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Fraud Diamond Theory Detect Financial Statement Fraud in Manufacturing Companies on The Indonesia Stock Exchange

Fitriana*, Didin Saepudin, Rachmat Agus Santoso

Universitas Sangga Buana, Indonesia

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Abstract

Financial statement fraud is fraud committed by management in the form of material misstatements of financial statements, one theory to detect it is the fraud diamond theory. This research aims to determine the effect of the fraud diamond theory in detecting financial statement fraud. The proxies fraud diamond used in this study are financial stability, nature of industry, change in auditor and change of director. This research method is descriptive and verification with panel data regression analysis processed using the Eviews 9 application, a secondary data source on fabricating organizations recorded on the Indonesia Stock Trade in 2015 – 2019, with a population of191 companies using purposive sampling technique. The number of samples is 119 companies. Condition Financial stability, nature of industry, change in auditor, change of director and financial statement fraud in The manufacturing company that is the sample is in good condition, because there is no indication of committing financial statement fraud. Simultaneous test results of all independent variables have a significant effect on the direction of a positive relationship to financial statement fraud. The test results partially and partially financial stability and nature of industry have a significant effect on the direction of the negative relationship to financial statement fraud, then change in auditor and change of director have no effect on the direction of the negative and positive relationship on financial fraudulent statements.

*Address Correspondence:
E-mail: fitrianadachlan64@gmail.com

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INTRODUCTION

The benefits of financial statements for investors are related to the risks associated with capital investment. Investor's decision whether to increase capital, reduce or sell shares after analyzing the company's financial statements. Fraudulent practices in the preparation of financial statements (financial statement fraud) can be intentional or negligent, where the financial statements are not presented in accordance with accounting principles. Negligence or intentional negligence by the management of the company for certain purposes that mislead users of financial statements, for the company's financial interests that are material or due to the company's desire for shares to remain in demand by investors so that they are able to influence decision making by interested parties.

*Financial statement fraud*is a type of fraud that occurs in large-scale industries, the impact of this type of fraud is very disruptive to the industry. The method is by inflating revenue and hiding debt in financial statements (window dressing), this is done so that the shares are always attractive to investors. The financial statement fraud incident has destroyed many large companies. Based on the results of a survey conducted by the Association of Certified Fraud Examiners (ACFE) Chapter Indonesia in 2014, 2016 & 2019, that financial statement fraud ranks third after corruption and asset abuse. Although financial statement fraud is in third place, the percentage of cases continues to increase from year to year, as well as the value of losses caused by financial statement fraud is no less large than other frauds. Manufacturing companies are one of the companies that are most disadvantaged by the existence of financial statement fraud. ACFE stated that there were many cases of financial statement fraud on the Indonesia Stock Exchange. which has not been revealed.

Knowing the financial statement fraud on PSA Number. 70 many have adopted several auditing standards over fraud detection (namely SAS No. 82, ISA 240, and SAS No. 99), and referring to the theory of fraud risk aspects raised by Cressey (1953) are pressure (pressure), opportunity (opportunity).), and rationalization, which is often referred to as the Fraud Triangle. For Wolfe and Hermanson (2004), the fraud triangle can be improved to identify and avoid fraud by considering the fourth element, namely capability and known as Fraud Diamond. The theory used to detect financial statement fraud in this study is the fraud diamond theory, the elements used are: Pressure with financial stability proxy, Opportunity with nature of industry proxy,

This study aims to identify and analyze and find empirical evidence on: (1) financial stability condition, nature of industry, change in auditor, change of directors and financial statement fraud (2) influence of financial stability, nature of industry, change in auditor, change of directors on financial statement fraud (3) the effect of pressure with a financial stability proxy on financial statement fraud (4) the effect of opportunity with a nature of industry proxy on financial statement fraud (5) the effect of rationalization with a change in auditor proxy on financial statement fraud (6) the effect of capability with proxy change of directors on financial statement fraud, in manufacturing companies on the Indonesia Stock Exchange in 2015 – 2019.

