ISSN No:-2456-2165

Detection of Financial Statement Fraud Based on Fraud Diamond on Transportation Companies during Covid-19 Pandemic with the Audit Committee as Moderating Variable

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Abstract:-Covid-19 pandemic that affects world economy bring significant loss and put pressure on industry that experienced significant downward in the growth of domestic product like transportation sector. This premises could create pressure that will lead to the financial statement fraud. As result this research was conducted at transportation companies that were listed on Indonesia Stock Exchange during the covid-19 pandemic, aims to know the effect of fraud diamond namely pressure, opportunity, rationalization, and capability as factor that could predispose financial statement fraud as well to examine audit committee moderating role. Purposive sampling was used which produced 10 samples of companies. Using panel data regression and moderated regression analysis on panel data provided by EViews 12, the data were analyzed. The results showed that only opportunity proxied by nature of industry and rationalization measured by total accrual to total assets have a significant effect on financial statement fraud. Meanwhile financial stability that indicates pressure and CEO tenure to measure capability has no significant effect. Audit committee has no moderating effect on the relationship between pressure, opportunity, rationalization and capability with financial statement fraud.

Keywords:- *Financial statement fraud,fraud diamond, pressure, opportunity, rationalization, capability, audit committee.*

I. INTRODUCTION

The COVID-19 pandemic is a global health problem that affects various fields of life, including the world economy. COVID-19 and social restrictions have disrupted economic activity in Indonesia. Several sectors in Indonesia experienced a significant downward trend in the growth of domestic products, one of which was the transportation and warehousing sector. The railway and warehousing sub-sectors experienced an economic contraction of -6.96% and -0.73%, respectively (Caraka et al., 2020). Transportation companies are one of the groups of companies most affected by the COVID-19 pandemic(Badan Pusat Statistik, 2020). The transportation and warehousing sector are in third place with a percentage of 90.34% of companies from that sector experiencing a decrease in income. Transportation companies are the second-highest companies that reduce output capacity by reducing working hours, machines, and personnel by 33.70%. Transportation companies are one of the 3 sectors most affected by the decline in demand due to customers/clients affected by COVID with 85% of companies from this sector experiencing a decline in demand.

Fraud is described as deviant behavior or intentionally releasing certain information to mislead, manipulate, and deceive consumers, banks, or other parties, resulting in losses, while the perpetrators enjoy direct or indirect benefits (Otoritas Jasa Keuangan, 2019). The 2020 Report to the Nation by the Association of Certified Fraud Examiners (ACFE), states that Indonesia is the country with the highest number of fraud cases in the Asia Pacific with 36 cases out of a total of 198 cases or a contributor to 18% of the total cases. The magnitude of the loss experienced by the state due to fraud is described in the Indonesian Fraud Survey by ACFE Indonesia in 2019 with a total loss of Rp.873,430,000,000 with an average loss per case of Rp.7,248,879,669 where 38.5% of the fraud cases that occurred total loss IDR 1 billion. Fraud is categorized into three groups, namely asset misappropriation, financial statement fraud, and corruption (Association of Certified Fraud Examiners, 2020). Misappropriation of assets involving theft or misuse of company resources constitutes the majority of fraud cases (86% of cases) but has the lowest median loss of $100,000 per case. In contrast, cases of financial statement fraud, in which the perpetrator intentionally presented financial statements that contained material errors or omitted some financial data, were the least frequent (10% of cases) but were the most detrimental occupational fraud ($945,000 per case). The middle category in both case percentage (43% of cases) and losses ($200,000 per case) is corruption which includes offenses such as bribery, conflicts of interest, and extortion. This study shows that although it occurs with the least frequency compared to other occupational frauds, financial statement fraud can have a very detrimental impact. The transportation industry bears 2.1% of the total fraud loss in Indonesia and is the industry that occupies the seventh position out of the 11 industries most disadvantaged by fraud (Association of Certified Fraud Examiners Indonesia, 2019). The majority of 93.7% of financial statement fraud in Indonesia takes 12 months to be detected (Association of Certified Fraud Examiners Indonesia, 2019). Manipulated financial statements will influence decision-makers and harm the company not only financially, but also affect the company's reputation, and opportunities to continue the business, and lead the company to bankruptcy (COSO, 1987).

