Role of forensic accounting in the diamond model relationship to detect the financial statement fraud

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**ABSTRACT**

Fraudulent financial statements often occur in several companies, however efforts to detect the beginning of fraud have not been fully implemented. The purpose of this study is to determine the role of forensic accounting in diamond model relationship to detect financial statement fraud. This research employs pressure, opportunity, rationalization, and capability in the perspective of fraud diamond, and technology audit as forensic accounting indicators. Samples used in this study are 42 bank companies listed on Indonesia Stock Exchange (IDX) during the period 2016-2019. The sample is determined by using the purposive sampling method. Analysis of data is carried out using the MRA-SPSS program. The result showed that Pressure and Rationalization affect financial statement fraud. Forensic accounting is a moderating variable between pressure and financial statement fraud, rationalization, and financial statement fraud.

**Keywords:** Financial Statement Fraud, Fraud Diamond Model, Forensic Accounting

**JEL Classification:**

G32

Introduction

The world is entering the era of industrial revolution 4.0. or the fourth world industrial revolution where technology has become the basis of human life now. Everything becomes limitless and unlimited due to the development of the internet and digital technology that enables the emergence of increasing vulnerabilities and threats. One of the vulnerabilities and threats that still occur is Fraud. Fraud is one of the phenomenal things in developing and developed countries. (Jones, 2010). Fraud is increasingly prevalent in various ways that develop along with the ever-changing industrial revolution.

The term fraud itself can be defined as fraud but has a broader meaning than cheating (Hopwood et al., 2012). Actions were taken to rig the company, organization, or government, to get personal benefits by abusing work/position or stealing assets/resources in the organization is called fraud (Singleton, 2010). According to the Association of Certified Fraud Examiners (ACFE, 2016) in Report to the Nations on Occupational Fraud and Abuse, there are three main categories of job fraud, namely asset misappropriation, corruption, and fraudulent financial statements. In Indonesia in 2016, 83.5% of cases were related to asset abuse, 35.4% were related to corruption cases, and as many as 9.6% were related to fraudulent financial statements. Although fraudulent financial report cases occur no more than 10%, they have the most detrimental impact of fraud among other types of fraud with an average loss of $ 975,000 (ACFE, 2016).

While it is known that fraudulent financial statements can be defined as intentional deviations from the company's financial condition carried out by management in the form of intentional material misstatements to deceive users of financial statements (ACFE, 2016). Fraud in financial reporting is an act of mistake or misstatement carried out intentionally in a certain amount by the company to mislead the users of financial statements, especially investors and creditors. Based on research conducted by the Association of Certified Fraud Examiners (2016) stated that the financial and banking sectors are the highest sector in committing fraud actions compared to other sectors. The Financial Services Authority (OJK) also found 108 cases of criminal acts in the banking industry for approximately two years. The number of 59 cases in 2014 then fell to 23 cases in 2015 and rose to 26 cases until the third quarter of...
2016. The cases that occurred were divided into five cases from 2014 to the third quarter of 2016. Including cases of credit as much as 55%, engineering recording 21%, fund fraud 15%, transfer of funds 5%, and asset acquisition 4%. The high risk of fraud in banks is due to operational activities in the banking industry having a higher complexity and vulnerability to fraud, both in terms of administration and practices that lead to fraud. Therefore, banks must apply the precautionary principle to avoid problems that cause a decrease in public trust in storing funds in banks. So based on the existing conditions the American Institute of Certified Public Accountants (AICPA) issues a Statement on Auditing Standards (SAS) No. 99 concerning Consideration of fraud in an Audit Financial Statement. The purpose of the issuance of SAS No. 99 is to increase the effectiveness of auditors in detecting fraud by assessing existing fraud risk factors. The effectiveness of the auditor itself is of course supported by various factors, one of which is by using forensic accounting as a tool for fraud detection and prevention (Okoye and Gbegi, 2013).

The research was conducted by developing variables which were then further developed in several proxy measures of diamond fraud. From some of these conditions, it will be used to detect whether there have been fraudulent financial statements at the construction companies listed on the Indonesia Stock Exchange.

