Fraud Diamond Analysis In Detecting Fraudulent Financial Report

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Abstract : The purpose of this research is to know the effect of fraud diamond analysis on financial report fraud using beneish model at KOMPAS 100. Fraud diamond is measured by pressure (financial stability, external pressure, individual financial requirement and financial target), opportunity (industrial nature, ineffectiveness of supervision) , Rationalization (replacement of auditors, rationalization, and audit opinion), and capability.Sampling method used is purposive sampling method (method using certain criteria). The sample of this research is 100 companies KOMPAS 100 and listed on BEI year 2014-2016. This study uses IBM SPSS 21.0 multiple regression model. The results of this study indicate that financial stability, auditor replacement, industrial nature and rationalization have a significant effect on fraudulent financial statements proxied by beneish model. While for other variables do not have a significant influence on fraudulent financial statements.

Key words: fraud diamond, fraudulent financial reporting, beneish model, and KOMPAS 100

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1. INTRODUCTION

The financial statement is a management accountability report to the outsiders especially for the stakeholders in a period of time. Users could used the information for decision making process relating to company's performance. Management ensure that financial statement was prepared fairly based on generally accepted accounting principle (GAAP). Unfortunately, for some cases, management prepared fake (unfair) financial statement. Users of financial statement need to know whether they can count on the financial statement in decision making process. To make sure, they need independent auditor who can inform about credibility of financial statement. According to the Association of Certified Fraud Examiners (ACFE, 2014), asset misappropriation is the highest frequency of fraud followed by corruption and then fraudulent financialreporting. Eventhough financial statement fraud is not so frequent, but it has the most adverse effect among other types of fraud. According to Cressey's theory [1], [2], there are three conditions (named fraud triangle that cause fraud such as pressure, opportunity, and rationalization. Wolfe and Hermanson (2004) introducing a fourth element of "capability as an addition of fraud causes, he believe that " frauds derived by person who has power or capabilities [3]. This new term of fraud is called Fraud Diamond. This research implements the beneish model for detecting financial statement fraud. This research uses some previous research relating to fraudulent financial statements such as Utaminingsih and Ardiyani (2015), Henny and Nugraha (2015), Daljono and Martantya (2013), Sari and Sukirman (2013), as refferences.

2. LITERATURE STUDY

2.1. Agency Theory

Agency Theory was invented by Jensen and Meckling (1976). Agency Theory explains that the company can be seen as a closely relationship between the shareholder and company's operations. An agency relationship arises when one or more individuals are called principals, employing one or more other individuals called agents, to perform all the operations of the enterprise on behalf of the principals interests[4]. Principal as the owner of company need to access relevant information about the company. while the

agent as the real actors in the operational activities of the company and certainly has the information related to the entire company's operation and performance. This condition creates information asymmetry. Management should operate the company on behalf of the owner's intetests. In practice, management always maximize their interests rather than shareholders.

2.2. Fraud

Fraud is a deliberate act with the intent of deceiving and taking advantage of the other party. Literally, The Institute of Internal Auditors (2009) in the Trisakti University Forensic Auditing Module (2015) defines fraud as:

> "Any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violance or physical force. Frauds are perpetrated by parties and organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage"

Can be translated as:"Any illegal acts marked by deception, concealment, or breach of trust. This action does not depend on threats of violence or physical threats. Fraud is committed by other parties and organizations involved to earn money, property or services; to avoid payments or losses on services; or to secure personal or business benefits "

According to Mary-Jo Kranacher et al. [5] in Umar [6], there are three elements in cheating, that is:
a. Conversion. Which means cheating, fabricating, deceiving, and others. In this case, cheating begins with malicious intent to manipulate and engineer a condition for the benefit of individuals and groups that can harm others;
b. Concealment. Which means hiding or occurrence of a bend. Because cheating is one form of crime then of course the perpetrators do not want to be known by other parties. The perpetrators committed nepotism and colluded to hide the crime so that the act was not known by outsiders. Because if the act is known to an outsider it will cause severe sanctions for them;

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c. Theft. Which means taking illegitimate wealth. Fraudulent manipulation, fraud and engineering has been done in order to gain unfair financial gain.In Tuanakotta (2012), the ACFE (Association of Certified Fraud Examiners) describes the branches of fraud and its branches in the form of a tree known as the fraud tree.

