-month financial statements that are suspected to be immaterial but form a major fraud that is materially misleading in the annual financial statements. Earnings management is calculated using discretionary accruals. Discretionary accrual is a manager's policy that stems from an abnormal accrual rate in determining the application of comparable income is desired. In the calculation, using a modification of the Jones model. The Modified Jones model is more precise for detecting fraud in the banking industry compared to other models such as the F-score or Beneish ratio. This is because the elements in other models are different from those in service sector companies. The implementation of earnings management is indicated by the presence of negative and positive discretionary accruals. Negative discretionary accruals, namely the company's pattern of

applying income minimization, namely the income statement does not match the actual income. Positive discretionary accruals, namely the company's pattern of applying income maximization, namely the income statement is too high from the actual income to overcome it by reducing reported earnings (Scott & Meisel, 2020). First calculates the total accruals for each company with modified Jones:

$TAC_{it} = Ni_{it} - CFO_{it}$

TAC estimated by OLS regression equation as follows:

$$TAC_{it}/A_{it-1} = \beta1(1/A_{it}\text{-}1)+\beta2(\Delta Rev_t/A_{it-1})+\beta3(PPE_t/A_{it-1})+e$$

Description

TAC_{it} = Total acrrual
Ni_{it} = Net income
CFO_{it} = Net cashflow
DA_{it} = *Discretionary Accruals*
NDA_{it} = *Non Discretionary Accruals*
A_{it-1} = Net company's asset
ΔRev_t = Change of revenue
PPE_t = Fixed asset
(Plant, Property, Equipment)
ΔRec_t = change of receivable
e = *error*

Financial Stability

Financial stability is given to the authorities with the changes of ratio in total assets (FINS). If company's income greater than company's more get earned and impact to asset. Therefore, large income changes prove the state of fraudulent financial statements (Skousen et al., 2009). The formula used is as follows:

$$FINS = \frac{\text{Total Asset}_t - \text{Total Asset}_{t-1}}{\text{Total Asset}_{t-1}}$$

External Pressure

External pressure is using a debt to asset ratio as a proxy. The high level of debt ratio obtained from investors creates pressure for management. According to Skousen et al. (2009), mathematically, the debt ratio can be written as follows:

$$\text{Debt to Aset Ratio} = \frac{\text{Total liabilities}}{\text{Total Asset}}$$

Financial Targets

The purpose of income is calculated through return on assets (ROA) which explains income to compare with asset. The resulting ROA shows the manager's ability to manage company assets so as to generate profits. Formula from Skousen et al. (2009), mathematically, ROA is measured by the following:

ROA =Net Income/Total Asset

Nature of Industry

Industrial nature is a condition that the companies wants naturally, a manifestation of the nature of receivable. Good management emphasize can reduces the company's total receivables and increases cash inflow income (Skousen, 2008). The nature of industry is measure by the company's receivables, whether they are stressed or increased.

$NoI = Receivable_t / Receivable_{t-1} - Revenue_t / Revenue_{t-1}$

Ineffective Monitoring

If the situation can not monitored effectively to maintain the company's performance is called ineffective monitoring. The measurement of ineffective monitoring using the number of independent commissioners (Mertha Jaya & Poerwono, 2019) can be mathematically calculated using the formula:

$$INEFMON = \frac{\sum \text{Independent commisioner}}{\sum \text{board of commisioner}}$$

Total Accrual Asset

To measure accruals, this study uses total accruals to total assets, which is a ratio that compares the accrual value to the asset value of a company (Beneish et al., 2012).

TAKA= Net Income – Cash flow/ Operation Total Asset

4. RESULTS AND DISCUSSION

Overall from testing the fit model, a positive difference of 32,012 was obtained, this proves that there has been a reduction in the calculated value of -2LogL, meaning that the overall fit model uses the data.

Table 1. **Goodness of Fit**

Step	Chi-Square	df	Sig.
1	.642	5	.976

Source: Data Processed

The Godness of fit test with a significance value of 0.976 exceed the target level of significance of 0.05 (0.976>0.05), it is concluded, that there is no significant difference with the observed value. The resulting Nagelkerke R^2 is 0.691. It means that the independent variables as a whole have an effect on financial statement fraud by 69.1%, and as much as 30.9% is indicated by other factors outside this test model. The statistical results for the overall obtained accuracy in predicting the strength of the model that is equal to 87%.