This research is expected to provide benefits to related parties related to the development of accounting science both theoretically, namely for academics it can provide knowledge and insight when conducting further research and practically (1) for investors in assessing and analyzing financial statements that will be used as financial statements. investment place. (2) for companies in providing direction to management as agents. (3) for the government as a regulator, it can make regulations related to the impact and provide information to detect financial statement fraud early on (4) for the public as information about the existence of fraud examiners in reducing the scope of fraud.

LITERATURE REVIEW

Agency theory was first coined by Jensen and Meckling in 1976, which defined that: 'An understanding under which something like one individuals (the head/s) interface with another person (the agent) to play out some assistance for their advantage which incorporates allocating a couple of

decisions making capacity to the trained professional' [1]. Agency theory describes the bond between shareholders as principals and management as agents in a cooperation contract, known as the nexus of contract. However, there is often a conflict of interest between management and shareholders. The unequal interest creates a conflict of interest between the two parties.

The existence of such a conflict of interest causes management as an agent to experience various pressures to increase the return on investment (in the form of dividends) to be received by the principal, which has an impact on the risk compensation given to the agent. Management will continue to look for ways to improve the company's performance in the hope that the principal will provide a form of appreciation (Rationalization). The expertise (Capability) of the agent opens up opportunities and opportunities to increase profits (Opportunity). The absence of efficient control from the principal which makes management take illegal actions to deceive investors through a series of fraudulent actions with creative accounting, for example, the existence of receivables that cannot be collectible which should be written off but not written off (lapping), recognition of sales with fictitious sales whose conclusion results in the magnitude of the asset value in the balance sheet. Not only that, income smoothing can also be tried by dividing profits into other periods so that it seems as if the industry is getting a profit, while in reality it is a loss or a decrease in profit.

Fraud

Alvin A defines fraud as 'the purposeful utilization of double dealing, a stunt or some untrustworthy way to deprieve one more of his cash, property or lawful right, either as a reason for activity or as deadly component in the actual activity' [2] that fraud is an act of human ingenuity used for fraud with malicious intent that is intentionally and hidden to benefit himself or his group which results in harming other parties.

Financial statement fraud

The Association of Certified Fraud Examiners[3]defines financial statement fraud as management action in the form of fraud that intentionally presents material misstatements in financial statements that result in harm to investors and creditors. The fraud is related to finance or related to policies. One of them in accounts receivable is the overstatement of accounts receivable due to understatement in the allowance for bad debts or fraud in the accounts receivable ending balance.[4].

Fraud Triangle

Donald R. Cressey develops fraud theory Donald R. Cressey develops blackmail triangle fraud theory, namely 'in these records he discovered three conditions typical to cases of trust encroachment. in any case, the potential hoodlum had a financial issue which he felt unfit to bestow to other people. second, he considered the to be of his trust as an opportunity to deal with his money related issue. additionally, third, he defended the exhibition to himself before commission'[5]. The hypothesis illustrates that someone who is trusted has committed a violation due to a pressure related to financial conditions that cannot be told to others and this problem can be vented by abusing his authority as a person who is trusted to manage finances and moral behavior one day allows him to get used to it. thoughts about himself as a person who is trusted in managing funds. The elements contained in the triangle fraud theory are:

1. *Pressure* is pressure that causes someone to misappropriate company money so as to encourage perpetrators to commit fraud [6]. The proxy used in this study is financial stability.
2. *Opportunity* is a situation that opens an opportunity to allow a fraud to occur, usually occurs due to weak internal control of the company, lack of supervision and abuse of authority [7]. The proxy used in this study is the nature of industry.
3. *Rationalization* that is, someone who seeks justification before committing fraud. Desviana, Basri, and Nasrizal (2020) In his research entitled Advancing Theory of

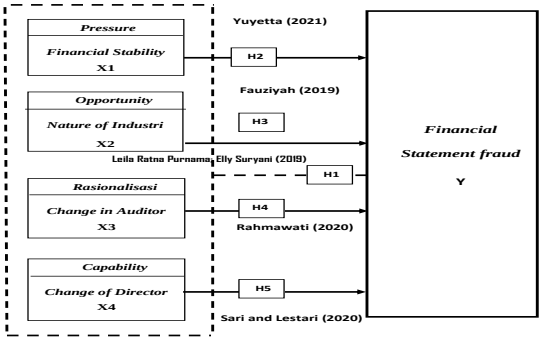
Fraud: the SCOR E model, the model explains that the perpetrator of fraud controls himself as a trusted person, does not see himself as a criminal, and views attempted fraud as a non-criminal act, can be justified and is part of a universal responsibility where they are not entirely responsible [8]. The proxy used in this study is the change in auditor.