In broad outline, the cheating tree can be described briefly below:
a. Corruption. In Tuanakotta [7], the term "corruption" in the fraud tree is similar but not the same as the term corruption in our legislation. Corruption in fraudulent trees is divided into four parts: conflicts of interest, bribery, illegal gratuities, and economic extortion;
b. Asset Misappropriation. Abuse of an asset is the illegal (illegal or unlawful) "asset" taken by an individual authorized to manage or supervise the asset [7]. In the fraud tree, assets misuse is divided into two parts: cash (cash) and inventory and all other assets (inventory and all other assets);
c. Financial statement fraud. Fraudulent financial statements are defined as fraud committed by company management in the form of material misstatements in the financial statements presented by management and this is detrimental to investors and other interested parties. In the fraud tree, cheating of financial statements is divided into two parts: assets or revenue overstatements and asset / revenue understatements. According to The Association of Certified Fraud Examiners [8], fraudulent financial statements can be defined as fraud committed by management in the form of misstatement of financial statements that are detrimental to investors and creditors. Fraudulent misstatement means that the financial statements presented not comply to GAAP.

2.3.   Fraud Model
Fraud diamond proposed by Wolfe and Hermanson [3], in the fraud diamond is added capability elements which means the ability of someone in the company that will make the tendency of fraud. Broadly speaking, it can be concluded that the pressure will be the motivation of someone to commit fraud and with the opportunity can open the opportunity for the perpetrator to conduct fraud and rationalization will be a justification for manipulation that will be done and supported by the capability of the perpetrator .

figure 1
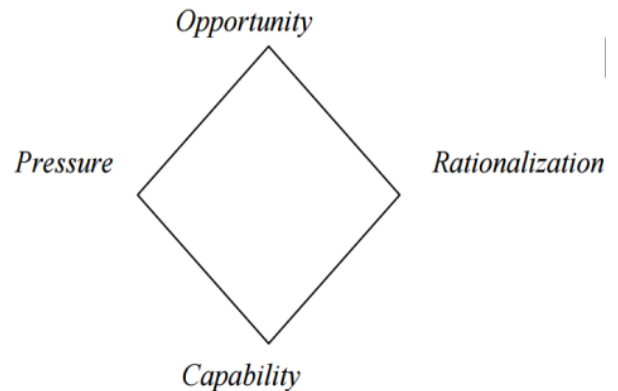
Source: Fraud Diamond, Wolfe and Hermanson (2004)

Below will be explained about the elements contained in the fraud diamond:
a. Pressure (Pressure) Pressure: the motivation to do and hide the fraud committed. In his book, Tuanakotta [7] reveals how pressure can arise. Tuanakotta explains that someone is embezzling company money because of the pressures that squeeze it, the pressure can be the urgent need to be resolved (financial pressure) and this can not be shared with others. The issue will be sealed by the person concerned and become a non-shareable issue for him/her.
b. Opportunity: weak control provides an opportunity for a person to commit fraud. In Sari and Sukirman [9] explain the opening of opportunities because the perpetrator believes that their activities will not be detected. If the action is known, then there will be no serious action to respond to it. In Yesiariani and Rahayu[10] Opportunities are usually related to the nature of the industry that is the ideal state of an enterprise in the individual, the ineffectiveness is the impact of the weakness of supervision.
c. Rationalization in siahaan [11] can be defined as the presence or appearance of attitudes, characters, or set of ethical values that allow management or employees to engage in dishonest acts. In Sari and Sukirman [9], rationalization is a justification for the action to be taken. Cheating actors will usually look for rational reasons to identify their actions.
d. Ability (competence / capability): what is meant by the competence here is in the case of someone to commit fraud. Thus it can be concluded that competence is the ability of employees to penetrate internal controls in the company, developing sophisticated embezzlement strategies, and able to control the social situation that can bring benefits to him by influencing others to work with him [12].

3. HYPOTHESIS

3.1. Influence of financial stability against fraudulent financial statements

Financial stability, explained that managers face pressure to commit fraud and manipulation of financial statements when the financial stability and profitability of the company is threatened by economic conditions, industry and other situations. Loebbecke et.al [13] indicates that as firms are growing under the industry average, management may manipulate financial statements to improve the company's performance. The statement is supported by research results Hanum [14] which states that to attract investors in investing their capital, companies must try to beautify the look of total assets owned. Based on the above description, the hypothesis can be formulated as follows:

H1a: Financial stability negatively affects fraud.