Huge losses and long duration to detect fraud make an accurate model for detecting financial statement fraud crucial in its function as a predictor before the impact of fraud is materialized.

Several theories have been proposed as models for detecting financial statement fraud. In 1953, Donald R. Cressey proposed the fraud triangle theory which consisted of three factors, namely pressure, opportunity, and rationalization as factors that caused people to violate trust in finance (Tuanakotta, 2010:207). The pressure that prevents people from achieving their goals is the cause of fraud. An opportunity is a situation that is perceived as safe by the perpetrator to commit fraud. A reliable internal control system, implemented and supervised by those who are not careful, can be bribed, or superiors who do not set a good example, is an opportunity in the perception of perpetrators (Tuanakotta, 2019:236). Rationalization is an individual's mechanism to justify his unethical actions. Rationalization is needed so that the perpetrator can digest his unlawful behavior to maintain his identity as a trustworthy person (Tuanakotta, 2010:212). The fraud triangle developed into a fraud diamond by Wolfe & Hermanson (2004) by adding an element of capability, namely the ability or capacity of a person to commit fraud in the company environment after finding opportunities that were open for him to commit fraud.

There are various efforts to prevent, provide a deterrent effect and detect fraud in a company. Article 2 of the Financial Services Authority Regulation Number 55/POJK.04/2015 concerning the Establishment and Guidelines for the Work Implementation of the Audit Committee requires issuers and public companies to have an audit committee. The audit committee is responsible for supervising the company's financial reporting. The audit committee is responsible for maintaining communication with the external and internal auditors, including the approval of the audit and non-audit services by the auditors. This allows the auditor and the board to discuss issues related to the integrity of management and the appropriateness of management's actions in financial reporting. The audit committee's independence from management and the knowledge it has on financial reporting matters are important determinants of the audit committee's ability to effectively evaluate internal control and the financial statements prepared by management. The involvement of the audit committee which is crucial in the financial reporting process of a company makes the audit committee an important factor that can be studied because of its supervisory role which can weaken the effects of factors causing financial statement fraud. Based on the background of the problem, this research aims to know the effect of fraud diamond which are pressure, opportunity, rationalization, and capability on financial statement fraud as well as audit committee moderating effect.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

A. Financial Statement Fraud

Association of Certified Fraud Examiners (2020) defines financial statement fraud as fraud committed by management in the form of material misstatements of financial statements that are detrimental to investors and creditors. Financial statement fraud is a deliberate act to present inappropriately or omit certain parts of the presentation of financial statements to deceive users of financial statements (Arens, 2012:336). Financial statement fraud is an agency problem because it creates asymmetry of information between the agent and principal. Financial statement fraud in general can occur in the preparation of financial statements and non-financial reports. Fraud in the preparation of financial statements in the form of misstatements (misstatements both overstatements and understatements). Misstatements are classified into two, which are the presentation of assets or income that is more than true (assets/revenue overstatements) and the presentation of assets or income that is lower than the truth (assets/revenue understatements). Financial statement fraud can also be in the form of presenting profit below the value it should be to reduce taxes paid by the company. Fraud in preparing non-financial reports is in the form of submitting non-financial reports in a misleading manner, which is better than the actual situation, and often constitutes falsification and distortion of the situation. Submission of misleading non-financial reports can be contained in documents used for internal or external purposes.

B. Fraud Diamond

Fraud diamond is a four-elements factor that could explain fraudulent behavior which consists of pressure, opportunity, rationalization, and capability. The pressure that prevents people from achieving their goals is the cause of fraud(Albrecht et al., 2011:34). Pressure arises when the company's performance is at a point below the industry average performance (Skousen &Twedt, 2009). This puts the company in an unstable condition where the company is unable to maximize its assets and is unable to use its sources of funds efficiently. According to SAS No.99 (2002)S, when the financial situation is unstable due to the company's operations, economic conditions, and the company's industrial conditions, it will cause pressure to the company. So, if conditions are unstable, management will be under pressure because management is responsible for managing the company's assets and sources of funds and its performance is measured based on the company's financial condition.