This research was carried out because it was motivated by concerns about the proliferation of fraudulent financial reporting cases in Indonesia, especially in the financial and banking sectors which tended to be still quite difficult to disclose. Until now even a little research has been carried out to explore this case, especially by using the Pentagon theory of Crowe's fraud. In addition, some results of research on financial statement fraud still produce inconsistent findings, so there is a need for research to re-examine the role of the auditor regarding factors that affect financial statement fraud in detecting fraud in banking companies in Indonesia.

**Literature Review**

**Theoretical and Conceptual Background**

Fraud is defined by the Association of Certified Fraud Examiners (ACFE) as any kind of deliberate action to take or eliminate property rights, property, or money through deception, fraud, or other unfair means. In the context of audits of financial statements, fraud is defined as the misstatement or deletion of the amount of disclosure in financial statements which is done intentionally to deceive its users (Elder et al., 2010). Whereas according to Manning & CFE (2010) fraud is a general term and includes all kinds of ways that can be used with certain shrewdness, which is chosen by an individual, to benefit from other parties by making wrong representations.

The fraud diamond model is a new idea and concept regarding the phenomena of cheating proposed by Wolfe and Hermanson in 2004. The elements of fraud diamond theory are pressure, opportunity, rationalization, and capability. The sequential occurrence of fraud is contended by Ruankaew (2016) as pressure, opportunity, rationalization, and capability.

The pressure that induces fraud according to Rasha and Andrews (2012) can be in the form of personal, corporate, or employment pressure and external pressure. On the individual level, fraud can be financial or non-financial pressure (Gbegi and Adebisi, 2013). Opportunity is the lack of structure and governance to control the operations and asset usage of the firm. Internal control weakness has been identified as the primary mechanism that allows fraud to occur (Ruankaew, 2016). Rationalization is the justification given for a fraudulent act with the view of overcoming competition or making a profit (Wuerges and Borba, 2014). It is the excuse that an individual gives to support the acceptance of committing fraud. In accounting, mostly the accrual concept has been noted by auditors to be a rationalization basis for providing excuses or explaining or allowing fraudulent acts (Skousen & Wright, 2009). Capability according to Wolfe and Hermanson (2004), capability addresses the issue of the skill; knowledge, confidence, and position the individual has to commit fraud. The capability is linked to the intellect and the authoritative role the person in the position has to exploit internal weakness amidst pressure with rationalization (Abdullahi et al. (2015).

According to de Lorenzo (1993), forensic accounting could be described as the application of accounting knowledge and skills to legal problems, though in today's complex commercial environment the meaning and use of the term is much broader. According to Bologna dan Lindquist cited in Crumbley and Apostolou (2002) stated that forensic accounting as "forensic and investigative accounting is the application of financial skills and an investigative mentality to unresolved issues, conducted within the context of the rules of evidence". While Hopwood et al (2012) stated that forensic accounting is the application of investigative and analytical skills to resolve financial issues in a manner that meets standards required by courts of law. According to Hopwood et al. (2012), forensic accounting is "the application of accounting disciplines in a broad sense, including auditing, to legal issues for legal settlement inside or outside the court". Financial forensic investigators do not always investigate money relating to criminal activity. They also work to determine the value of a business based on its accounting records as well as gather and determine information regarding bankruptcy.

The above theory is reinforced by several previous studies related to Fraud, for example, research conducted by Skousen & Wright (2009) tested the effectiveness of adopting the fraud risk factor framework by Cressey (1953) in SAS No.99 to detect financial statement fraud. The study was conducted by developing variables which were then further developed in several proxy measures of the three legs of triangle fraud (pressure, opportunity, and rationalization). Skousen & Wright (2009) showed that rationalization has a relationship with financial statement fraud. Lou and Wang (2009) stated that a company can replace auditors to reduce the possibility of detecting financial statement fraud by the auditor. Omar and Mohamad, 2010 ranking the factors of fraud diamond theory noted
that external auditors ranked capability as the highest while internal auditors and government auditors ranked opportunity as the highest. While Dorminey et al. (2010) have asserted that opportunity is only needed for fraud to occur.