3.2. The influence of pressures to fraudulent financial statement.

When excessive pressure from external parties as a form of additional debt or external financing sources to remain competitive [2], then there is the risk of fraudulent financial statements. In accordance with the results of research conducted Sihombing [15], states that external pressure has an influence in detecting fraudulent financial statements. Based on the above description, the hypothesis can be formulated as follows

H1b: The influence of external pressures positively affects fraudulent financial statements.

3.3. The influence of personal financial need to fraudulent financial reporting.

Individual financial needs is a condition when corporate finance is influenced by the financial condition of corporate executives (Skousen et al., 2009). Beasly (1996), Committee of Sponsoring Organizations of the Treadway Commission (COSO) (1999), and Dunn (2004) in Tiffani (2015) show that when corporate executives have a strong financial role in the firm, personal financial need from the firm's executives will also affected by the company's financial performance. A portion of the shares owned by the company executive will affect management policies in disclosing the company's financial performance. With the ownership of shares by insiders causing the company to feel the right to claim on the income and assets of the company so that will affect the company's financial condition. According to the results of research conducted by Skousen et al. (2009) shows that the percentage of ownership of shares by insiders (OSHIP) has a positive effect on financial statement fraud. Based on the above description, the hypothesis can be formulated as follows:

H1c: The influence of individual financial needs has a positive effect on report fraud finance.

3.4. The influence of financial targets to fraudulent financial reporting

Financial targets are the risk of excessive pressure on management to achieve the financial targets set by directors or management, including the objectives of receiving incentives from sales or profits. Carlson and

Bathala (1997) research in Widyastuti (2009) proves that firms with large profits (measured by profitability or ROA) are more likely to earn earnings management than firms with small profits. Based on the above description, the hypothesis can be formulated as follows:

H1d: The influence of financial targets has a positive effect on financial reporting fraud.

3.5. The influence of nature of industry to fraudulent financial reporting

Industrial nature The nature of the industry (nature of industry) is the ideal state of an enterprise in the industry. In the financial statements there are certain accounts where the amount of the balance is determined by the company based on an estimate, such as bad debts and obsolete inventory accounts. Results of research conducted by Summers and Sweeney (1998), found that accounts receivable and inventory were involved in a large number of fraud in their samples. Their results are supported by Sihombing [15] that the nature of industry has a positive effect on financial reporting fraud. Based on the above description, the hypothesis can be formulated as follows:

H2a: The influence of industrial properties has a positive effect on financial reporting fraud.

3.6. Influence ineffectiveness oversight of fraudulent financial statements

Ineffective monitoring is the impact of the weakness of supervision, this gives an opportunity to the agent of the company that is managers behave deviant by doing earnings management (Andayani, 2010). With the existence of an independent board of commissioners who come from outside the company in Beasley (1996) research will increase the effectiveness of supervising the management to prevent the occurrence of fraudulent financial statements. The statement is evidenced from the results of research Diany (2014) stating that the ineffective monitoring factor has a positive relationship to financial statement fraud. Based on the above description, the hypothesis can be formulated as follows:

H2b: Influence of monitoring ineffectiveness has a positive effect on report fraudfinance

3.7. The influence of auditor change to fraudulent financial reporting

Changes in auditors are a way of reducing the possibility of fraud detection by auditors (Lou and Wang, 2009). In SAS No.99 (AICPA, 2002) states that the effect of auditor turnover within the company may be an indication of fraud. The old auditor may be better able to detect any possible fraud committed by the management, whether directly or indirectly. However, with the change of auditors, the possibility of cheating will increase.This statement is evidenced from the results of research Hanum [14] and Kurniawati [16] stating that with the resignation or change of auditors, it will affect the possibility of fraudulent financial statements. Based on the above description, the hypothesis can be formulated as follows:

H3a: The influence of auditor turn has a positive effect on financial reporting fraud.

3.8. The influence of rationalization to fraudulent financial reporting

Rationalization (rationalization) is someone with his own mind justify the crime he committed [17]. Rationalization makes a person who initially will not commit an act of cheating, turns into wanting to do it. Rationalization is an excuse that justifies the act of cheating and is a natural thing. According to Vermeer [18] states that rationalization is an accrual principle related to management decision making and provides insight into rationalization in financial reporting.The statement is evidenced from the results of research Sihombing [15] which concludes that rationalization significantly influence the financial statement fraud. Based on the above description, the hypothesis can be formulated as follows:

H3b: The influence of rationalization has a positive effect on financial reporting fraud.

