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Analysis of Factors Affecting Fraud Financial Statements with Fraud Triangle Analysis

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Abstract

This study aims to analyze factors affecting fraud financial statements with fraud triangle analysis. This writing uses the literature review method. The results show that there is an effect of financial stability on fraud financial statements. There is an effect of nature of industry on fraud financial statements. There is an effect of ineffective monitoring on fraud financial statements. There is no effect of financial target on fraud financial statements. There is no effect of change in auditor on fraud financial statements. Fraud financial statements can be caused by other things that vary according to the conditions of the company under study so that further research is needed to obtain answers on other variables that have an effect on fraud financial statements. Other factors that can affect fraud financial statements include external pressure, personal financial need, and capability.

Keywords
fraud; financial statements; fraud triangle analysis

I. Introduction

The development of accounting provides support to the public regarding the presentation of financial statements and the minimum requirements that must be possessed by a financial report. This is important because financial statements have become a parameter that measures the effectiveness of a company's financial performance. Companies must be prepared to deal with and minimize the occurrence of misstatements in financial statements or any manipulation efforts that lead to fraud. Deliberate financial fraud is fraud. Fraud is a crime that includes human designs that are carried out for their personal interests and gains in a false way and violate the rules (Sayidah et al., 2019). Development is a systematic and continuous effort made to realize something that is aspired. Development is a change towards improvement. Changes towards improvement require the mobilization of all human resources and reason to realize what is aspired. In addition, development is also very dependent on the availability of natural resource wealth. The availability of natural resources is one of the keys to economic growth in an area. (Shah, M. et al. 2020)

Examples of cases of fraudulent financial statements that occurred in Indonesia include the case of PT. KAI (Persero) in 2006 in which the financial statements presented a record profit of Rp6.9 billion, while the position of the financial statements that should have been a loss of Rp63 billion. This is due to an element of intentional misstatement in the form of a tax assessment letter which is presented on the current asset side as receivable, a decrease in the value of spare parts that are not financed but amortized, as well as government assistance and state equity participation which are presented as payable on the balance sheet. Another case of financial fraud that occurred in Indonesia was the case of Garuda Indonesia's financial statements in 2019 which was caused by the recording of net profit that was too large, due to the recognition of revenue from

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cooperation with third parties whose realization had not actually occurred and was a long-term contract that did not occur. recognized in one financial year. As a result, the position of the company's financial statements changes from those who experience losses to become profits (Sandria, 2021).

The fraud triangle theory proposed by Donald Cressey divides the causes of fraud into 3 main categories, namely pressure, opportunity, and rationalization. Pressure is an impetus to commit fraud, opportunity is an opportunity to commit fraud and rationalization is an element of justification for committing fraud. In this literature review, the fraud triangle as an independent variable is an indicator of pressure proxied by financial target and financial stability, opportunity indicator proxied by the nature of industry an ineffective monitoring and indicators of rationalization proxied by change in auditors. The dependent variable in this article is financial statement fraud as proxied by F-score.

This study aims to analyze factors affecting fraud financial statements with fraud triangle analysis.

II. Review of Literature

2.1 Agency Theory

Shareholders also enjoy the benefits obtained by the company without having to be directly involved in the company's operational activities. Shareholders may appoint a board to provide oversight and represent their interests legally. Company management is professional staff who are experts in their fields and are appointed to carry out the company's operational activities, and are not part of the company's shareholders (Gunawan, 2021).

2.2 Fraud

Fraud is an act intentionally to do or not do something that causes the published financial statements to mislead users. This fraud can be grouped into three categories, namely asset misappropriation, financial statement fraud and corruption (Tuanakotta, 2010).

2.3 Fraud Triangle

The Fraud Triangle was first proposed by Donald Cressey who stated that fraud is based on three main things, namely opportunity, pressure and rationalization. In addition to the fraud tree which describes the types of fraud, there is also the term fraud triangle which states that there are three conditions that encourage fraud, namely opportunity, incentive/pressure, and rationalization/justification (Kuntadi, 2017).

Furthermore, Kuntadi (2021) explains that, fraud is an act that cannot be seen directly, so it is necessary to carry out an investigative audit to be able to reveal it. In Donald Cressey's book, the fraud triangle is known which explains several causes of fraud, namely:

1. Pressure, pressure that causes someone to commit fraud, including being in debt, a luxurious lifestyle and greed.
2. Opportunity, which is an opportunity or opportunity that allows fraud to occur. For example, due to weak internal controls, abuse of authority, overly trusting of subordinates, there is no separation between the authority and asset custody.

3.Rationalization, namely the justification that triggers the occurrence of fraud. For example, when people say that he has dedicated his life to the company, what is taken from the company is less than what is given to the company.

2.4 Fraud Financial Statements

Fraud financial statements is intentional fraud in violation of established rules with the intention of obtaining personal gain (Bar and Priyadi, 2022). The indicator of fraud financial statements is the F-Score, which is the sum of accrual quality and financial performance (Bar and Priyadi, 2022).

Fraud financial statements is a deliberate act that causes misstatements in financial statements (Annisya et al., 2016). The indicator of fraud financial statements is the F-Score (Annisya et al., 2016).

Fraud financial statements is an action by a person or group of people in an organized and deliberate manner to gain personal or group benefits (Rahman et al., 2021). The fraud financial statements indicator is F-Score=Accrual quality plus financial performances (Rahman et al., 2021).