Fraud Dimond Theory

David T. Wolfe and Dana R Hermanson (2004) coined the fraud diamond theory which is a refinement of the fraud triangle by adding an element of capability. Capability is a salient characteristic of an individual that relates to effective and superior performance in a job or situation.[9]. The proxy used in this research is change of director.

Theoretical Framework and Hypotheses

This study has 4 independent variables and financial statement fraud as the dependent variable



The influence of the independent variable with the dependent in this study are:

Effect of financial stability, nature of industry, change in auditor, change of director on financial statement fraud

Statements of financial stability, nature of industry, change in auditors, change of directors have an effect on financial statement fraud described in research conducted byLeila Ratna Purnama and Elly Suryani (2019) that together the independent variables have a significant effect on financial statement fraud with a coefficient of determination of 24.5%, while the remaining 75.5% is explained by other factors outside of this study. [10].

Ha1: Financial stability, nature of industry, change in auditor, change of director affect financial statement fraud

Effect of financial stability on financial statement fraud

*Financial Stability*is a condition where the industry's finances are in a normal state, therefore when the industry's finances are in a threatened state, managers use various tricks to make financial stability look good in order to keep potential investors investing. The existence of research conducted by Yuyetta (2021) explains that the financial stability variable which is proxied by changes in total assets (ACHANGE) has a positive and significant effect on financial statement fraud.[11].

Ha2: Financial stability affects financial statement fraud

The effect of the nature of industry on financial statement fraud

*Nature of Industry*create opportunities to participate in fraudulent financial statements, one of which is in asset accounts. Asset accounts that are often manipulated by management include inventory accounts and accounts receivable accounts. Previous research has been conducted byFauziyah (2019)

explained that the nature of industry variable which is proxied by receivables has an effect on financial statement fraud [12].

Ha3: Nature of industry affects financial statement fraud

Effect of change in auditor on financial statement fraud

One aspect that gives rise to rationalization is the frequent change in auditors. Symptoms of fraud on the financial statements of an industry are generally seen by auditors, therefore management is more likely to carry out changes in auditors so that the fraud attempted by management can decrease from the old auditor. Research byRahmawati (2020) explaining the rationalization variable proxied by change in auditor has a negative effect on financial statement fraud [13].

Ha4: Change in auditor has an effect on financial statement fraud.

Effect of change of director on financial statement fraud

*Change of director*is the transfer of duties and responsibilities from the old director to his successor with the aim of correcting the previous management's performance. Changes in directors can also cause a stress period, resulting in continued open opportunities to commit fraud. There is research conducted bySari and Lestari (2020) explained that the capability variable proxied by change of director has a positive effect on financial statement fraud.

Ha5: change of director has an effect on financial statement fraud

METHODS

Financial statement fraud as the dependent variable measured by Fraud score F-score) [15]. There are two financial statement variables used in the F-score, namely accrual quality which is proxied by Financial Performance and Accrual Quality is proxied by RSST accrual.[16]. The company is indicated to have committed financial statement fraud if it has an F-score > 1, while if the F-score is 1, the company is not indicated to have committed financial statement fraud. With the following model:

F-Score = Accrual Quality + Financial Performance

Accrual Quality calculated by RSST accrual. The model of RSST accrual is as follows:

$$\text{RSST Accurual} = \frac{(\Delta WC + \Delta NCO + \Delta FIN)}{Average\ Total\ Assets}$$

Description :

WC = *Working Capital*

= *Current Asset – Current Liability*

NCO = *Non-Current Operating Accrual*

= *(Total Asset - Current Asset - Investment and Advance) - (Total Liabilities- Current Liabilities - Long Term Debt)*