Opportunity is defined as a safe situation for individuals to commit fraud (Albrecht et al., 2011). Tuanakotta (2010) explains that opportunities are related to organizational or business culture and the failure of internal management mechanisms to deter, track, and improve situations that lead to situations that have the potential to occur. Dorminey et al (2012) suggest that opportunities arise from a lack of internal control, and the belief that the risk of being caught committing fraud will take a long time. Measuring opportunity could be done by assessing the nature of the industry. The value of some accounts in the financial

ISSN No:-2456-2165

statements is determined largely from estimates and subjective judgments. Nature of industry is measured by using the ratio of changes in accounts receivable. If there is an intentional decrease in the amount of receivables between periods, it indicates the management is taking advantage of the opportunity to increase the amount of reported cash and report high cash turnover.

Rationalization is an individual's mechanism to justify his unethical actions (Albrecht et al., 2011:34). Rationalization is the individual assessment that the fraud he did as something normal made the perpetrator feel comfortable with his behavior when he cheated. Rationalization reduces judgments of right and wrong that encourage fraud without remorse. Rationalization can be measured by calculating the ratio of total accruals to total assets (TATA). The ratio of total accruals to total assets is used to estimate the extent to which cash is used as the basis for reporting income. Cash that is intentionally increased is a financial statement fraud. Skousen &Twedt (2009) argue that accruals are a representation of management decision making and can be used to show management rationalization in financial reporting.

Capability can be defined as the ability or capacity of a person to commit fraud in the company. Someone who has the capability can ignore internal controls, develop secret strategies, and monitor situations to find opportunities to fulfill their interests Crowe-Horwath (2011). Capabilities in an organization can be reflected in the position and function of a person that opens up opportunities for fraud (Wolfe & Hermanson, 2004). Capabilities can be assessed from the Chief Executive Officer tenure or the CEO's tenure in the organization (Sirén et al., 2018). CEOs who have worked for longer periods have experience and knowledge in making wiser decisions. Longer tenure enables CEOs to improve company performance through monitoring of various company activities, understanding company business processes, and reducing indications of financial statement fraud(Silaban& Zainal, 2021). Conversely, a shorter CEO tenure means less knowledge and experience the CEO has about the company.

C. Audit Committee

The Financial Services Authority Regulation Number 55/POJK.04/2015 concerning the Establishment and Guidelines for the Work Implementation of the Audit Committee defines the audit committee as a committee formed by and responsible to the board of commissioners in helping carry out the duties and functions of the board of commissioners (Otoritas Jasa Keuangan, 2015). Issuers and public companies are required to have an audit committee. The duties and responsibilities of the audit committee are directed towards ensuring reliable financial reporting. The presence of an audit committee with knowledge and experience in the field of accounting within the company is intended to ensure the reporting process runs according to regulations. The audit committee is tasked with assessing potential and reducing conflicts of interest, supervising parties involved in the reporting process, ensuring the findings of the internal auditors are implemented, and matters that should be considered to provide assurance that the financial statements are free from material misstatement. Considering the accounting background, independence, duties and responsibilities of the audit committee, it can be concluded that the audit committee has a role in the presentation of financial statements that are free from fraud.

D. Hypothesis Development

Pressure is a situation where a goal is not achieved and is the reason someone commits fraud (Albrecht et al., 2011:34). Mukaromah&Budiwitjaksono (2021) in their research on fraud in financial statements found that pressure proxied by financial stability affects fraud in financial statements. Therefore, the more threatened the company's financial stability, the higher the practice of fraud and manipulation of financial statements.
H_1: Pressure has an effect on financial statement fraud.

Individuals who are motivated to commit fraud will be strengthened by the existence of supportive and perceived opportunities. Opportunities can be measured by the nature of the industry which is the existence of accounts receivable which are determined based on estimates and subjective assessments of management. The nature of industry is proxied by changes in the amounts of accounts receivable relative to sales is the opportunity for management to commit financial statement fraud.
H_2: Opportunity has an effect on financial statement fraud.

Rationalization is an individual mechanism that justifies unethical behavior (Albrecht et al., 2011:34). The ratio of total accruals to total assets describes the company's activities and management decision making that can be used as a proxy for rationalization. The higher the ratio of total accruals to total assets, the higher the rationalization made by management which will create financial statement fraud.
H_3: Rationalization has an effect on financial statement fraud.