Research that applies the Diamond Fraud concept has also been carried out by Gbegi and Adebisi (2013) which explain the Diamond Fraud model that was initiated by Wolf and Hermanson (2004) which shows the results that the diamond fraud model can detect fraud and propose this model to forensic accountants Nigeria in assessing fraud risk. Shelton (2014) focused on fraud in asset abuse. Abdullahi and Mansor (2015) conceptually compare the Fraud Triangle and Diamond Fraud by discussing the convergence of these two classical theories and comparing them. According to Asare et al. (2015) fraud detection is the duty of accountants, and they mostly rely on rationalization in detecting financial fraud. Rationalization is based on the misrepresentation of financial materials. This is confirmed by Tsegba and Upaa's (2015) research that in developing countries financial statement fraud affects public confidence in auditing and accounting processes leading to loss of jobs drop in market capitalization and criminal precaution. This research work is to assist in the early detection of financial fraud based on the relationship between the fraud diamond theory elements and predict with a probable ranking of how each relationship must be examined. Cooper et al. (2013) research has collaborated on this assertion that opportunity is the highest motivating factor for the occurrence of financial statement fraud. Enofe et al. (2016) used the fraud diamond theory; the study concluded that there exists a significant relationship between employees’ capability and staff integrity for fraud transaction and prevention and placed employee capability on top for fraud prevention and early detection in the Nigerian public sector.

Research by Huang et al. (2016) identified fraud indicators by using a fraud triangle and using the Analytic Hierarchy Process (AHP) to determine the relative weight of each item of fraud. The results of this study indicate that the dimensions that influence financial statement fraud are rationalization. Ruankaew (2016) stated that the variables such as pressure, opportunity, rationalization, and capability simultaneously determine financial statement fraud. Based on the partial test, variable external pressure, financial target, and capability partially could be used to predict the financial statement fraud, while other variables could not. While Saifullahi and Hassan (2017) revealed that financial stability and nature of the industry are positively impacting the fraud in the DMBs listed in Nigeria after moderating with forensic accounting, the moderation of external pressure and ineffective monitoring by the forensic accounting reveals a negative significant influence on fraud in the banks.

Based on the presented literature review, we could develop the following hypothesis to report on the role of forensic accounting in moderating the fraud diamond relationship to the detection of financial statement fraud in banking companies listed on the IDX during the period 2016-2019.

**Research and Methodology**

The populations that will be the target of this study are banking companies listed on the Indonesia Stock Exchange. The sampling technique uses purposive sampling technique, namely the technique of determining the sample with certain considerations (Bell, 2018: 26). To test studies hypotheses and to achieve its objectives, the annual financial reports, and other related data from the study sample during the 2016 period to 2019 were analyzed. We run the regression analysis, ANOVA, and Coefficient Analysis to provide new empirical evidence as well as moderated regression analysis (MRA).

The variables in this study consisted of dependent variables, independent variables, and moderator variables. The dependent variable used is fraudulent financial reporting. The independent variable is: (1) Pressure is in the form of financial targets proxied by ROA. ROA is calculated by dividing the company’s net profit (usually annual income) by its total assets, then presented as a percentage (%); (2) Opportunity is proxied by the percentage of board members who are outside members, which is the ratio of independent commissioners to the total number of commissioners (Skousen & Wright, 2009); (3) Rationalization that can be measured by a dummy variable for auditor turnover, where if there is a change of auditor coded 1 and if there is no change of auditor the code is 0 (Skousen & Wright, 2009); (4) Capability that can be measured by a dummy variable for change of directors, where code 1 if there is a change of directors and code 0 if there is no change of directors. The moderator variable used forensic accounting, to measure forensic accounting using dummy variables were code 1 if there is forensic accounting activity and code 0 if there is no forensic accounting activity.

The model of the equation in this study is as follows:

\[ Y = \lambda + \alpha_1 X_1 + \alpha_2 X_2 + \alpha_3 X_3 + \alpha_4 X_4 + e \]

\[ Y = \lambda + \alpha_1 X_1 + \alpha_2 X_2 + \alpha_3 X_3 + \alpha_4 X_4 + \alpha_5 X_1 Z + \alpha_6 X_2 Z + \alpha X 3Z + \alpha_8 X_4 Z + e \]
Analysis and Findings

Descriptive statistical analysis is used to determine the description of research variables namely pressure, opportunity, rationalization, capability, forensic accounting, and financial statement fraud. The values seen from descriptive statistics are the maximum, minimum, mean (mean), and standard deviation values. The results of testing descriptive statistics in this study can be seen in Table 1 below.