FIN = *Financial Accrual*

= *Total Investment - Total Liabilities*

ATS = *Average Total Assets*

$$= \frac{Beginning\ Total\ Assets + End\ Total\ Assets}{2}$$

Financial Performance

Financial performance from a report is considered capable of detecting the occurrence of fraud financial statement fraud [17]. This financial performance is proxied by:

financial performance = change in receivable + change in inventory + change in cash sales + change in earnings

Description :

$$change\ in\ receivable = \frac{\Delta receivables}{Average\ Total\ Assets}$$

$$change\ in\ inventory = \frac{\Delta\ Inventories}{Average\ Total\ Assets}$$

$$change\ in\ cash\ sales = \frac{\Delta\ Sales}{Sales\ (t)} - \frac{\Delta\ Receivables}{Receivables\ (t)}$$

$$change\ in\ earnings = \frac{Earnings\ (t)}{Average\ Total\ Assets\ (t)} - \frac{Earning\ (t-1)}{Average\ Total\ Assets\ (t-1)}$$

Independent Variable

Financial stability

Is a statement of the financial state of the industry[18]. Financial stability is proxied by the ratio of changes in total assets (ACHANGE), which is calculated by the formula:

$$ACHANGE = \frac{(Total\ Asset_t - Total\ Asset_{t-1})}{Total\ Asset_{t-1}}$$

Nature of Industry.

Industry essence in terms of account balances calculated based on estimation and research subjective [17]. Nature of Industry is proxied by inventory and accounts receivable accounts, which in this reset uses accounts receivable for sales, which is calculated by the formula:

$$RECEIVABLE = \frac{Receivable_t}{Sales_t} - \frac{Receivable_{t-1}}{Sales_{t-1}}$$

Rationalization

The act of justification in carrying out any criminal activity[17] argued that the occurrence of audit failures and an increase in litigation due to the change in auditor (ΔCPA), Using a dummy scale as a measurement, code 1 (one) if there is a change in auditor in the company for the 2015-2019 period, whereas if there is no change in auditor, then code 0 is given.

Capability

Is the capacity and how much power a person has to commit fraud in the company environment.[19]. Changes of directors are generally loaded with political content and the interests of certain parties that trigger conflicts of interest. Measured with a dummy scale, coded 1 (one) if there is a change of director, code 0 for the opposite. This research was conducted using statistical methods assisted by the program Eviews9 (Econometric Views) is a Windows-based computer program that is widely used for statistical analysis and time series econometrics. Eviews is a continuation of MicroTSP, which was released in 1981. The Eviews application was first created by Quantitative Micro Software (QMS) based in Irvine, California, United States. The stages or steps are as follows:

Panel data regression model estimation

Estimating the regression model with panel data to be used between pooling least squares (Common Effect), fixed effects approach (Fixed Effect), random effects approach (Random Effect).

Panel data regression model selection

Determine the model for analysis by performing the Chow test and Hausman test which aims to determine whether the panel data model is appropriate and can be regressed.

Classic assumption test

Testing the data with 4 stages, namely: (1) normality test, which aims to test whether the data in the study is normally distributed or not[20], (2) multicollinearity test, which aims to test whether in the regression model there is a correlation between the independent variables (independent). [20], (3) heteroscedasticity test, namely to test the regression model is the variance inequality of the residuals of an observation with other observations. If it is still said to be homoscedasticity and if it is different it is said to be heteroscedasticity[20]. (4) Autocorrelation test, namely, examining whether there is a correlation between period t and period t-1. Autocorrelation exists in time series data,[20].

Hypothesis testing

A hypothesis is a temporary answer to a research problem until it is proven through the collected data [21]. This hypothesis test consists of:

(1) F statistical test when the significance value of F < 0.05, it means that the alternative hypothesis is accepted. [20].

(2) T-test, namely, the results of the probability value are used to assess the effect of the independent variable on the dependent variable, with a significance <0.05 [20].

(3) The coefficient of determination test is intended to find out how far the model's ability to explain changes in the dependent variable is [20].

WETTING RESULT

The object studied in this study consisted of the dependent variable financial statement fraud (FSF) and the independent variables, namely: financial stability (FS), nature of industry (NOI), change in auditor (CIA) and change of director (COD). Observation data This study uses the financial statements of manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2015–2019, with a population of 191 company names. The sampling technique used is purposive sampling, with the following criteria: (1) companies that are not always listed (2) companies whose financial statements are incomplete, a sample of 119 company names or 595 observation data from 2015-2019 was obtained.