Capability could make someone ignore internal controls, create covert strategies, and monitor social situations to find appropriate opportunities to fulfill their interests (Crowe-Horwath, 2011). An increase in capability means an increase in the opportunity for fraud motivation to turn into fraudulent practices. Research conducted by Silaban& Zainal (2021) found that CEO tenure has a significant effect on financial statement fraud. The longer the tenure of a CEO, the more experience and knowledge he has about the company and reduces the CEO's tendency to commit unethical acts that will sacrifice his reputation. The shorter the CEO's tenure, the higher the indication for fraud due to the lack of experience and knowledge about the company.
H_4: Capability has an effect on financial statement fraud.

Pressure from financial stability can be reduced with an effective audit committee because it will be able to ensure its managers can make decisions that are in line with good corporate governance. The opportunity to commit fraud arises because of weak supervision, the audit committee exists as a function that enhances supervision in the financial reporting process so that opportunities for manipulation can be mitigated and weaken. The audit committee with its knowledge in accounting can improve management's supervision and can minimize fraud by performing early detection of fraud that occurs especially when management rationalizes financial reporting by the use of excessive accruals. Wolfe & Hermanson (2004) state that management is vulnerable to fraudulent practices because the privileges they have gave them the capacity to direct or influence as well as take advantage of a situation to expedite their fraudulent acts. Effective supervision from an independent audit committee reduces the possibility of fraud regardless of management's capabilities.

$H_{5A\text{-}D}$: Audit committee has moderating effect on the relationship between fraud diamond and financial statement fraud.

The framework of the research is shown in Figure 1 below.

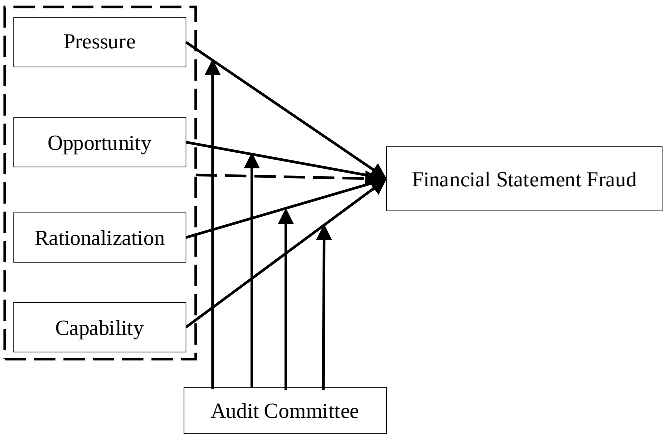

Fig1: Research Framework

Source: Authors (2022)

III. RESEARCH METHODOLOGY

This research is quantitative research. The population in this study were transportation companies listed on IDX during 2020-2021. Purposive sampling method was used to target comparable data. There were 10 companies that met the criteria. Studying the time series data from 2nd quarter of 2020 to 2nd quarter of 2021 this research obtained 50 observations.Data are processed by using EViews 12.

The analysis techniques used in this study are data panel regression analysis and moderated regression analysis on panel data with the following equations:

$$FSF = \alpha + \beta_1 Press_{it} + \beta_2 Opport_{it} + \beta_3 Razio_{it} + \beta_4 Capability_{it} + \varepsilon_{it} \quad (1)$$

$$FSF = \alpha + \beta_1 Press_{it} + \beta_2 Opport_{it} + \beta_3 Razio_{it} + \beta_4 Capability_{it} + \beta_5 Audit\_C_{it} + \beta_6 Press{*}Audit\_C_{it} + \beta_7 Opport{*}Audit\_C_{it} + \beta_8 Razio{*}Audit\_C_{it} + \beta_4 Capability{*}Audit\_C_{it} + \varepsilon_{it} \quad (2)$$

Variables are measured as followed:

A. *Dependent Variable – Financial Statement Fraud*

Presentation of financial statements that contain material errors caused by intentional actions.