DISCUSSION

No significance of the Financial Stability on Fraud Detection in Financial Statement

The value indicated by the financial stability variable regression coefficient is 3.538 and significant is 0.538 (>0.05). Result of H1 hypothesis is rejected, it

Table 2. **Coeficient Determinat**

Step	-2 Log Likelihood	Cox & Snell R Square	Nagelkerke R Square
1	37.158[a]	.366	.691

Source: Data Processed

Table 3. **Matrix Clasification**

Observed			Prediction Earnings Management		
			Decreasing profit	Increasing profit	Percentage Correct
Step 1	Earnings Management	Decreasing profit	7	6	52.7
		Increasing profit	3	59	94.2
	Overall Percentage				87.0

Source: Data Processed

Table 4. **Hyphotesis Test**

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1[a]	FINS	3.538	5.749	.379	1	.538	34.404
	DAR	-7.236	4.143	3.051	1	.081	.001
	ROA	216.474	88.767	5.947	1	.015	1.032E+94
	NoI	.875	.653	1.795	1	.180	2.399
	INEFMON	7.996	5.142	2.418	1	.120	2968.697
	TAKA	1735.173	158866.258	.000	1	.991	.
		-2.423	3.373	.516	1	.472	.089

Source: Data Processed

Table 5. **Omnibus Test**

		Chi-square	df	Sig.
Step 1	Step	33.010	6	.000
	Block	33.010	6	.000
	Model	33.010	6	.000

Source: Data Processed

mean that financial stability does not a variable for detection fraud. This study's result are ini accordance with the result of Mappadang & Yuliansyah, (2021) and Schuchter & Levi, (2015). This may be due to several possibilities that lead to an increase in bank company assets, third party funds and loans during 2018-2020. The decline in the asset growth rate is an indication that the company is under high pressure, so management needs to seek ways to normalize the financial position. Management may commit fraud but there are other factors in this study that can help from this pressure, such as corporate culture. Another reason is a good internal control system, so they are able to control and supervise the behavior of the management. So that even though management faces financial stability pressures, this will not affect fraud in falsified financial statements. Organizational culture equipped with internal control in the company's operational activities can be monitored, evaluated and resulted in the achievement of company targets.

No Significance of the External Pressure on Fraud Detection in Financial Statement

Hyphothesis H2 shown the statistical result -7.236 and the significance is 0.81 (>0.05). This case shows that if H2 is rejected, it means that financial stability can not detection of fraudulent financial statement. In the general company perspective, a high level of leverage will trigger great pressure for management. This is because the capital structure is dominated by high liabilities so that the company has a heavy financial burden and must be covered by increasing profits. Contrary, the results of this study, the company even though it has a high level of liability, the availability of cash flow meets and the company uses the liability to increase the company's investment. The company will convince investors that the investment can provide certain benefits. Automaticly pressure if get a certain benefit will reduce and will not occur. So that the external pressure have no significance on fraud issue. It consistent and support to Mappadang & Yuliansyah, (2021); Schuchter & Levi, (2015) and Wicaksana & Suryandari, (2019) which show that if the solvency is good, the debt-to-asset ratio is low. The company's leverage is used make investments and it is in a growth cycle so that DER will not put pressure on management because the long-term effect will be profitable, this it will not trigger cheating.

A Positive Significance Between Financial Target on Fraud Detection in Financial Statement

Coefficient regression of Financial Target is 216,474, and significant is 0.015 (<0.05). The results of the hypothesis H3 are accepted, namely the financial target has an get impact on fraud detection. This study support with the result of Nugraheni & Trihatmoko,(2018) and Mappadang & Yuliansyah (2021). The ROA indicator is used to evaluate the performance of net income resulting from the use of assets. Net profit that meets the target will arouse investors' interest to invest. Very low profits, fraud management through financial engineering can also make the company looks good and achieve predetermined financial goals (Nugraheni & Triatmoko, 2017). Target of financial set up by the company are high enough to influence management and perpetrators of fraud.