3.9. The influence of audit opinion on financial report fraud

Audit opinion is often used to assess the effectiveness of a company's performance and to assess whether the financial statements presented by management have been accountable and transparent. And the auditor's opinion can serve as a benchmark of any possible indications of fraud. Research conducted by Ratmono and Diany [19] shows that auditor's opinion has no significant effect on fraudulent financial statements and this variable can not be used in his research when tested with Mann-Whitney Test.Therefore, the authors are interested to examine the influence of the auditor's opinion on the tendency of the manipulation of financial statements. Based on the above description, the hypothesis can be formulated as follows:

H3c: The influence of audit opinion has a positive effect on financial report fraud.

3.10. The influence of cability the fraudulent financial statements

Capability (capability) means how much power and capacity of a person's conduct fraud in the corporate environment. In this research will be used a change of directors as a proxy of capability. Changes in directors are generally loaded with political content and interests of certain parties that trigger the emergence of conflict of interest [15]. According to Wolfe and Hermanson (2004) states that a person's position or function within the organization can provide the ability to make or take advantage of opportunities for cheating not available to others [3], [20], [21]. Based on the above description, the hypothesis can be formulated as follows:

H4: The influence of the ability to positively influence the fraudulent financial statements

4. OPERATIONAL VARIABLE

4.1. Dependent Variable

Dependent variable (Y) in this research is fraudulent financial reporting. The fraudulent financial statements were calculated using the Beneish Model adopted in 1999 [22]. As for the formula asfollowst:

M-Score = -4.84 + 0.920DSRI + 0.528GMI + 0.404 AQI + 0.892 SGI + 0.11 DEPI - 0.172SGAI + 4.679TATA - 0.327 LEVI

With details of each ratio as follows:1. Days' Sales in Receivable Index (DSRI)This ratio is used to measure the ratio of sales day in the form of receivables in one year compared to the previous year. The higher the DSRI, the greater the likelihood of manipulation of financial statements. The formula of the DSRI is as follows:

$$DSRI = \frac{(Account\ Receivables\ t\ /\ Sales\ t\ )}{(Account\ Receivables\ t\text{-}1\ /\ Sales\ t\text{-}1\ )}$$

1. Gross Margin Index (GMI)

This ratio is used to measure the gross profit ratio of the previous year compared to the current year. The GMI formula is as follows:

$$GMI = \frac{(Sales\ t\text{-}1 - COGS\ t\text{-}1)\ /\ Sales\ t\text{-}1}{(Sales\ t - COGS\ t)\ /\ Sales\ t}$$

2. Asset Quality Index (AQI)

This ratio reflects changes in the risk of asset realization by comparing the current assets, buildings, land and equipment with total assets. The AQI formula is as follows:

$$AQI = \frac{(1-((Current\ Asset\ t + PPE\ t)/Total\ Asset\ t))}{(1-((Current\ Asset\ t\text{-}1 + PPE\ t\text{-}1)/Total\ Asset\ t\text{-}1))}$$

3. Sales Growth Index (SGI)

This ratio is used to measure revenue growth in the current year compared to the previous year. The SGI formula is as follows:

$$SGI = \frac{Sales\ t}{Sales\ t\text{-}1}$$

4. Depreciation Index (DEPI)

This ratio is used to measure the cost of depreciation and gross value of buildings, land and equipment in the current year with the previous year. DEPI formula as follows:

$$DEPI = \frac{(Depreciation\ t\text{-}1/(Depreciation\ t\text{-}1 + PPE\ t\text{-}1))}{(Depreciation\ t/(Depreciation\ t + PPE\ t))}$$

5. Sales, General and Administrative Expenses Index (SGAI)

This ratio is used to measure sales and administrative expenses on sales in the current year compared to the previous year. The SGAI formula is as follows:

$$SGAI = \frac{(SGA\ expenses\ t/Sales\ t)}{(SGA\ expenses\ t\text{-}1/Sales\ t\text{-}1)}$$

6. Total Accruals to Total Assets Index (TATA)

This ratio is used to measure sales and administrative expenses on sales in the current year compared to the previous year. The SGAI formula is as follows::

$$TATA = (Change\ in\ Working\ Capital\ t\text{-}\ Change\ in\ Cash\ t - Change\ in\ Tax\ Payable\ t - Depr\ \&\ Amor\ Exp\ t)$$

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Total Assets t

7. Leverage Index (LEVI)

LEVI is used to measure the company's financial structure and measure its long-term risk on the firm. LEVI formula is as follows::

$$\text{LEVI} = \frac{(\text{LTD t} + \text{Current Liabilites t})/\text{Total Assets t})}{(\text{LTD t-1} + \text{Current Liabilites t-1})/\text{Total Assets t-1})}$$

