

The Effect of Fraud Diamond on Financial Performance with the Audit Committee as a Moderation Variable

(Empirical Study on Transportation Companies Listed on the IDX (Indonesia Stock Exchange) for the 2016-2020 Period)

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Abstract:- This study aims to empirically prove the results of the analysis of the effect of diamond fraud on financial performance with the audit committee as a moderation variable in transportation companies listed on the Indonesia Stock Exchange for the 2016- 2020 period. This research is research in nature with explanations that show cause and effect between research variables. The population in this study is all transportation companies listed on the Indonesia Stock Exchange(IDX) in 2016- 2020 totaling 46 companies. The determination of the number of samples was carried out by purposive sampling technique and was determined as many as 32 companies. Information is processed using Eviews version 8. 0, quantitative using panel information regression analysis techniques. The results of this study show that diamond fraud measured with Pressure(ACHANGE, ROA, and DAR), and opportunity(REC) does not have a significant effect on financial performance. While opportunity(BDOUT), rationalization has a positive effect on financial performance. Then capability negatively affects financial performance. Based on the results of the interaction test with moderation variables that the audit committee cannot moderate the effect of the relationship between diamond fraud as measured by ACHANGE, ROA, DAR, REC, and BDOUT), rationalization and capability have a significant effect on financial performance.

Keywords:- *Fraud Diamond, Pressure, Opportunity, Rationalization, Capability, Financial Performance, Audit committee*

I. INTRODUCTION

In the current era of globalization, financial statements are very useful for companies in providing information about financial position, performance and changes in financial position that are useful in decision making, management performance appraisal, assessing investment feasibility, assessing debt feasibility, tax calculations and accountability to the public.

Financial statements are a form of communication tool to internal and external parties of the company to inform the company's activities in a certain period of time.

The criteria for required information are relevant, timely, accurate, complete and concise (Hall 2016, p. 12).

In fact, currently there are still companies that have not been able to present financial statements in accordance with relevant, timely, accurate, complete and concise criteria. The cause is fraud carried out by management to obtain personal or group benefits. Fraud is an act of fraud that violates the law that is carried out deliberately to obtain benefits, both personal and group and is detrimental to other parties and even harms company / state finances.

The Association of Certified Fraud Examiners (ACFE) classifies fraud in several classifications, and is known as the "Fraud Tree", namely, Asset Misappropriation, Fraudulent Statement, and Corruption.

In the publication entitled "Report to the Nations on Occupational Fraud and Abuse" (ACFE 2022), a study of 2,110 incidents in 133 countries that caused losses of more than \$3,600,000,000,000 was conducted. From the fraud tree consisting of corruption, asset misappropriation, and financial statement fraud, it can be seen that financial statement fraud is in third position with a percentage of 9%. Although the percentage is relatively small compared to asset misappropriation of 86% (\$100,000) and corruption of 50% (\$150,000), the loss caused by financial statement fraud is very material at USD\$593,000.

The development of the transportation industry in Indonesia has a very significant role in supporting the occurrence of the national development process. However, fraud in the company may occur if the company feels depressed because of the financial condition that is being faced by the company. In addition, when an organization / company is faced with economic difficulties, the company / organization will usually experience increased financial stress, which causes an increased risk of fraud / fraud involving misrepresentation of financial statements. This can be seen in the example of PT Garuda Indonesia as the

largest transportation company in the aviation sector that manipulates financial statements. Garuda Indonesia management recognized Mahata's revenue of USD\$ 239,940,000, of which USD\$ 28,000,000 was part of the revenue sharing obtained from PT Sriwijaya Air. In addition, opportunity conditions that divide fraud in financial statements into three categories, namely: nature of industry, ineffective monitoring and organizational structure.