F-score = *Accrual Quality* + *Financial Performance*

Accrual Quality (RSST) = (ΔWC+ΔNCO+ΔFIN)/Average Total Assets

Financial Performance = Change in Receivables + Change in Inventories + Change in Cash Sales + Change in Earnings

Working Capital (*WC*) = *Current Asset – Current Liability*

Non-Current Operating Accrual (*NCO*) = (*Total Asset – Current Asset – Investment and Advances*) – (*Total Liabilities – Current Liabilities – Long Term Debt*)

Financial Accrual (*FIN*) = *Total Investment – Total Liabilities*

B. *Independent Variables*

a) Pressure is something that prevents someone from achieving a goal that encourages him to commit fraud. Measured by changes in total asset.
b) ACHANGE = Total Asset t-Total Asset t-1/Total Asset t-1
c) Opportunity is the situation is perceived as safe for committing fraud. Measured by receivable ratio.
d) Receivable = (Receivable t /Sales t) - (Receivable t-1/Sales t-1)
e) Rationalization is justification in the mind of someone who considers the act of fraud he did is acceptable. Measured by total accrual to total asset.
f) TATA = Net Profit -Operating Cash Flow/Total Assets
g) Capability is the ability of a person to take advantage of the situation to commit fraud. Measured by comparison of the length of tenure of the CEO since his/her appointment with the total years of service in the company.

C. *Moderating Variable – Audit Committee*

Committee formed by the board of commissioners to improve the financial reporting oversight function. Measured by percentage of the number of audit committees with an accounting background to the total number of audit committees.

IV. RESEARCH RESULT

The results of Chow test shown in table 1 shows that probability of cross-section Chi-square 0.2873>0.05 means common effect model better than fixed effect model. The Lagrange Multiplier employed to choose between common effect model and random effect model, showed Breusch-Pagan probability value of 0.0027 < 0.05 as shown in Table 2, which make the random effect model the right model used in panel data regression. The data passed the normality test with the probability of Jarque-Bera test of 0.071389 (>0.05) as shown in Table 3, multicollinearity test where no correlation between independent variables higher than 0.85 as shown in Table 4, heteroscedasticity test using Breuch-Pagan-Godfrey with probability of 0.0759 (>0.05) as shown in Table 5, and autocorrelation test with the probability of Breusch-Godfrey Serial Correlation LM test of 0.2120 (>0.05) as shown in Table 6.

A. *Data Panel Model Estimation Test*

Redundant Fixed Effects Tests Equation: Untitled Test cross-section fixed effects			
Effect Test	Statistic	d.f.	Prob.
Cross-section F	0.940784	(9,35)	0.5033
Cross-section Chi-square	10.832761	9	0.2873

Table1: Chow Test

Lagrange Multiplier Tests for Random Effects Null hypotheses: No effects Alternative hypotheses: Two-side (Breusch-Pagan) and one-sided (all others) alternatives			
	Cross-section	Test Hypothesis Time	Both
Breusch-Pagan	0.459529 (0.4978)	8.537862 (0.0035)	8.997390 (0.0027)

Table2: Lagrange Multiplier Test

B. *The Classical Assumption Test*

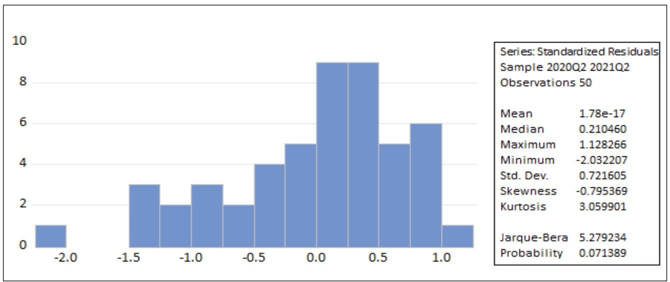

Table 3: Normality Test

	X_1	X_2	X_3	X_4	X_5
X_1	1	0.09	-0.07	-0.01	-0.08
X_2	0.09	1	0.17	-0.05	-0.005
X_3	-0.07	0.17	1	-0.02	-0.22
X_4	-0.01	-0.05	-0.02	1	-0.14
X_5	-0.08	-0.005	-0.22	-0.14	1

Table4: Multicollinearity Test

Source: Data processing using EViews 12 (2022)

Heteroskedasticity Test: Breusch-Pagan-Godfrey Null hypothesis: Homoskedasticity	
F-statistic 2.193307	Prob. F(5,44) 0.0720
Obs*R-squared 9.975646	Prob.Chi-Square(5) 0.0759
Scaled explained SS 7.958404	Prob.Chi-Square(5) 0.1585