Table 1: Descriptive Analysis

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1 (PRE)</td>
<td>168</td>
<td>-1.021</td>
<td>.820</td>
<td>-.02335</td>
<td>.333261</td>
</tr>
<tr>
<td>X2 (OPP)</td>
<td>168</td>
<td>-1.524</td>
<td>5.215</td>
<td>.30271</td>
<td>.973269</td>
</tr>
<tr>
<td>X3 (RAT)</td>
<td>168</td>
<td>.03</td>
<td>1.06</td>
<td>.5724</td>
<td>.12192</td>
</tr>
<tr>
<td>X4 (CAP)</td>
<td>168</td>
<td>0</td>
<td>1</td>
<td>.17</td>
<td>.376</td>
</tr>
<tr>
<td>Y (FIN)</td>
<td>168</td>
<td>0</td>
<td>1</td>
<td>.61</td>
<td>.490</td>
</tr>
<tr>
<td>Z (FOR)</td>
<td>168</td>
<td>0</td>
<td>1</td>
<td>.66</td>
<td>.476</td>
</tr>
<tr>
<td>PRE*FOR</td>
<td>168</td>
<td>-2.28</td>
<td>7.54</td>
<td>.0876</td>
<td>.85271</td>
</tr>
<tr>
<td>OPP*FOR</td>
<td>168</td>
<td>.01</td>
<td>1.01</td>
<td>.3631</td>
<td>.28331</td>
</tr>
<tr>
<td>RAT*FOR</td>
<td>168</td>
<td>0</td>
<td>1</td>
<td>.16</td>
<td>.370</td>
</tr>
<tr>
<td>CAP*FOR</td>
<td>168</td>
<td>0</td>
<td>1</td>
<td>.60</td>
<td>.491</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>168</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Whereas to find out the functional or causal relationship between independent variables and dependent variables can be seen in the following table:

Table 2: Result of Multiple Linear Regression Analysis Test

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Std. Error</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.017</td>
<td>.139</td>
<td>.146</td>
<td>.884</td>
<td></td>
</tr>
<tr>
<td>X1 (PRE)</td>
<td>-.101</td>
<td>.026</td>
<td>-.296</td>
<td>-3.823</td>
<td>.000*</td>
</tr>
<tr>
<td>X2 (OPP)</td>
<td>-.085</td>
<td>.021</td>
<td>-.031</td>
<td>-3.87</td>
<td>.674</td>
</tr>
<tr>
<td>X3 (RAT)</td>
<td>.059</td>
<td>.069</td>
<td>.066</td>
<td>.839</td>
<td>.040*</td>
</tr>
<tr>
<td>X4 (CAP)</td>
<td>.037</td>
<td>.054</td>
<td>.001</td>
<td>.007</td>
<td>.994</td>
</tr>
<tr>
<td>R</td>
<td>.301</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>.091</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>.067</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-Counted</td>
<td>3.867</td>
<td></td>
<td></td>
<td>.032</td>
<td></td>
</tr>
<tr>
<td>Sig. F</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Based on the statistical test results shown in table 2 above, the multiple linear regression equations formed in this study are as follows:

\[ Y1 = 0.017 - 0.101X1 - 0.085X2 + 0.059X3 + 0.037X4 + e \]
The next test is to find out whether forensic accounting is a moderating variable. Moderated Regression Analysis (MRA) is a special application of linear multiple regression where the regression equation contains an element of interaction (multiplying two or more independent variables).