First, financial stability is a condition of financial stability within a company. Second, financial targets can be a factor in the occurrence of fraud when there is pressure because a company has certain targets and in certain periods that must be obtained or achieved by the company. Third, external pressure is excessive pressure for management to meet the expectations of third parties,

Fourth, personal financial needs are a condition where a company's finances are also influenced by the financial condition of company executives

Fifth, industrial conditions are one of the factors in financial statement fraud where companies use existing inventory as additional revenue for the company. Sixth, the ineffectiveness of supervision in financial statements so that fraud occurs is an impact of weak supervision

Seventh, auditor changes can occur for legitimate reasons, but the risk of audit failure will be higher than the following year if you change auditors frequently.

Eighth, the change of directors is a change of directors that does not always have a good impact on the company, but this change can be an effort by the company to improve the performance of the previous directors. In this case, previous research has analyzed the effect of diamond fraud with financial performance, but there has never been a study with audit committee moderation variables between diamond fraud and financial performance. To complement previous research, the authors tried to add the audit committee as a moderation variable to see the effect on both.

II. THEORETICAL FOUNDATION

A. Stewardship Theory

Stewardship theory is a theory that describes situations in which managers are not motivated by individual goals but rather aimed at their primary outcome goals for the benefit of the organization.

➤ Fraud Theory

Fraud is something that often and can occur in everyday life, both in government and public. Bologna et al. (1993) in Rachmawati (2014) describe fraud as "criminal deception intended to financially benefit to deceiver".

Erickson et al. (2006) in Koroy (2008) explained that profit management and fraud have similarities in objectives because both can manipulate financial statements, but there is a difference between the two things, namely fraud or

fraud is outside the scope of the specified standard (PSAK / GAAP), while profit management is still within the scope of PSAK / GAAP.

➤ Diamond Fraud Theory

This concept that distinguishes from fraud triangle theory is capability.

Capability is a person's ability to commit fraud. This ability variable can be used as a factor to measure how much power someone is committing fraud. Wolfe and Hermanson (2004) also explain the characteristics related to capability elements that are very important in the person of fraudsters, namely Positioning (one's position, b) Intelligence and creativity Intelligence and creativity, Convidence / Ego (Confidence / ego, Coercion, Deceit, and Stress. The following explanation of the elements of fraud diamond is

- Pressures such as lots of debt, lifestyle over financial means (bigger peg than pole), greed, and unexpected needs.
- Bad habits: such as drug addiction
- Work environment pressures: such as undervaluing performance, low pay and dissatisfaction with work.
- Other pressures: such as pressure from the wife / husband to own luxury goods.

According to SAS (Statement of Auditing Standard) no. 99, there are four types of conditions that commonly occur in pressure that can cause fraud, one of which is financial stability. According to Tuanakotta (2014), financial stability is threatened by the conditions, economy, industry or operations of the entity or company, such as:

The proxies used to measure Resilience Stability in this study are (Sartono, 2010):

$$= \frac{ACHANGE}{Asset\ Total\ t - Asset\ Total\ t - 1} \times 100\%$$

B. External Pressure

Overall, the external pressure faced by management is the pressure of financing or pressure in obtaining additional money. Therefore, external pressure is proxied by a leverage ratio (DAR) which shows how much of the company's total assets are funded by all its creditors. Here is the formula, namely:

$$DAR = \frac{\text{Total Debt}}{\text{Total Assets}}$$

C. Financial Target

In this study, financial targets are measured using return on assets. Return on assets is a ratio that reflects how much return is generated on each rupiah of money invested in assets. The higher the ROA value indicates the company's performance, the better it is in managing company assets to generate company profits and vice versa:

$$ROA = \frac{\text{Earning After Interest and Tax}}{ASSET\ TOTAL}$$

D. Personal Financial Needs

According to Jan Hoesada et al (2018) said that self-interest (management or other officials) in committing fraud can be reduced by improving the accounting reporting system to a conservative method because the profits owned can be of good quality and can be accounted for. In this study, personal *financial need* is measured using insider share ownership variables.

E. Opportunity

In accordance with the results of research conducted by Rahmayuni (2018) which states that industrial conditions have a positive effect on *financial statement* fraud.