No Significance of the Nature of Industry on Fraud Detection in Financial Statement

The regression coefficient is 0.875 and significant 0.180 (> 0.05). It means that H4 is rejected, it means, has no significant on fraud in financial. The nature of industrial can be explained if companies with large levels of receivables should be vulnerable to the level of fraud because it will increase the risk of fraudulent financial statements. Management may commit fraud but there are other factors in this study that can help from this pressure, such as corporate culture. A corporate culture that prioritizes norms and values of integrity that are

firmly held by employees will improve coordination and self-control within each employee. This study is support to research from (Skousen et al., 2009) which states that it has no effect on the occurrence of fraudulent reports.

No significance of the Effective Monitoring on Fraud Detection in Financial Statement

The results of the regression coefficient for the independent effective monitoring variable are 0.875 and significant at 0.180 (> 0.05). This statistical result states that H5 is rejected, meaning that there is no effective monitoring effect on fraudulent acts that occur in the fraud of financial report. It means, intervention of other commissioners causes the supervision of the independent committee to be non-objective, therefore the number of independent committees does not reflect an important factor in increasing the fraud occur. The addition of an independent commissioner by 30% according to OJK requirements is only to meet the formal requirements of companies that go public but in a professional capacity are unable to carry out their duties. The composition of independent commissioners is not significant to fraud if the company has implemented high internal control. Where each unit that carries out the audit function is coordinated with other non-audit units, so that there are parties other than independent commissioners who are more effective and more significant in carrying out the supervisory function in the company's control structure. This study supports with research from Aprillia et al., (2015); Oktarigusta & Lutfiana, (2017).

No Significance of the Total Asset Accruals on Fraud Detection in Financial Statement

Statistical testing for the hypothesis (H5) can be seen in the regression coefficient proxied to the total accrual asset ratio (TAKA) of 1735. 173 and significant 0.991 (> 00.5). This means that H6 is rejected and there is no effect of TAKA on fraud or engineering in the report. Management policies with large or small discretionary accruals of assets will not affect the motive for committing fraudulent reports. This result is in accordance with the Triangle theory, namely rationality can only lead to fraud if it is accompanied by the presence of elements of pressure and opportunity. This study supports with previous researchers (Aprillia et al., 2015).

A Positive Significance Between Fraud Triangle and Fraud Detection in Financial Statement

Statistical testing result that the five independent variables included in the fraud triangle concept are simultaneously significantly positive for detecting report fraud. Testing this hypothesis supports the theory of fraud triangle where if any three elements reflected of the fraud are present together for simultaneous elements with pressure, opportunity and rationalization, then fraud can occur. This study support with previous researchers Conyon & He, (2016); (Rachmawati, 2014) and Skousen et al., (2011).

5. CONCLUSION

The conclusion of this research that the element of pressure is partially measured by three element of fraud triangle which financial stability and external pressure, opportunity with nature of industry as an elementand ineffective monitoring have no significant effect on fraud detection in financial statements, but financial targets have a positive effect on fraud in financial statements. For the third element, namely rationalization, the accrual proxy shows no effect on report fraud. However, simultaneous testing supports of Fraud triangle that is, if all three elements are present together, there is a high probability that fraud will occur.

LIMITATIONS AND SUGGESTIONS

The limitations of this study are: (1) the amount of data is still limited, this is due to the data in the population that does not meet the criteria. (2) research that is short enough so that the determination of research samples is still lacking. Therefore

it is necessary to add research samples; (3) in terms of research, the use of research elements is only three elements, it is better to develop research by adding elements, namely fraud diamond and fraud pentagon.

IMPLICATIONS

The result has been carried out, there are several research implications or research impacts, namely (1) although the elements of fraud are partially insignificant in detecting fraud in financial statements, it is still important for companies to study these elements. Cultural factors and internal control systems should be more focused by the company; (2) financial targets affect the occurrence of report fraud so that in setting a financial target or report target it is necessary to analyze the costs and benefits further so that the financial target will be more reasonable and rational. (3) Companies are required follow the generally accepted accounting standards and increase effective supervision over financial policies to avoid financial manipulation.

REFERENCE

ACFE. (2016). *The Fraud Tree: Occupational Fraud And Abuse Classification System*. Association of Certified Fraud Examiners

Aghghaleh, S. F., & . Z. M. M. (2014). Fraud Risk Factors of Fraud Triangle and the Likelihood of Fraud Occurrence: Evidence from Malaysia. *Information Management and Business Review*. 10.22610/imbr.v6i1.1095

Aprilia, & Sergius. (2015). The effectibeness of fraud triangle on detecting fraudulent financial statements : using Benesih model and the case of special companies. *Riset Akuntansi dan Keuangan*, *3*(3), 786–800.