The results of the tests carried out using the Chow test and the Hausman test resulted in a fixed effect model as the appropriate model for the regression model in this study.

Classic assumption test

There are several tests, namely normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test.

Normality test

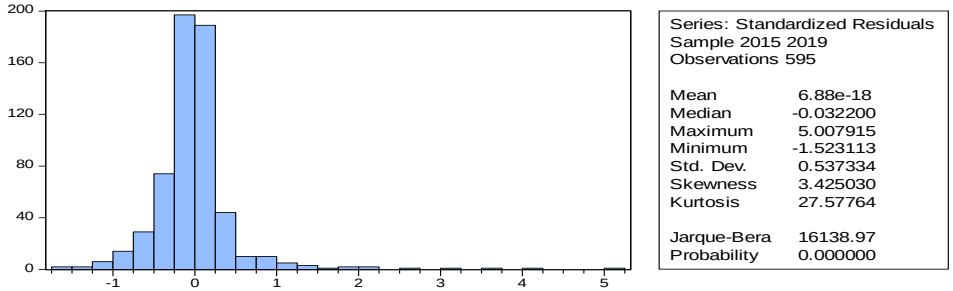


Chart 1. Normality test
Source: Output Eviews9

Based on the normality test above, there are data that are not evenly distributed because the probability level is smaller than alpha 0.05 or 5%. The Central Limit Theorem hypothesis is for tests that have very large data sizes, especially n more than 30 (n 30), then in that case it is considered normal [22]. Although the consequence of the normality test shows that the information is not normal,

but because the amount of data is more than 30 (n 30), which is 119 samples, it can be interpreted that the data in this study is normally distributed.

Multicollinearity Test

The results of the multicollinearity test with eviews9 the value of R-squared (R2) is 0.168553, and the results of the multicollinearity test of the regression values of each independent variable with other independent variables, are:

Table 1. Regression Multicollinearity Test for Each Independent Variable

	FSF	FS	NO I	CIA	COD
FSF	1.0000000	-0.184359	-0.384713	-0.040612	0.002062
FS	-0.184359	1.0000000	0.114553	0.060062	-0.036719
NO I	-0.384713	0.114553	1.0000000	0.025618	-0.018722
CIA	0.040612	0.060062	0.025618	1.0000000	0.018326
COD	0.002062	-0.036719	-0.018722	0.018326	1.0000000

Source: Eviews9 output secondary data

Based on table 1 of the correlation test results, the results of the correlation coefficient between independent variables < 0.80, it can be concluded that the multicollinearity test of the two tables shows that this model does not experience multicollinearity problems.

Heteroscedasticity Test

Glejser test is used to determine the presence or absence of heteroscedasticity. The results of the heteroscedasticity test are as follows:

Table 2. Heteroscedasticity Test

Variable	Coefficient	Std Error	t-Statistics	Prob
C	0.294186	0.017690	16.62969	0.0000
FS	-0.048440	0.058359	-0.830028	0.4069
NO I	-0.242176	0.191616	-1.263864	0.2069
CIA	-0.058319	0.042728	-1.364888	0.1729
COD	-0.002792	0.041047	-0.068026	0.9458

Source: Eviews9 output secondary data

Based on the table above, the results of the heteroscedasticity test with the Glejser test all variables have a significance significance value of > 0.05, so it can be concluded that the observation data in this study did not occur heteroscedasticity.

Autocorrelation Test

The autocorrelation test was carried out by looking at the Durbin-Watson (DW) value. The results of the autocorrelation test according to the Durbin-Watson table with 119 samples and 4 independent variables, the picture is as follows:

- durbin watson value 1.951357.
- Number of dividend variables 4 (k=4)
- Number of samples 119 (n=119)
- 5% error rate
- Values in the Durbin Watson table dl = 1.6321 and du = 1.7709
- dl = 1.6321 / 4 = 2.3679
- du = 1.7709 / 4 = 2.2291

There is a positive autocorrelation	Doubtful	No autocorrelation	Doubtful	There is a negative autocorrelation

0 dL du 4-du 4-dL 4
1.6321 1.7709 2.3679 2.2291 .
1.951357

Picture 1. Durbin-Watson (DW) test
Source: Eviews9 output data and Durbin Watson table

Based on the picture above, the value of 1.951357 is between du and 4-du, so this model does not have autocorrelation.