Table5: Heteroskedasticity Test

Breusch-Godfrey Serial Correlation LM Test: Null hypothesis: No serial correlation at up to 2 lags	
F-statistic 1.389117	Prob. F(5,44) 0.2605
Obs*R-squared 3.102214	Prob.Chi-Square(5) 0.2120

Table6: Autocorrelation Test

C. *Hypothesis Test*

Dependent Variable: Financial Statement Fraud Method: Panel EGLS (Cross-section random effects)				
Variable	Coefficient	Std. Error	t-Statistic	Prob
C	-0.163314	0.3856	-0.4235	0.6740
Pressure	-2.584997	2.2480	-1.1498	0.2564
Opportunity	-1.890533	0.2037	-9.2795	0.0000
Rationalization	-5.725954	2.2078	-2.5934	0.0129
Capability	-0.353337	0.3207	-1.1015	0.2767
Audit_C	-0.542433	0.3846	-1.4103	0.1655
R-squared	0.715249	Mean depend var		-0.250
Adjusted R^2	0.682891	S.D. depend var		1.3522

Table7: Panel Data Regression Test Result

Table 7 shows that opportunity and rationalization have a significant effect on financial statement fraud while pressure and capability have no significant effect on financial statement fraud.

Dependent Variable: Financial Statement Fraud Method: Panel EGLS (Cross-section random effects)				
Variable	Coefficient	Std. Error	t-Statistic	Prob
C	-1.676533	2.5768	-0.6501	0.5193
Pressure	-5.938007	5.1669	-1.1492	0.2573
Opportunity	-1.442921	0.5548	-2.6003	0.0130
Rationalization	-4.868000	4.7247	-1.0303	0.3091
Capability	1.327822	2.6083	0.5090	0.6135
Audit_C	1.651457	3.7746	0.4375	0.6641
Press*AC	4.787545	7.0752	0.6766	0.5025
Oppor*AC	-0.640122	0.7576	-0.8448	0.4032
Ration*AC	-1.397191	6.3320	-0.2206	0.8265
Cap*AC	-2.489358	3.8674	-0.6436	0.5235
R-squared	0.728355	Mean depend var		-0.250
Adjusted R^2	0.667235	S.D. depend var		1.3522

Table8: Moderated Regression Analysis Test Result

Table 8 shows that audit committee has no moderating effect on the relationship between fraud diamond elements pressure, opportunity, rationalization, and capability on financial statement fraud.

V. DISCUSSION

A. *The Effect of Pressure on Financial Statement Fraud*

Table 7 shows that pressure has a regression coefficient value of – 2.584997 but statistically has no significant effect. The negative sign was because changes in total assets with a negative value indicate a decline in the company's financial stability, which means the higher the pressure experienced by management to commit financial statement fraud. Pressure has no effect on financial statement fraud because of the existence of a supervisory function placed within the company, such as the board of commissioners and internal auditors who have carried out their functions effectively. This study supports the research of Lamawitak et al (2020)who found that pressure as measured by financial stability has no effect on financial statement fraud, management don't feel the need to manipulate financial statements because fluctuation in company total assets is a natural thing in the business world. Financial instability does not put management under pressure to manipulate the company's financial position to make it look stable through the growth of the company's total assets.

B. The Effect of Opportunity on Financial Statement Fraud

The opportunity variable has a regression coefficient value of – 1.890533 and statistically has significant effect on financial statement fraud. Opportunities affect financial statement fraud because management takes advantage of the authority given to them to prepare financial statements as an opportunity to provide information that is not represent economic reality. Accounts receivable is deliberately reduced because a high ratio of receivables is an indication of low cash turnover (Sihombing&Rahardjo, 2014). High cash turnover in financial statements is more attractive to principals or parties who want to invest in the company because high cash turnover signals to users of these financial statements that the company has sufficient cash to finance its operations. Therefore, management takes advantage of the existence of this receivable account to increase the amount of reported cash and gives the impression of a high cash turnover and this is a form of financial statement fraud. A low ratio of receivables to sales is also an indication of financial statement fraud where management can falsify the number of reported sales by overstating the sales account as a mode to increase the amount of reported net income(Albrecht et al., 2011:401). The low receivables ratio was exacerbated by the economic conditions that occurred during the COVID-19 pandemic. Research by Caraka et al (2020)stated that companies that experienced a decline in sales during the COVID-19 pandemic had to cut production costs by terminating their employment relationship. This reduces people's sources of income and purchasing power. The remaining purchasing power will be prioritized to be allocated for meeting basic needs rather than paying debts.