4.2. Independent Variables

The independent variable (X) is the variable affecting the dependent variable (Y) and this variable usually has a positive or negative influence. The independent variables contained in this study are as follows:

Table 1
Variabel measurement

Research Variables	Measurement	Scale
Independent		
1a. Financial stability is pro- duced with ACHANGE	$\text{ACHANGE} = \dfrac{\text{Total Asset t} - \text{Total Asset t-1}}{\text{Total Asset t}}$	Rasio
1b. External pressure is proxied with LEV.	$\text{LEV} = \dfrac{\text{Total Hutang}}{\text{Total Aset}}$	Rasio
1c. Individual financial needs are proxied with OSHIP	Variabel *dummy* 1 = 100 compass company there was any stock ownership by an insider during 3 years of research = vice versa	Nominal
1d. Target finance proxies with Return on asset (ROA)	$\text{ROA} = \dfrac{\text{Laba setelah pajak t-1}}{\text{Total Asset t-1}}$	Rasio
2a. Industrial Properties are proxied with RECEICABLE	$\text{RECEIVABLE} = \left\{\dfrac{\text{Piutang t}}{\text{Penjualan t}} - \dfrac{\text{Piutang t-1}}{\text{Penjualan t-1}}\right\}$	Rasio
2b. The ineffectiveness of supervision is proxied with BDOUT	$\text{BDOUT} = \dfrac{\text{Total Komisaris Independen}}{\text{Total Dewan Komisaris}}$	Rasio
3a. Auditor turnover is proxied with ΔCPA		Nominal
3b. Rationalization proxied by TATA	Variabel *dummy* 1 = 100 compass company there was any stock ownership by an insider during the three years of research 0 = vice versa	Rasio
3c. Opini audit is proxied with OPNADT Sari and Sukirman (2013)	$\dfrac{\text{Net income from continuing operasion t - CF From Operation}}{\text{Total Asset t}}$	Nominal
4. Capability proxied Capability (DCHANGE)	Variabel *dummy* 1 = 100 compass companies get opinions that tend to fluctuate for three years of observation. 0 = vice versa	Nominal
	Variabel *dummy* 1 = 100 compass company no change of board of directors three years of observation. 0 = vice versa	
Variabel control		
Ukuran perusahaan diproksikan SIZE Henny dan Nugraha (2015)	SIZE = Ln *(total asset)*	Rasio

5. SAMPLE

Sampling technique in this research use purposive sampling method, that is taking sample not randomly and sampling based on criteria determined by writer own. Selection criteria will be determined in accordance with the research undertaken. The sample criteria used:
- a. Public companies listed in the 100 compass index were researched during 2014-2016;
- b. Publishes complete financial reports and annual reports during 2014-2016;
- c. The company is listed on the Indonesia Stock Exchange during the study period;
- d. The Company uses the rupiah currency in its financial statements;

- e. Have complete data related to the variables used in the research

Regression Equation as follows:

FFR = α + β1.ACHANGE + β2.LEV + β3.OSHIP + β4.ROA + β5.RECEIVABLE + β6.BDOUT + β7.CPA + β8.TATA + β9.OPNADT + β10.DCHANGE + β11.SIZE + ε

Where as:

FFR	= Fraudulent Financial Reporting
ACHANGE	= Financia stability
LEV	= External Pressures
OSHIP	= Individual financial needs
ROA	= financial targets
RECEIVABLE	= industry character
BDOUT	= ineffective control
CPA	= Auditor Change
TATA	= Rasionalization
OPNADT	= Auditor Opinion
DCHANGE	= Capability
SIZE	= company size.
ε	= Error

6. RESULT AND DISCUSSION

6.1. Descriptive Statistic

Table2 expalines about an overview of the data seen from the minimum, maximum, average, and standard deviations of the tested variable as follows:

Table 2

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
ACHANGE	252	-2.236	.586	.09249	.208191
LEV	252	.000	3.629	.52323	.318676
OSHIP	252	0	1	.08	.277
ROA	252	-1.015	.458	.06393	.112706
RECEIVABLE	252	-.400	.480	.00288	.070296
BDOUT	252	.000	.833	.38975	.157134
CPA	252	0	1	.05	.222
TATA	252	-1.171	.251	-.01626	.103630
OPNADT	252	0	1	.00	.063
DCHANGE	252	0	1	.31	.463
SIZE	252	11.856	31.749	21.66952	5.667931
BENEISH INDEX	252	-5.786	2.734	-2.20904	.920397
Valid N (listwise)	252				