The proxies used to measure Industrial Conditions are:

(Annisya, Lindrianasari, &; Asmaranti, 2016)

$$REC = \frac{Receivables\ t - Receivables\ t - 1}{Sales\ t - Sales\ t - 1}$$

F. Ineffective Supervision (Ineffective Monitoring)

Supervision is usually done by comparing everything that has been carried out with the standard or plan and making improvements if there are deviations. Supervision is generally carried out by the board of commissioners. According to Arifin and Muhammad (2016), all management functions will not run effectively without supervision. Dunn in Skousen, Smith and Wright (2008) states that the fewer members of the external board of commissioners, the greater the likelihood of the company committing fraud, and vice versa. So, to find out the percentage of external board of commissioners members can use BDOUT.

$$BDOUT = \frac{Number\ of\ Independent\ Commissioners}{Total\ Number\ of\ Board\ of\ Commissioners}$$

➤ **Audit Committee**

In accordance with the results of research from Jan Hoesada et al (2018) stated that the audit committee affects the integrity of financial reporting information. In this case, integrity in financial reporting is the extent to which the information presented is in accordance with the actual circumstances so that the information can be relied upon for quality in the decision-making process.

The audit committee can be calculated using the following equation:

$$Audit\ Committee = \sum Member\ of\ Audit\ Committee$$

➤ **Financial Performance Theory**

According to Parengkuan (2017) financial performance is an important factor to assess the overall performance of the company, including the valuation of assets, debt, liquidity, and so on.

In this study, financial performance is measured using Return On Equity (ROE). The ROE ratio shows the ability of each company's capital to generate a company's net profit. The higher the ROE value means that the company's management has a better ability to optimize the use of its capital. The ROE formula is as follows:

$$ROE = \frac{Earning\ After\ Interest\ and\ Tax}{Total\ Equity}$$

III. CONCEPTUAL FRAMEWORK

Based on the theoretical foundation and previous research journals, the conceptual framework in this study is as follows:

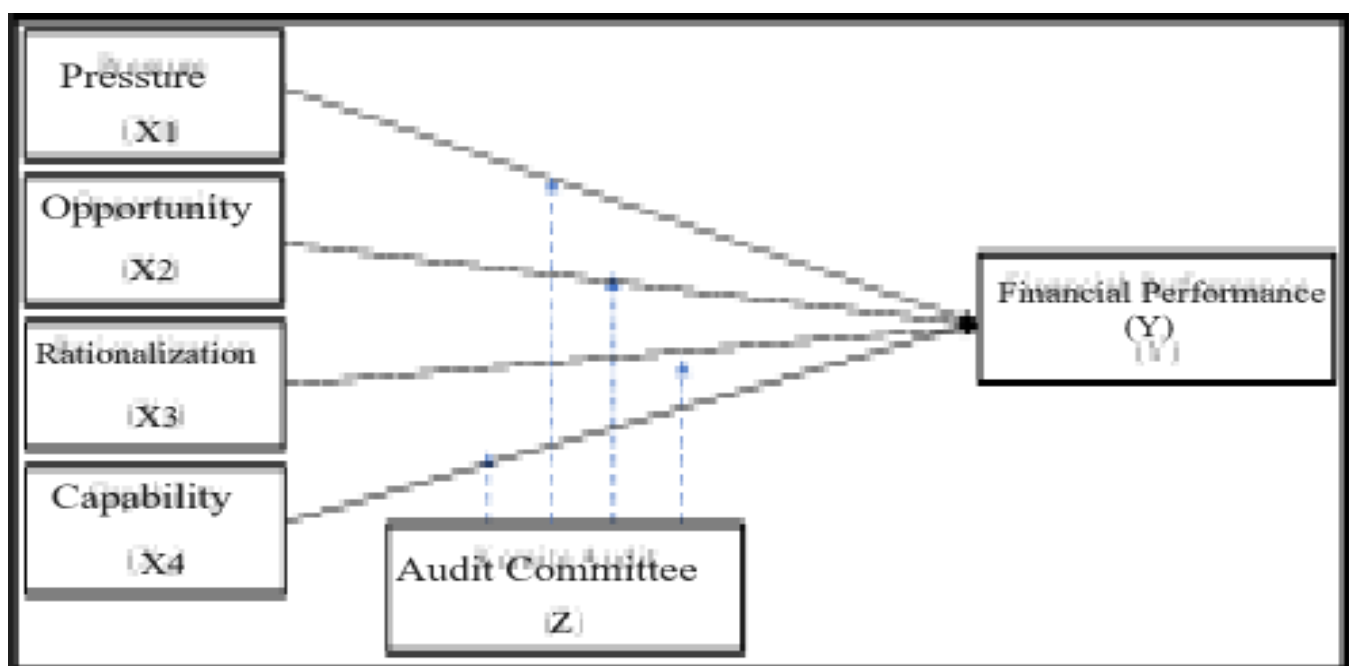


Fig 1 Conceptual Framework

➤ *The Hypotheses in this Study are as Follows:*

- *H1 : Pressure affects financial performance*
- *H2 : Opportunity Affects Financial Performance*
- *H3 : Rationalization Affects Financial Performance*
- *H4 : Capability Affects Financial Performance*
- *H5 : Pressure Affects Financial Performance with Audit Committee as Moderation Variable*
- *H6 : Opportunity Affects Financial Performance with Audit Committee as a Moderation Variable*
- *H7 : Rationalization Affects Financial Performance with Audit Committee as a Moderation Variable*
- *H8 : Capability Affects Financial Performance with Audit Committee as Moderation Variable*

- Transportation companies that are successively listed on the Indonesia Stock Exchange for the period 2016-2020.
- Transportation companies that conducted IPOs before 2016
- A transportation company that presents consecutive annual financial statements for 2016-2020.

➤ *Data Analysis Techniques*

Testing the research hypothesis is carried out by using E-views by testing panel data. This research uses multiple regression analysis techniques of panel data. According to (Basuki and Prawoto, 2016) panel data is a combination of time series data and cross section data with the following model:

$$Y_{it} = b_0 + b_1 X_{1it} + b_2 X_{2it} + b_3 X_{3it} + b_4 X_{4it} + Z + e$$

Information:’

- Y_{it} = Financial Performance
- b₀ = Konstanta
- t = Time
- i = company
- X₁ = Pressure
- X₂ = Opportunity
- X₃ = Rationalization
- X₄ = Capability
- Z = Audit Committee
- e = error standard

According to Basuki and Prawoto (2016), the regression model estimation method using panel data can be done through 3 (three) approaches, including Common Effect Model, Fixed Effect Model, and Random Effect Model.

Classical Assumption Testing in research using Normality Test, Multicollinearity Test, Auroccorrelation, Heterokedasticity

Hypothesis testing can also be done by means of simultaneous tests (F test), coefficient of determination (R²), and partial tests (t test).

IV. RESEARCH METHODS

➤ *Research Design*

Quantitative research is research that uses numerical data (numbers) processed by statistical methods, especially this research is classified as explanatory research, which is explanatory research that shows cause and effect between research variables (Ghozali, 2011). Data collection in this quantitative study is Dependent Variable, Moderate Variable and Independent Variable.

➤ *Population and sample*

The population in this study is transportation companies listed on the Indonesia Stock Exchange for the period 2016 – 2020. In this study, the population was 46 companies listed on the Indonesia Stock Exchange.

The sample used in this study is financial statement data for the period 2016 – 2020. This research is only limited from the period 2016 – 2020 due to the many fraud cases occurring in Indonesian transportation companies, such as Garuda Indonesia, PT KAI, Humpuss Transportation. The sampling technique is purposive sampling, which is a sample that is selected and adjusted to the research objectives or research problems developed. From the results of the sample selection, as many as 33 companies were obtained which will be used as research objects. The sample criteria used are:

V. RESULTS AND DISCUSSION

In this study, the data used is secondary data obtained from the financial statements of transportation companies listed on the IDX in the period 2016 – 2020. A summary of the sample selection procedure is presented in the following table:

Table 1 Sampling Criteria

No.	Information	Sum
1	Transportation companies that are successively listed on the Indonesia Stock Exchange for the period 2016-2020	46
2	Transportation companies that conducted IPOs above 2016	(12)
3	Companies that did not publish annual financial statements during 2016-2020	(2)
Number of Samples		32
Number of Research Observations (32 x 5 years)		160

A. *Descriptive Statistics*

This analysis was conducted to determine the minimum, maximum, mean, and standard deviation values from the research data. The results of Xdescriptive statistical testing of all variables can be seen in table 2 as follows:

Table 2 Descriptive Statistical Test Results

Variable	Mean	Median	Maximum	Minimum	Std. Dev.	Observations
ACHANGE	0.110062	-0.020000	6.200000	-0.950000	0.697356	160
ROA	0.727500	0.005000	88.80000	-40.11000	13.27566	160
BUT	24.44525	9.205000	86.20000	0.010000	26.60303	160
REC	0.559625	0.075000	83.82000	-5.310000	6.735069	160
BDOUT	0.418125	0.400000	1.000000	0.200000	0.112116	160
RAT	0.175000	0.000000	1.000000	0.000000	0.381160	160
HEAD	0.131250	0.000000	1.000000	0.000000	0.338734	160
THAT	3.037500	3.000000	5.000000	2.000000	0.432740	160
ROE	199.8629	0.115000	24100.00	-1030.000	2036.536	160

B. Normality Test

The normality test in this study was conducted with Jarque-Bera (J-B) through E Views statistical software. Data is not normally distributed if the probability value (p-value) is less than the significance level of 5%. Then if the probability value (p-value) is greater than the significance level of 5%, then the data is said to be normally distributed. The results of normality testing can be seen in the following:

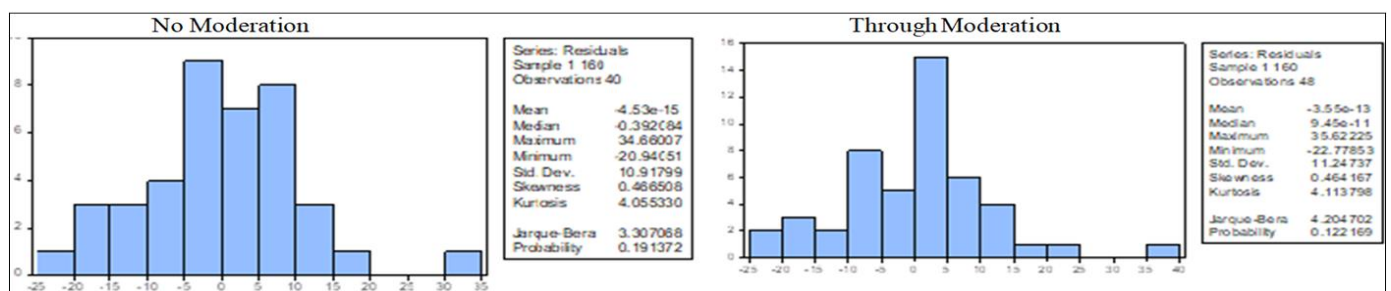


Fig 2 Normality Test Results

It is known that the Jarque-Bera value in the model without moderation is 3.307068 with a probability value of 0.191372 which is greater than the significant level of 0.05, it can be concluded that the data in the model model without moderation research is normally distributed. Furthermore, the Jarque-Bera value in the model through moderation of 4.204702 with a probability value of 0.122169 which is greater than the significant level of 0.05, it can be concluded that the data in the model model through moderation of research are normally distributed.