After testing the classical assumption, then testing the hypothesis, the results of panel data analysis with the Eviews9 program, further testing is carried out using the fixed effect model.

F Test Hypothesis Test

Table 3 Simultaneous Significant Test (F test)

Description	Mark
F-statistics	2.286855
Prob(F-statistic)	0.000000

Source: Eviews9 output secondary data

The value of F statistic is 2.286855. The probability F value of 0.000000 means that it is smaller than the significance level of 0.05 or 0.000000 < 0.5, thus Ho is rejected and H1 is accepted. This shows that simultaneously (simultaneously) the financial stability variable, the nature of industry , changes in auditor and change of director have a significant effect on the direction of a positive relationship to financial statement fraud.

Individually Significant Test (t test)

Table 4. Individually Significant Test (t test)

Variable	Coefficient	Std. Error	t-Statistics	Prob.
FS	-0.459423	0.100156	-4.587054	0.0000
NO I	-3.095440	0.328851	-9.412890	0.0000
CIA	-0.127436	0.073329	-1.737853	0.0829
COD	0.028444	0.070445	0.403770	0.6866
C	0.107613	0.030360	3.544532	0.0004

Source: Eviews9 output secondary data

The results of the t test are:

1) the value of the financial stability coefficient is -0.459423 & the nature of industry is -3.095440. the probability value of both is 0.0000 (0.0000 <0.05), then both have a significant effect with a negative relationship towards financial statement fraud.
2) value of coefficient changes in auditor -0.127436 & change of director 0.028444. probability value 0.0829 & 0.6866 > 0.05 then both have no significant effect, which is negative and positive in the direction of financial statement fraud.

Coefficient of Determination Test (R^2)

The regression results show that the magnitude of the coefficient of determination or R-squared is 0.371502 or 37.1502%, this shows that the financial statement fraud variable can be influenced by financial stability, nature of industry, change in auditors and change of director variables by 37.1502% while the rest of 62.8498% is influenced by other variables besides this variable.

Table 5 Descriptive statistics

	FSF	FS	NO I	CIA	COD
MAXIMUM	5.280000	3.280000	0.810000	1.0000000	1.0000000
MINIMUM	-1.970000	-0.470000	-0.910000	0.000000	0.000000
MEAN	0.040958	0.086067	0.001832	0.208403	0.179832

Source: Eviews9 output secondary data

Based on table-5 descriptive statistical tests can be described and analyzed for each condition, namely:

Financial stability condition, nature of industry, change in auditor, change of directors and financial statement fraud.

a) The results of the study on the condition of financial statement fraud (FSF) with a maximum F-score of 5.28 in 2019, this shows that the company is indicated to have committed financial statement fraud. The minimum value for financial statement fraud (FSF) is -1.97 in 2017, this shows that the company is not indicated to have committed financial statement fraud. The average value of financial statement fraud (FSF) is 0.040958, this shows that the average company is not indicated to commit financial statement fraud. There are only 29 out of 595 observational data that indicate financial statement fraud with an F-score > 1.

b) The results of the study of financial stability (FS) conditions as proxied by the ACHANGE ratio, namely the ratio of changes in assets for two years, with a maximum f-score of 3.28 in 2018, this shows that the company experienced an increase in total assets of 328% compared to the total assets of the previous year. The minimum financial stability (FS) value is -0.47 in 2018, this shows that the company experienced a 48% decrease in total assets compared to the previous year's total assets. The average value of financial stability (FS) is 0.086067, this shows that the average company sampled has an increase in total assets of 8.6067% compared to the total assets of the previous year. Thus, the condition of financial stability is positive, with an average change in asset growth from year to year.