Source: Data processSPSS 21

Based on table 2 above shows the results of descriptive statistical tests as follows:
1. ACHANGE financial stability variable with total data of 252 has the lowest value of -2.236 and the highest value of 0.586 (using dummy variable), and get the average value of 0.09248 which means only 9.2% only ACHANGE from the collected company data which is a politician and the value of standard deviation (deviation) is quite large that is 0.208159 (standard deviation> mean);
2. The external pressure variable with a total of 252 data has the lowest value of 0 and the highest value of 3,629 with an average value of 0.523 which means that financial pressures have a lot of impact on the annual report of the collected company data and the

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standard deviation value (deviation) big is 0.318 (standard deviation> mean);

3   Variable individual financial needs with the amount of data of 252 has the lowest value of -1.015 and the highest value of 0.458 (using dummy variables), with an average value of 0.083 which means of 8.3% of the collected company data for individual financial needs and the value of the standard deviation (deviation) is quite large that is 0.27 (standard deviation> mean);

4   Variable financial target with the amount of data of 252 has the lowest value of 0 and the highest value of 1 (using dummy variables), with an average value of 0.63 which means 63% of the company's data collected financial targets and standard deviation (deviation) is large enough that is 0.112 (standard deviation> mean);

5   5 Industrial properties variable with 252 data has the lowest value of -0.4 and its highest value is 0.48 (using dummy variable), with the mean value of 0.0028 which means 0.2% of the company's data collected the financial targets and the standard deviation (deviation) is large enough that is 0.07 (standard deviation> mean);

6   Variable effectiveness of supervision proxied using percentage of independent board of commissioner with amount of data equal to 252 has the lowest value 0 and its highest value equal to 0.83, with average value equal to 0.389 which means effectivity of supervision from collected company data is high enough equal to 38.9% and the standard deviation (deviation) is quite small at 0.157 (standard deviation <mean);

7   The variable of external auditor replacement with the amount of 252 data has the lowest value 0 and the highest value of 1 (using dummy variable), with an average value of 0.05 which means the replacement of the external auditor from the collected data of the company is quite high by 5% and the standard deviation (deviation) is big enough that is 0.222 (standard deviation> mean);

8   The rationalization variable (TATA) with the amount of data of 252 from the reduction of net income from current operations with cash flow from operations divided by total assets of the current year, has the lowest value of -1.171 and its highest value is 0.251 (using dummy variable), with value average of -0.016 which means the rationalization (TATA) of the collected company data is high enough -1.6% and the standard deviation (deviation) is large enough that is 0.103 (standard deviation> mean);

9   Audit opinion variable with 252 data has the lowest value 0 and the highest value of 1 (using dummy variable), with the mean value of 0 means the change of audit opinion obtained from the collected company data 0% and the standard deviation deviation) of 0.063 (standard deviation> mean);

10   Variable capability with the amount of data of 252 has the lowest value 0 and the highest value of 1 (using dummy variables), with an average value of 0.31 means the ability obtained from the collected company data of 31% and deviation standard (deviation) big enough for 0.463 (standard deviation> mean);

11   Variable size of the company proxies using total asset logarithm with the amount of data of 252 has the lowest value 11.856 in PT. Telekomunikasi Indonesia (Persero) Tbk and its highest value of 31,749 in PT. Waskita Karya (Persero) Tbk, with an average value of 21.66951 means the company size of the data collected is large enough and the standard deviation (deviation) is quite small at 5.667930 (standard deviation <mean);

12   12.Variabel fraud financial statements proxies using M-Score with the amount of data of 252 has the lowest value -5.786 in PT. Central Proteinaprima Tbk and its highest value of 2,734 in PT. Ace Hardware Indonesia Tbk, with average beneish score on the collected company data of -2.20904 and its deviation standard (deviation) is big enough for 0.920397

6.2. Normality Test

The normality test is performed to see the residuals in the research model have been normally distributed. Normality test results can be seen in the table below:

Table 3

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		252
Normal Parameters[a,b]	Mean	-.0799320
	Std. Deviation	.42291543
Most Extreme Differences	Absolute	.079
	Positive	.079
	Negative	-.053
Kolmogorov-Smirnov Z		1.249
Asymp. Sig. (2-tailed)		.089

a. Test distribution is Normal.
b. Calculated from data.