C. Multicollinearity Test

To test multicollinearity, correlation analysis between independent variables and calculation of variance inflation factor (VIF) values was carried out. The occurrence of multicollinearity if the VIF value is greater than 10, it can be said that the independent variable in the study can be trusted and objective (Ghozali, 2013). The results of multicollinearity testing in this study can be seen in the following table:

Table 3 Multicollinearity Test Results

Variable	Coefficient Variance	VIF	
		Uncentered	Centered
No Moderation Variables			
ACHANGE	221.8538	3.062900	2.447243
ROA	0.030322	2.665262	2.584359
DAR	0.062147	4.925672	3.920705
REC	3.257142	1.716526	1.685163
BDOUT	5313.452	174.6698	4.510774
RAT	71.46401	1.906159	1.715543
CAP	126.4913	7.591277	5.883240
KA	420.7115	995.9201	2.735274
Through Moderation Variables			
ACHANGE_KA	3.756059	1.685108	1.676673
ROA_KA	0.001863	1.473450	1.446342
DAR_KA	0.002744	5.584414	4.516356
REC_KA	0.349848	1.504532	1.459034
BDOUT_KA	39.88831	18.34734	3.296883
RAT_KA	4.915407	1.184481	1.063565
CAP_KA	2.259787	1.810622	1.333859

It is known that the VIF value on all variables is smaller than 10. Thus, all variables are free from the problem of multicollinearity because the value of $VIF < 10$.

D. Autocorrelation Test

One test that can be used to detect autocorrelation is the Breusch Godfrey test or called the Lagrange Multiplier. If the probability value $> \alpha = 5\%$ means that no autocorrelation occurs. Conversely, the probability value $< \alpha = 5\%$ means that autocorrelation occurs. The results of the autocorrelation test can be seen in the following table:

Table 4 Autocorrelation Test Results

<i>Model</i>	<i>Prob. Obs*R-squared</i>	<i>Conclusion</i>
No Moderation	0.6620	No Autocorrelation Occurs
Through Moderation	0.3313	No Autocorrelation Occurs

Known value of Prob. Obs*R-squared models without moderation and through moderation greater than 0.05. So it was concluded that the data in this study did not occur autokeralation.

E. Heteroscedacity Test

Heteroscedacity testing is performed with the White test. In the White test, the criteria see there Whether or not heteroskedacity is if the Obs*R-Squared value or probability is < 0.05 then there is heteroskedacity, but if the Obs*R-Squared value or probability is > 0.05 then there is no heteroskedacity. The results of heteroscedasticity testing in this study can be seen in the following table:

Table 5 Heteroscedacity Test Results

<i>Model</i>	<i>Prob. Obs*R-squared</i>	<i>Conclusion</i>
No Moderation	0.0255	Heteroscedacity occurs
Through Moderation	0.0028	Heteroscedacity occurs

Known value of Prob. Obs*R-squared model without moedration, and through moderation $< \alpha 0.05$. Thus it can be concluded that the data in this study there is a heteroscedasticity problem.

F. Panel Data Regression Model

➤ *Chow Test*

This test is performed with an F or chi-squared statistical test with hypotheses used as follows:

- *Ho: The model follows the common effect model*
- *H1: The model follows the fixed effect model*
- *Alpha: 5%*

✓ *Conditions: Reject Ho if the F test or Chi-square score $< \alpha$.*

Here are the results obtained from chow-tests conducted using EViews 8.0 software:

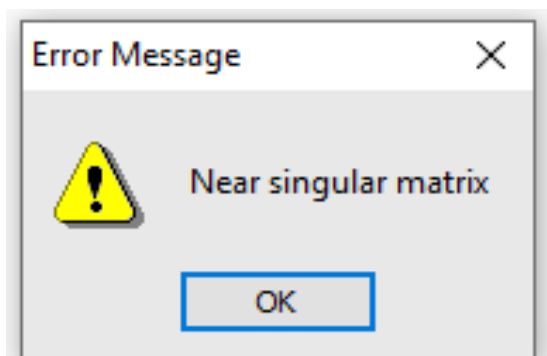


Fig 3 Chow Test Results

Based on the results of the chow test model without moedration and through moderation, it is known that the results of the fixed effect model cannot be done, so for the results of the chow test occurs Near Singular Matrix. For testing, the selection of the best data model can only be done using the common effect model and random effect model.