Table 3: Results of the Moderation Regression Analysis Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients B</th>
<th>Std. Error</th>
<th>Standardized Coefficients Beta</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.073</td>
<td>.271</td>
<td>-.270</td>
<td>.787</td>
<td></td>
</tr>
<tr>
<td>X1 (PRE)</td>
<td>-.119</td>
<td>.054</td>
<td>-.346</td>
<td>-2.181</td>
<td>.031</td>
</tr>
<tr>
<td>X2 (OPP)</td>
<td>-.188</td>
<td>.440</td>
<td>-.69</td>
<td>-4.28</td>
<td>.669</td>
</tr>
<tr>
<td>X3 (RAT)</td>
<td>-.733</td>
<td>.328</td>
<td>-.826</td>
<td>-2.237</td>
<td>.027</td>
</tr>
<tr>
<td>X4 (CAP)</td>
<td>.095</td>
<td>.324</td>
<td>.140</td>
<td>.294</td>
<td>.029</td>
</tr>
<tr>
<td>Z (FOR)</td>
<td>.053</td>
<td>.342</td>
<td>.076</td>
<td>.156</td>
<td>.877</td>
</tr>
<tr>
<td>PRE*FOR</td>
<td>.019</td>
<td>.062</td>
<td>.048</td>
<td>.296</td>
<td>.036</td>
</tr>
<tr>
<td>OPP*FOR</td>
<td>.020</td>
<td>.507</td>
<td>.017</td>
<td>.042</td>
<td>.964</td>
</tr>
<tr>
<td>RAT*FOR</td>
<td>.797</td>
<td>.332</td>
<td>.885</td>
<td>2.388</td>
<td>.014</td>
</tr>
<tr>
<td>CAP*FOR</td>
<td>-1.50</td>
<td>.349</td>
<td>-.221</td>
<td>-4.27</td>
<td>.023</td>
</tr>
</tbody>
</table>

Based on the statistical test results shown in the table above, the MRA equations formed in this study are as follows:

\[
Y = 0.073 - 0.119X_1 - 0.188X_2 - 0.733X_3 + 0.095X_4 + 0.053Z + 0.019X_1Z + 0.053X_2Z + 0.014X_3Z - 0.150X_4Z + e
\]

While testing the hypothesis in this study can be explained as follows:

The first hypothesis states that pressure has a significant effect on the potential financial statement of fraud. Based on the results of multiple linear regression tests in Table 2, it is known that pressure with the potential financial statement of fraud has a negative t value of 3.823 with a significance level of 0.000 smaller than alpha (0.05). That is, pressure has a significant negative effect on the potential financial statement of fraud. Thus, H1 which states that the pressure has a significant effect on the potential financial statement of fraud is accepted. The results of this study indicate that investors use ROA as one of the measurements to assess the level of profits obtained by the company for the effort spent. The results of the Skousen & Wright (2009) study state that managers face pressure to carry out financial statement fraud when financial stability is threatened by the economy, industry, and the situation of the operating entity. This means that financial instability will lead to violations committed by management. The results of this study are not in line with Skousen & Wright (2009), which state that Pressure does not affect financial statement fraud. Likewise, Ruankaew (2016) stated that the variables such as pressure, opportunity, rationalization, and capability simultaneously determine financial statement fraud. Based on the partial test (Wald test), variable external pressure, financial target, and capability partially could be used to predict financial statement fraud, while other variables could not.

The second hypothesis of this study states that opportunity has a significant effect on the potential financial statement of fraud. Based on the results of multiple regression analysis, opportunity with the potential financial statement of fraud has a negative t value of 0.387 with a significance level of 0.674 greater than alpha (0.05). This means that opportunity has no significant effect on the potential financial statement of fraud. Thus, H2 which states that opportunity has a positive effect on the potential financial statement of fraud is rejected. No matter how large the ratio of the number of independent commissioners compared to the total board of commissioners in a company, it does not affect the potential for fraudulent financial statements that occur. So it can be concluded that hypothesis 2 is not supported. In other words, in this study, however, the value of the ratio of independent commissioners in a company does not affect the potential for fraudulent financial statements. This occurs because the level of effectiveness of the board of commissioners is not influenced by how many independent commissioners, some companies have a high independent board of commissioner’s ratio but the potential for fraudulent financial statements is also high, this condition may occur because the independent board of commissioners does not carry out their duties following AD / Company ART. The results of this study are not in line with the results of Gagola (2011) who found that opportunities will arise when the company's internal control is weak so that financial statement fraud occurs. SAS No. 99 states that opportunities or opportunities in financial statement fraud can occur in the category of nature of the industry and ineffective monitoring. Likewise, the research conducted by Dorminey et al. (2010) has asserted that opportunity is only needed for fraud to occur. This also contradicts the research stated by Cooper et al. (2013) research has collaborated on this assertion that opportunity is the highest motivating factor for the occurrence of financial statement fraud.