Source: Data processSPSS 21

From table 3 above, this table shows that the data is normally distributed because Kolmogorov Smirnov value of its residue shows the value of 1.249, $p = 0.089> 0.05$ so the data is normally distributed.

Classic assumption test

The next step is to test the classical assumptions. The classical assumption test is a statistical requirement that needs to be met for multiple regression models. The classical assumption test consists of the following three steps:

6.3. Multicollinearity Test

The results of multicolonierity testing can be seen in the table below:

Table 4

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	ACHANGE	.772	1.295
	LEV	.506	1.974
	OSHIP	.967	1.035
	ROA	.555	1.803
	RECEIVABLE	.967	1.035
	BDOUT	.982	1.018
	CPA	.934	1.070

TATA	.587	1.704
OPNADT	.984	1.016
DCHANGE	.946	1.057
SIZE	.830	1.205

a. Dependent Variable: BENEISH INDEX

Source: Data processSPSS 21

From the above description, it can be concluded that all the independent variables tested in this study consisting of financial stability, external pressure, individual financial needs, financial targets, industry nature, ineffectiveness of supervision, auditor turnover, rationalization, audit opinion and ability do not have correlation each other, it can be proven from the acquisition of Tolerance value of each variable> 0.10 and VIF value of each variable <10.2.

6.4. Heteroscedasticity Test

Heteroscedasticity test in this study used Glejser test. As discussed in the previous chapter, the Glejser test can be seen from the significance value of each independent variable tested with the residual absolute value of the dependent variable. Glejser test results can be seen in table 5:

Table 5
Coefficients

	Model	t	Sig.
1	(Constant)	-1.088	.278
	ACHANGE	.442	.659
	LEV	.995	.321
	OSHIP	.286	.775
	ROA	-.435	.664
	RECEIVABLE	.175	.861
	BDOUT	.122	.903
	CPA	-1.082	.384
	TATA	1.074	.284
	OPNADT	.335	.738
	DCHANGE	.112	.911
	SIZE	.445	.657

a. Dependent Variable: BENEISH INDEX
Source: Data processSPSS 21

From the results of table 5, it can be concluded that the value of the significance of independent variables consisting of financial stability, external pressure, individual financial needs, financial targets, industry nature, ineffectiveness of supervision, auditor turnover, rationalization, audit opinion and ability to have significance value> 0.05 meaning there is no heteroscedasticity in the research regression model and this research model meets the requirements.3.

6.5 Autocorrelation Test

The results of the autocorrelation test can be seen in Table 4.6 below:

Table 6

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.617^a	.380	.352	.740959	1.968

a. Predictors: (Constant), SIZE, DCHANGE, BDOUT, RECEIVABLE, OPNADT, OSHIP, ROA, CPA, ACHANGE, TATA, LEV
b. Dependent Variable: INDEKS BENEISH

Source: Data processSPSS 21

The results of autocorrelation test can be seen from Durbin-Watson (D-W) value, seen from the table above that the D-W value obtained is 1.968, which means that there is no autocorrelation in the regression model of this study. This is in accordance with the requirements already mentioned in the previous chapter where if the D-W number is between -2 to +2, then no autokorelasion. Figure 2 is a Watson durbin area image which is a help image for determining the watbin durbin value out of the SPSS 21 application in which area, as shown in Figure 4.2 will be compared clearly. D-W = 1.968 is in the no autocorrelation area.

Figure 3 *Autokorelation Test Result*
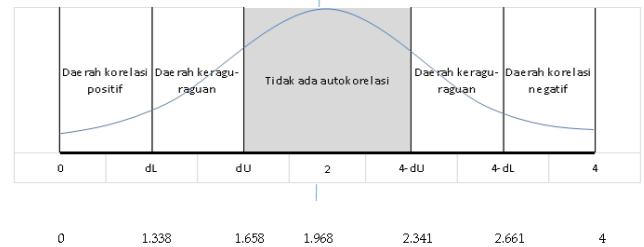
6.6. Model test

6.6.1. F Tes
F test result as follows:

Table 7

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	80.865	11	7.351	13.390	.000^a
	Residual	131.765	240	.549		
	Total	212.630	251			

a. Predictors: (Constant), SIZE, DCHANGE, BDOUT, RECEIVABLE, OPNADT, OSHIP, ROA, CPA, ACHANGE, TATA, LEV
b. Dependent Variable: INDEKS BENEISH

Source: Data processSPSS 21

From table 7 above it can be concluded that independent variables consisting of financial stability, external pressure, individual financial needs, financial targets, industry nature, ineffectiveness of supervision, auditor turnover, rationalization, audit opinion and ability to have simultaneous and significant influence on fraud financial statements. This can be proven from the significance value of table 4.7 of 0 (<0.05).