c) The results of the study of the nature of Industry (NOI) by measuring inventory and receivable accounts, with a maximum f-score of 0.81 in 2019, this shows that the company experienced an increase in the ratio of changes in receivables to sales by 81% compared to the previous year. The minimum value of -0.91 in 2018, this shows that the company experienced a decrease in the ratio of changes in receivables to sales by 91% compared to the previous year. The average value of the nature of industry (NOI) is 0.001832, this shows that the average sample company experienced an increase in receivables to sales of 0.1832% compared to the total assets of the previous year. Thus,

the condition of the nature of Industry (NOI) is not in good condition due to an increase in the ratio of receivables from year to year.

d) The results of the study on the condition of change in auditor (CIA) measured by a dummy variable during the study period had a minimum value of 0 and a maximum value of 1. The average value was 0.208403, this indicates that the average sample of observations did not replace external auditors.

e) The results of the study on the change of director (COD) condition measured by the dummy variable during the study period had a minimum value of 0 and a maximum value of 1. The average value was 0.179832, this indicates that the average sample of observations did not change directors.

In this study, verification analysis is used to determine how much influence the independent and dependent variables have, either simultaneously or partially, to answer the formulation of problems number 2 (two) to number 6 (six), using the F test regression analysis in table-3 and t test in table-4.

How big is the influence of financial stability, nature of industry, change in auditor and change of director on financial statement fraud.

The magnitude of the influence of the independent variables simultaneously on the dependent variable can be seen from the results of the coefficient of determination test on the R-squared value and the results of the probability F statistic. Based on the results of the coefficient of determination in this study, the R-squared value was 0.371502 or 37.1502% and the probability F statistic was 0.000000. This shows that financial stability, nature of industry, change in auditors and change of directors have a significant effect with a positive relationship towards financial statement fraud of 37.1502%.

How big is the influence of financial stability on financial statement fraud.

The magnitude of the influence of the independent variable partially on the dependent variable can be seen from the results of the t-test value on the coefficient value and probability results. Based on the results of the t-test of the financial stability variable in this study, the coefficient value is -0.459423 or -45.9423% and the probability result is 0.000000. This shows that financial stability has a significant effect on the direction of the negative relationship to financial statement fraud of -45.9423%. This means that the lower the financial stability, the higher the financial statement fraud or each increase in one unit of financial stability will have an effect on reducing financial statement fraud by -45.9423%.

How big is the influence of the nature of industry on financial statement fraud.

The magnitude of the influence of the independent variable partially on the dependent variable can be seen from the results of the t-test value on the coefficient value and probability results. Based on the results of the t-test of the nature of industry variable in this study, the coefficient value is -3.095440 or -309.5440% and the probability result is 0.000000. This shows that the nature of the industry has a significant effect on the direction of the negative relationship to financial statement fraud of -309.5440%. This means that the lower the nature of industry, the higher the financial statement fraud or each increase of one unit of nature of industry will have an effect on reducing financial statement fraud by -309.5440%.

How big is the influence of change in auditor on financial statement fraud.

The magnitude of the influence of the independent variable partially on the dependent variable can be seen from the results of the t-test value on the coefficient value and probability results. Based on the results of the t-test of the change in auditor variable in this study, the coefficient value is -0.127436 or -12.7436% and the probability result is 0.0829. This shows that the change in auditor has no effect on the direction of the negative relationship to financial statement fraud by -12,7436%.

How big is the influence of change of director on financial statement fraud.

The magnitude of the influence of the independent variable partially on the dependent variable can be seen from the results of the t-test value on the coefficient value and probability results. Based on the t-test results for the change of director variable in this study, the coefficient value is 0.028444 or 28.444% and the probability result is 0.6866. This shows that the change of director has no effect on the direction of the positive relationship to financial statement fraud by 28.444%.

CONCLUSION

Based on the results of data analysis on manufacturing companies listed on the Indonesia Stock Exchange in 2015 – 2019 and discussions that have been carried out with the fraud diamond theory, that the condition of financial stability, nature of industry, change in auditor, change of director and financial statement fraud are in good condition. . On average, companies are not indicated to commit financial statement fraud. Then the research results simultaneously have a significant effect on the direction of a positive relationship to financial statement fraud. Furthermore, the results of the partial study show that financial stability and the nature of industry have a significant effect on the direction of the negative relationship to financial statement fraud.

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