Aprillia, A., Cicilia, O., & Pertiwi Sergius, R. (2015). The Effectiveness Of Fraud Triangle On Detecting Fraudulent Financial Statement: Using Beneish Model And The Case Of Special Companies. *Jurnal Riset Akuntansi dan Keuangan*, *3*(3), 786–200. 10.17509/jrak.v3i3.6621

Beneish, M., Lee, C. M. C., & Nichols, D. C. (2012). Fraud Detection and Expected Returns. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.1998387

Conyon, M. J., & He, L. (2016). Executive Compensation and Corporate Fraud in China. *Journal of Business Ethics*, *134*(4). 10.1007/s10551-014-2390-6

Cressey D.R. (1953). *Other People's Money : A Study in the Psychology of Embezzlement Illinois*. The Free Press.

Dimitrijevic, Dragomir, Milovanovic, V., & Stancic, V. (2015). The Role of A Company's Internal Control System in Fraud Prevention. *E-Finanse*, *11*(3). 10.1515/fiqf-2016-0117.

Fitri, F. A., Syukur, M., & Justisa, G. (2019). Do the fraud triangle components motivate fraud in Indonesia? *Australasian Accounting, Business and Finance Journal*, *13*(4). 10.14453/aabfj.v13i4.5.

Ghafoor, A., Zainudin, R., & Mahdzan, N. S. (2019). Corporate fraud and information asymmetry in emerging markets: Case of firms subject to enforcement actions in Malaysia. *Journal of Financial Crime*, *26*(1). 10.1108/JFC-11-2017-0107.

Hoopes, J. L., Mescall, D., & Pittman, J. A. (2012). Do IRS audits deter corporate tax avoidance? *Accounting Review*. 10.2308/accr-50187.

Huang, S. Y., Lin, C. C., Chiu, A. A., & Yen, D. C. (2017). Fraud detection using fraud triangle risk factors. *Information Systems Frontiers*, *19*, 1343–1356. 10.1007/s10796-016-9647-9.

Jensen and Meckling. (1976). Theory of the Firm, Managerial Behavior, Agency Cost and Ownership Structure. *Financial Economic*, *3*(4), 305–360.

Khamainy, A. H., Ali, M., & Setiawan, M. A. (2021). Detecting Financial Statement Fraud Through New Fraud Diamond Model: The Case of Indonesia. *Journal of Financial Crime*. 10.1108/JFC-06-2021-0118

Kratcoski, P. C. (2018). *Fraud and Corruption: Major Types, Preven-tion, and Control*. Corporate Communications.

Machado, M. R. R., & Gartner, I. R. (2017). The Cressey hypothesis (1953) and an investigation into the occurrence of corporate fraud: an empirical analysis conducted in Brazilian banking institutions. *Revista Contabilidade & Finanças*. 10.1590/1808-057x201803270

Mappadang, A., Indrabudiman, A., & Melan sinaga. (2019). Corporate Governance, Tax Avoidance and Accrual-Based Earnings Management on Firm Value: an Interactive Effect in Indonesia's Perspective. *Opcion*, *21*(35), 2899–2921.

Mappadang, A., & Yuliansyah, Y. (2021). Trigger Factors of Fraud Triangle Toward Fraud On Financial Reporting Moderated by Integration Of Technology Industry 4.0. *Jurnal Ilmiah Akuntansi dan Bisnis*, *16*(1). 10.24843/jiab.2021.v16.i01.p07.

Nugraheni, & Trihatmoko. (2018). Analisis faktor-faktor yang Mempengaruhi Terjadinya Financial Statement Fraud: Perspektif Diamond Fraud Theory (Studi pada perusahaan perbankan yang terdaftar di Bursa Efek Indonesia periode 2014-2016No Title. *Jurnal Akuntansi dan Auditing*, *14*(2), 118–143.

Nyakarimi, S. N., Kariuki, S. N., & Kariuki, P. W. (2020). Application of internal control system in fraud prevention in banking sector. *International Journal of Scientific and Technology Research*, *9*(3).