C. The Effect of Rationalization on Financial Statement Fraud

The rationalization variable has a regression coefficient value of – 5.725954 and statistically has significant effect on financial statement fraud. The rationalization variable is not measured directly in this study but by using the ratio of total accruals to total assets as a proxy. The higher the total accruals reported, the lower the amount of cash used as the basis for reporting. The negative sign on the regression coefficient indicates the opposite which is more cash being reported. The decrease in total accruals and an increase in the amount of cash reported are a form of management rationalization when committing financial statement fraud. Rationalization affects financial statement fraud because management wants to provide an indication of the high use of reported cash to owners. Rationalization makes management as a provider of financial statements reduce the right and wrong considerations so that they commit financial statement fraud without remorse. Management is tasked with managing the company's assets properly and generating profits. When accounting for the company's financial condition to owners through financial statements, management has the motivation to display financial statements that show good financial performance. The management's goal encountered obstacles when the financial condition of the transportation industry was in an unstable state during the covid-19 pandemic. Management rationalized its actions by committing fraudulent financial statements by using accrual accounts with the aim of presenting a higher amount of reported cash in order to remain able to show good financial performance to owners.

D. The Effect of Capability on Financial Statement Fraud

The capability variable has a regression coefficient value of – 0.353337 but statistically has no significant effect. The negative sign on the regression coefficient confirms the opposite relationship between the length of service of a CEO and financial statement fraud. The shorter the tenure of a CEO, the higher his tendency to take advantage of his capabilities to commit financial statement fraud. Capabilities as measured by CEO tenure have no effect on financial statement fraud because a person's tendency to commit financial statement fraud is more due to the person's personal factors supported by situations that allow him to commit fraud. Regardless of the length of his tenure, the CEO can use the capabilities he has to take advantage of the situation and its influence to commit financial statement fraud. The results of this study contradict the research of Silaban& Zainal (2021) who found that the shorter the tenure of the CEO, the higher the tendency to commit fraud.

E. The Moderating Effect of Audit Committee on The Relationship Between Pressure, Opportunity, Rationalization and Capability to Financial Statement Fraud

Table 8 shows that audit committee has no significant moderating effect on the relationship between fraud diamond element pressure, opportunity, rationalization, and capability to financial statement fraud for the following reason. First, the audit committee does not moderate the effect of pressure on financial statement fraud because although it has the authority to perform a supervisory function on management, the scope of work of the audit committee in relation to management is limited to providing independent opinions when there is a difference of opinion between management and accountants. Second, the audit committee does not moderate the effect of opportunity that affects financial statement fraud because the existence of an audit committee in a company in carrying out its supervisory function is limited so that it does not reach the level of identifying the effect of opportunity that is made possible by the use of the receivable ratio as the cause of financial statement fraud which used as proxy of opportunity in this research. Third, the audit committee does not moderate the effect of rationalization on financial statement fraud rationalization are in the minds of the perpetrators and are very personal and influenced by many factors that is hard to measured. The function of the audit committee is quite limited to carry out supervision to the level of using the accrual principle by management. Rationalization is a variable that is difficult to identify indirectly. If rationalization is assessed using the accrual principle, it becomes difficult for the audit committee to identify whether the motive for using the accrual principle is based on rationalization to commit financial statement fraud or for other purposes. Lastly, the audit committee does not moderate the effect of capability on financial statement fraud because the audit committee as the party providing independent assessment does not limit its supervisory function to certain CEOs based on the length of service of the CEO.

VI. CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS

Based on research result, it can be concluded that opportunity and rationalization have significant on financial statement fraud, pressure and capability has no effect on financial statement fraud, and audit committee has no moderating effect on the relationship between pressure, opportunity, rationalization, and capability with financial statement fraud in transportation companies during covid-19 pandemic. This research has limitation for using only one sector that is effective by covid-19 pandemic. The suggestion for future research is to extend the research sample by including other sectors that produce food and beverage or providing accommodation which as heavily affected by covid-19 pandemic as transportation companies.

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