6.6.2. R Test & R-Square (Determination Coeficient)

Hasil uji R & R-Square dapat dilihat dari table 8 di bawah ini:

Table 8

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	80.865	11	7.351	13.390	.000^a
	Residual	131.765	240	.549		
	Total	212.630	251			

a. Predictors: (Constant), SIZE, DCHANGE, BDOUT, RECEIVABLE, OPNADT, OSHIP, ROA, CPA, ACHANGE, TATA, LEV

b. Dependent Variable: INDEKS BENEISH

Source: Data processSPSS 21

Based on table 8 above, it shows a R value of 0.617 which means relationship between independent variables of financial stability, external pressure, individual financial needs, financial targets, industry nature, ineffectiveness of supervision, auditor turnover, rationalization, audit opinion and ability to dependent variable fraudulent strong financial statements (can be seen from the value of R> 0.5). Table 4.8 also shows the value of Adjusted R-Square of 0.352 which means independent variables of financial stability, financial pressure, individual financial needs, financial targets, industry nature, ineffectiveness of supervision, auditor turnover, rationalization, audit opinion and ability to explain the dependent variable of fraudulent financial statements ie 35.2%, while the remaining 64.8% is explained by other factors not found in the research model.

Hypothesis Test (T Test)
Hypothesis test results (t test) can be seen from table 9 below:

Table 9

Model Summary

Model	R	R Square	Adjusted R Square
1	.617^a	0.38	0.352

a. Predictors: (Constant), SIZE, DCHANGE, BDOUT, RECEIVABLE, OPNADT, OSHIP, ROA, CPA, ACHANGE, TATA, LEV
b. Dependent Variable : BENEISH INDEX

Source: Data processSPSS 21

Seen from table 9 above, the following results are obtained:
1a financial stability has a significant negative effect on the fraudulent financial statements;
1b The external pressure has no significant positive effect on the fraudulent financial statement;
1c individual financial needs does not significantly influence fraudulent financial statements;
1d The financial target does not significantly influence of financial reporting fraud;
2a. Industry characteristic has a significant positive effect toward financial reporting fraud;
2b. The effectiveness of supervisory variables did not significantly influence the positive direction of financial reporting fraud;
3a. auditor turn influential significant positive direction to fraudulent financial report;

3b. The rationalization has a significant positive effect toward the fraudulent financial report;
3c. Audit opinion does not significantly influence fraudulent financial statements;
4. capability does not significantly influence report fraud finance.

7. CONCLUSSION
It can be deduced that the diamond fraud proxied by several independent variables studied for use to assess the fraud of financial statements are only a few variables that can have a significant effect on fraudulent financial statements. This is due to the independent variables used as proxies more focused on human behavior so that it is not directly related to financial statement data. This study has the following limitations: First Sample This study is a company that has been incorporated in the 100 compass index, where the company has been proven to run corporate governance with good financial reporting. Therefore, the results of research obtained most of the independent variables have no effect on fraudulent financial reporting (fraudulent financial reporting); both Beneish models are suitable for manufacturing companies [23] and in this study the sample companies are mixed companies (banking / finance, manufacturing and others); third The dependent variable of fraudulent financial statements proxied by beneish score has many versions and consists of many ratios so it takes quite a long time to calculate the score on the sample of the company; Fourth Lack of national and international journal references for the measurement of the diamond fraud used in this study. Some of the dependent variables used are still rarely studied to date.. Therefore it is expected that in the next research can do several things, namely: Based on the research that has been done, there are some implications of subsequent research on the results of research as follows: First For academic, hopefully this research result can be a reference for further research and become the rationale for developing other measurement variables of diamond fraud; The second study could then use more proxies for the diamond fraud variable to obtain more convincing results; third For further research, it is expected to use the proxies of dependent variables that use financial ratio measurement and it would be better if the analysis of the effect of fraud diamond on fraudulent financial statements also use the spread of questionnaires to further convince the measurement of independent variables; fourth Analysis for further research should use mixed method (mix of questionnaires spread, interview, and financial ratio calculation); fifth For further research samples, is expected to use a sample of research companies that have net loss (financial loss) that will affect the results of the research produced.

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