III. Research Method

The research method is a procedure in obtaining scientific knowledge. The research method is also a systematic way to structure knowledge (Octiva et al., 2018; Pandiangan, 2018). Research methods are the strategies, processes or techniques utilized in the collection of data or evidence for analysis in order to uncover new information or create better understanding of a topic. There are different types of research methods which use different tools for data collection. The benefit to be gained from using research methods is that the research results can be accounted for. This benefit can be obtained because when using research methods, the data sources are very valid. In addition, with a valid data source, the results of the researcher will be trusted by many people (Asyraini et al., 2022; Octiva, 2018; Pandiangan, 2015).

This writing uses the literature review method. The literature review method is writing which is done through a study of the existing literature, and comparing it with other literature in order to obtain a theoretical picture of the variable (Jibril et al., 2022; Pandiangan et al., 2018; Pandiangan, 2022). The literature review surveys books, scholarly articles, and any other sources relevant to a particular issue, area of research, or theory, and by so doing, provides a description, summary, and critical evaluation of these works in relation to the research problem being investigated. The purpose of the literature review method is to provide a reference for researchers when interpreting techniques for analyzing data collected in the research conducted (Octiva et al., 2021; Pandiangan et al., 2021; Pandia et al., 2018). Provide a rationale for researchers in order to conclude research results in accordance with the objective objectives of the research conducted (Pandiangan et al., 2022; Tobing et al., 2018).

IV. Result and Discussion

4.1 Analysis of Factors Affecting Fraud Financial Statements with Fraud Triangle Analysis

The results show that there is an effect of financial stability on fraud financial statements. There is an effect of nature of industry on fraud financial statements. There is an effect of ineffective monitoring on fraud financial statements. There is no effect of financial target on fraud financial statements. There is no effect of change in auditor on fraud financial statements.

4.2 Effect of Financial Stability on Fraud Financial Statements

Financial stability affects fraud financial statements, where the dimensions or indicators of financial stability affect the dimensions or indicators of fraud financial statements (F-Score) (Annisya et al., 2016).

To reduce fraud financial statements by paying attention to financial stability, management must increase asset growth because when there is significant asset growth, the possibility of fraud financial statements will also increase (Mardianto and Tiono, 2019).

Financial stability affects fraud financial statements, meaning that when financial stability is threatened, management will look for ways to manipulate financial statements so that they look fine (Pertiwi and Trianto, 2020).

Financial stability has an effect on fraud financial statements (Wardhani, 2020).

4.3 Effect of Nature of Industry on Fraud Financial Statements

The nature of industry affects fraud financial statements, where the dimensions or indicators of the nature of industry affect the dimensions or indicators of fraud financial statements (F-Score) (Rahman et al., 2021).

To reduce fraud financial statements by taking into account the nature of the industry, management needs to pay attention to the nature of the industry where the estimation factor in the financial statements, especially on the accounts receivable side, can have an impact on the existence of loopholes in committing fraudulent financial statements (Bar and Priyadi, 2022).

The nature of industry affects fraud financial statements, meaning that the greater the nature of the industry, the smaller the possibility of fraud financial statements (Lestari and Nurutama, 2020).

Nature of industry has an effect on fraud financial statements (Alifa and Rahmawati, 2022).

4.4 Effect of Ineffective Monitoring on Fraud Financial Statements

Ineffective monitoring affects fraud financial statements, where the dimensions or indicators of ineffective monitoring (IND) affect the dimensions or indicators of fraud financial statements (F-Score) (Adji, 2021).

To reduce fraud financial statements by paying attention to ineffective monitoring, management must pay attention to its ability to oversee the running of the company through the number of commissioners (Bar and Priyadi, 2022).

Ineffective monitoring affects fraud financial statements, because the absence of an adequate board to maintain company operations can increase the chances of fraud financial statements (Sulkiyah, 2016).

Ineffective monitoring has an effect on fraud financial statements (Aprilia and Furqani, 2021).

4.5 Effect of Financial Target on Fraud Financial Statements

Financial targets have no effect on fraud financial statements, where the dimensions or indicators of financial targets do not affect the dimensions or indicators of fraud financial statements (F-Score) (Annisya et al., 2016).

To reduce financial statement fraud by paying attention to financial targets, management does not have to maintain the stability of return on assets, where a high return on assets will not necessarily reduce the possibility of fraud financial statements (Bar and Priyadi, 2022).

Financial targets have no effect on fraud financial statements, meaning that financial targets do not put pressure on company management so that they are not indicators that affect fraud financial statements (Mardianto and Tiono, 2019).

Financial target has no effect on fraud financial statements (Wardhani, 2020).

4.6 Effect of Change in Auditor on Fraud Financial Statements

Change in Auditor has no effect on fraud financial statements, where the dimensions or indicators of auditor turnover do not affect the dimensions or indicators of financial statement fraud (F-Score) (Rahman et al., 2021).

To reduce fraud financial statements by taking into account the change in auditor, the change in auditor cannot be used as a benchmark because there is no effect on fraud financial statements (Herawati et al., 2022).

Change in auditors has no effect on fraud financial statements, because many other factors cause auditor changes, not only due to fraud (Bar and Priyadi, 2022).

Change in auditor has no effect on fraud financial statements (Herawati et al., 2022).

V. Conclusion

The results show that there is an effect of financial stability on fraud financial statements. There is an effect of nature of industry on fraud financial statements. There is an effect of ineffective monitoring on fraud financial statements. There is no effect of financial target on fraud financial statements. There is no effect of change in auditor on fraud financial statements.

Based on this research, it can be seen that there are still many other variables that can have an effect on fraud financial statements, because fraud financial statements can be caused by other things that vary according to the conditions of the company under study so that further research is needed to obtain answers on other variables that have an effect on fraud financial statements. Other factors that can affect fraud financial statements include external pressure, personal financial need, and capability.

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