The third hypothesis states that rationalization has a positive effect on the potential financial statement of fraud. Based on the results of multiple linear regression tests in Table 2, it is known that rationalization with the potential financial statement of fraud has a positive t value of 0.839 with a significance level of 0.04 smaller than alpha (0.05). That is, rationalization has a significant positive
effect on the potential financial statement of fraud. Thus, H3 states that rationalization has a significant effect on the potential financial statement of fraud received. The results of this study are in line with Vermeer (2003) who argues that accruals are representatives of decisions made by management and provide insight or information about rationalizing the company's financial statements. This indicates that the higher rationalization, the company tends to take financial statement fraud. Likewise, Skousen & Wright (2009) showed that rationalization has a relationship with financial statement fraud. Lou and Wang (2009) stated that a company can replace auditors to reduce the possibility of detecting financial statement fraud by the auditor and Huang et al. (2016) show that the dimensions that influence financial statement fraud are rationalization.

The fourth hypothesis of this study states that capability has a positive effect on the potential financial statement of fraud. Based on the results of multiple regression analysis, capability with potential financial statement fraud has a positive t value of 0.007 with a significance level of 0.994 greater than alpha (0.05). That is, capability has no significant effect on the potential financial statement of fraud. Thus, H2 which states that capability has a positive effect on the potential financial statement of fraud rejected. The results of this study are in line with Sihombing and Rahardjo (2014), namely capability does not affect financial statement fraud. This can happen if the highest stakeholders in the company want an improvement in the company's performance by recruiting directors who are considered more competent than the previous directors due to the recruitment of more competent directors. The results of this study indicate that the change of directors is done not because of indications of fraud but want to improve company performance. However, the results of this study are not in line with Wolfe and Hermanso (2004) that the amount of fraud will not occur if a person does not have the capability or ability to commit fraud, which in this case is called financial statement fraud. the factors of diamond fraud theory noted that the external auditors’ capability is the highest while the highest-ranking auditors and government auditors are not in line with Enofe et al. (2016) used the fraud diamond theory, the study concluded that there exists a significant relationship between employees' capability and staff integrity for fraud and transactions in employee capability on top of fraud prevention and early detection in the Nigerian public sector. Likewise, the research of Ruankaew (2016) stated that based on the partial test, external pressure variables, financial targets and capability tests could be used to predict the financial statement of fraud, while other variables could not.

The next hypothesis test is to test the hypothesis in the moderation regression model to determine how much influence forensic accounting in moderating pressure, opportunity, rationalization, and capability to the potential financial statement of fraud. The t-test can be done by looking at the significance value of each variable at the output of the regression results using SPSS with a significance level of 0.05 (α = 5%). If the significance value is smaller or equal to α, the hypothesis is accepted, whereas if the significance value is greater than α, the hypothesis is rejected (regression coefficient is not significant), which means that the independent variable does not have a significant effect on the dependent variable.

The fifth hypothesis of this study states that forensic accounting strengthens the influence of pressure on the potential financial statement of fraud. Based on the results of the MRA test, the forensic accounting disclosure variable as a moderating variable with pressure has a positive t value of 2.96 with a significance level of 0.036 smaller than alpha (0.05). This means that forensic accounting can moderate or strengthen the influence of pressure on the potential financial statement of fraud. Thus, H5 states that forensic accounting disclosures will strengthen the positive effect of the relationship of pressure on the potential financial statement of fraud received. The results of this study indicate that investors respond to forensic accounting that has been done by the company. This is also in line with the results of a study conducted by Saifullahi and Hassan (2017) revealed that financial stability and nature of the industry are positively impacted by fraud in listed DMBs in Nigeria after moderating with the forensic accounting.

The sixth hypothesis of this study states that forensic accounting disclosures strengthen the influence of opportunity on the potential financial statement of fraud. Based on the results of the MRA test, the forensic accounting disclosure variable as a moderating variable with opportunity has a positive t value of 0.042 with a significance level of 0.036 smaller than alpha (0.05). That is, forensic accounting disclosures are not able to moderate or strengthen the influence of opportunity on the potential financial statement of fraud. Thus, H6 states that forensic accounting disclosures will strengthen the positive influence of opportunity relations on the potential financial statement of fraud rejected. This is not following the results of a study conducted by Saifullahi and Hassan (2017) revealed that the moderation of external monitoring and accounting by forensic accounting revealed a significant influence on fraud in the banks.