Oktarigusta, & Lutfiana. (2017). Analisis fraud diamond untukmendeteksi terjadinya financial statement fraud di perusahaan (studi empiris pada perusahaan manufaktur yang terdaftar di BEI tahun 2012-2015). *Ekonomi Manajemen Sumber Daya*, *19*(2), 92–108.

Oktaviani, E., & Karyawati, G. (2014). Factors Affecting Financial Statement Fraud : Fraud Triangle Approach. *Economic & Business Research Festival Universitas Kristen Satya Wacana*, *3*, 1939–1955.

Peasnell, K. V., Pope, P. F., & Young, S. (2000). Detecting earnings management using cross-sectional abnormal accruals models. *Accounting and Business Research*. 10.1080/00014788.2000.9728949.

Pratiwi, R.P., & Nurbaiti, A. (2018). Analisis Fraud Pentagon Dalam Mendeteksi Kecurangan Laporan Keuangan Dengan Metode F-SCORE MODEL : Studi Empiris Pada Perusahaan Pertambangan Yang Terdaftar di Bursa Efek Indonesia (BEI) Periode 2012-2016. *E-Proceeding of Management*, *5*(3), 3299–3306.

Prehantika, F. K. I. (2016). Deteksi Financial Statement Fraud Dengan Model Beneish M-Score. *Jurnal Akuntansi Unesa*, *5*(1), 1–22.

Rachmawati, K. K. (2014). Pengaruh Faktor-Faktor Dalam Perspektif Fraud Triangle Terhadap Fraudulent Financial Reporting. *Diponegoro Journal of Accounting*, *3*, 1–30.

Repousis, S. (2016). Using Beneish model to detect corporate financial statement fraud in Greece. *Journal of Financial Crime*, *23*(4), 1063–1073. 10.1108/ JFC-11-2014-0055

Rini, V. Y., & Achmad, T. (2012). Analisis Prediksi Potensi Risiko Fraudulent Financial Statement melalui Fraud Score Model. *Diponegoro Journal of Accounting*, *1*, 1–15.

Schuchter, A., & Levi, M. (2015). Beyond the fraud triangle: Swiss and Austrian elite fraudsters. *Accounting Forum Science Direct Elsevier*, *39*, 176–187. 10.1016/j.accfor.2014.12.001.

Scott, I., & Meisel. (2020). Detecting earnings management in bank merger targets using an industry specific model. *Southern Business Review*, *38*(1).

Scott, & Sweeney, J. T. (1998). Fraudulently misstated financial statements and insider trading: An empirical analysis. *Accounting Review*, *73*(1), 131–146.

Simon, J., K, M. Y., & A.H., A. K. (2015). Fraudulent Financial Reporting: An Application of Fraud Models to Malaysian Public Listed Companies. *A Multidisciplinary Journal of Global Macro Trends*.

Skousen, C. J., Smith, K. R., & Wright, C. J. (2011). Detecting and Predicting Financial Statement Fraud: The Effectiveness of the Fraud Triangle and SAS No. 99. *SSRN Electronic Journal*, *99*. 10.2139/ssrn.1295494

Skousen, J., C., & Twedt, B. J. (2009). Fraud score analysis in emerging markets. *Cross Cultural Management: An International Journal*. 10.1108/13527600910977373

Tiffani, L., & Marfuah, M. (2015). Deteksi financial statement fraud dengan analisis fraud triangle pada perusahaan manufaktur yang terdaftar di bursa efek Indonesia. *Jurnal Akuntansi & Auditing Indonesia*, *19*(2), 112–115. 10.20885/jaai.vol19. iss2.art3.

Wicaksana, E. A., & Suryandari, D. (2019). Pendeteksian kecurangan laporan keuangan pada perusahaan pertambangan di bursa efek indonesia. *Journal of Accounting and Management Information Systems*, *4*(1), 44–59.

Zack. (2013). Financial Statement Fraud: Strategies For Detection And Investigation. *John Wiley & Sons*.

Zahro, & Yulia. (2018). Deteksi Financial Statement Fraud dengan Analisis Fraud Triangle pada Perusahaan Manufaktur. *Riset Akuntansi*, *7*(9), 51–64.

Zimbelman, M. F., & Albrect, W. S. (2012). *Forensic Accounting* (4th edition). Cengange Learning.