The seventh hypothesis of this study states that forensic accounting disclosures strengthen the influence of rationalization on the potential financial statement of fraud. Based on the results of the MRA test, the forensic accounting disclosure variable as a moderating variable with rationalization has a positive t value of 2.388 with a significance level of 0.014 smaller than alpha (0.05). This means that forensic accounting can moderate or strengthen the influence of rationalization on the potential financial statement of fraud. Thus, H7 states that forensic accounting disclosures will strengthen the positive influence of the rationalization relationship on the potential financial statement of fraud received. Rationalization is justification for the actions taken. Fraudsters usually look for various reasons rationally to justify their actions. Some companies always experience conditions where there is opportunistic behavior and an agency problem in the separation of ownership and management in companies that have been listed on the stock exchange (Jensen and Meckling, 1976). This condition creates a market for independent auditors who must examine the performance of the company's management with the resources entrusted to them by the owner (Lin and Liu, 2009). Under such conditions, the auditor serves the role of forensic accounting in monitoring the company's financial reporting process. Auditors will prove the fairness.
of management financial statements for various stakeholders and detect deviations from generally accepted accounting principles (GAAP) in audit engagements following applicable Auditing Standards.

The eighth hypothesis of this study states that forensic accounting strengthens the influence of capability on the potential financial statement of fraud. Based on the results of the MRA test, the forensic accounting variable as a moderating variable with capability has a negative t value of 0.427 with a significance level of 0.023 smaller than alpha (0.05). This means that forensic accounting can moderate or strengthen the influence of capability on the potential financial statement of fraud. Thus, H8 states that forensic accounting will strengthen the negative influence of capability relations on the potential financial statement of fraud received. This is consistent with the results of research conducted by Wolfe and Hermanson (2004) to examine capability as one of the fraud risk factors and concluded that changes in directors can indicate fraud. Changes to directors can be an effort for companies to improve the performance of previous directors by making changes to the composition of the board of directors or recruiting new directors to improve the performance of the previous directors.

Conclusions

Pressure has a significant negative effect on financial statement fraud. This means that the stronger the pressure, the financial statement of fraud will decrease. An opportunity has no significant effect on the potential financial statement of fraud. No matter how large the ratio of the number of independent commissioners compared to the total board of commissioners in a company, it does not affect the potential for fraudulent financial statements that occur. Rationalization affects financial statement fraud. Rationalization causes fraud perpetrators to justify their actions. This indicates that the rationalization proxy with total accruals states that the higher rationalization, the company tends to make a financial statement of fraud. Capability does not affect the financial statement of fraud. This can happen if the highest stakeholders in the company want an improvement in the company's performance by recruiting directors who are considered more competent than the previous directors. Forensic accounting can moderate or strengthen the influence of pressure on the potential financial statement of fraud. The results of this study indicate that investors respond to forensic accounting that has been done by the company. Forensic accounting is not able to moderate or strengthen the influence of opportunity on the potential financial statement of fraud. Forensic accounting can moderate or strengthen the influence of rationalization on potential financial statements. Rationalization is justification for the actions taken. Fraudsters usually look for various reasons rationally to justify their actions. Forensic accounting can moderate or strengthen the influence of capability on the potential financial statement of fraud. Changes to directors can be an effort for companies to improve the performance of previous directors by making changes to the composition of the board of directors or recruiting new directors to improve the performance of previous directors.

The uniqueness of this research is that it involves the role of forensic accounting in moderating the influence of The Diamond Fraud Model. Forensic accounting has the advantage of misinterpretation in addition to other activities such as detecting, preventing, and controlling fraud. The limitation of this study is that forensic accounting indicators prioritize the reliability of audit technology, so it is necessary to expand not only technological capabilities but the competence and experience of auditors is important. For further research, it can reveal deeper the superiority of forensic accounting which can moderate the perspective of opportunities in detecting Financial Statements Fraud by including indicators that have not been raised, so that it is beneficial for decision-makers.

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References


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