➤ *Hausman Test*

The hypothesis in hausman test testing is as follows:

- *Ho: Model follows Random Effect Model*
- *H1: Model follows Fixed Effect Model*
- *Alpha = 5%*

✓ *Conditions: Reject Ho if the p-value $< \alpha$.*

The following are the results obtained from the hausman test conducted using EViews 8.0 software:

Table 6 Hausman Test Results

<i>Model</i>	<i>Test Summary</i>	<i>Prob.</i>
No Moderation	Cross-section random	0.0139
Through Moderation	Cross-section random	1.0000

From the table, it was found that the probability value in the random cross section test in the model without moderation was 0.0139 which means it has a smaller significance than the level of confidence (significance level) 95% ($\alpha = 5\%$). So the decision taken on this hausman test is Ho rejected and H1 is accepted. In other words, models without moderation follow the fixed effect model method. Or it can be concluded that the fixed effect model method is better than the random effect model method. Then the probability in the random cross section test in the model

through moderation is 1.0000 which means it has greater significance than the level of confidence (level of significance) 95% ($\alpha = 5\%$). So that the decision taken on this hausman test is that H0 is accepted and H1 is rejected. In other words, the model through moderation follows the random effect model method. Or it can be concluded that the random effect model method is better than the fixed effect model method.

➤ *Uji Langrage Multiplier*

This test is used to determine the model between the Pooled Least Square (PLS) approach and the Random Effect

Model (REM). The null hypothesis of the LM test is as follows:

- *Ho: Common Effect Model (PLS)*
- *H1: Random Effect Model (REM)*
- *Alpha: 5%*

✓ *Conditions: Reject Ho if Prob. Chi-Square < alpha 0.05.*

Here are the results obtained from langrage multiplier testing conducted using EViews 8.0 software:

Table 7 Langrage Multiplier Test Results

Model	Test Summary	Prob.
No Moderation	Prob. Chi-Square	0.6620
Through Moderation	Prob. Chi-Square	0.3313

Referring to the LM test results, it is known that the value of Prob. Chi-Square on both models is 0.6620, and 0.3313 is greater than alpha 0.05. Thus, Ho is accepted and H1 is rejected. That is, the estimation approach of both models follows the common effect model. In other words, the common effect model is better than the random effect model.

➤ *Best Model Selection Recommendation*

Table 8 Data Regression Model Selection Results of Both Models

Test	Information	Result
Chow Test	CEM Vs FEM	-
Hausman Test	REM Vs FEM	Random Effect Model
Langrage Multiplier Test	PLS Vs REM	Common Effect Model

The results of selecting panel data regression models from models without fund moderation through moderation variables in the table above show different results. So it is established the selection of the best model

In influencing financial performance seen from the value of R-Square. The r-square random effect model and common effect model values produce the same number. So it is concluded that the best moderation variable testing model for regression equations can use a common effect model or a random effect model.

G. *Panel Data Regression Test*

To determine whether or not there is an influence of diamond fraud on financial performance with the audit committee as a moderation variable. The results of common effect testing with the cross-section weights model can be seen in the following output.

Table 9 Regression Test Results Without Moderation Variables

Variable	Coefficient	Std. Error	t-Statistic	Prob. One Tailed
C	-103.7631	72.57947	-1.429648	0.0814
ACHANGE	15.42372	14.89476	1.035513	0.1542
ROA	0.124973	0.174132	0.717690	0.2392
DAR	0.341252	0.249294	1.368872	0.0905
REC	0.398399	1.804756	0.220749	0.4134
BDOUT	138.0439	72.89343	1.893778	0.0338
RAT	37.89825	8.453639	4.483069	0.0001
CAP	-25.32288	11.24683	-2.251556	0.0158

Based on the results of regression output with those that have been done in research, a regression equation model can be made as follows:

$$ROE = -103.7631 + 15.42372ACHANGE + 0.124973ROA + 0.341252DAR + 0.398399REC + 138.0439BDOUT + 37.89825RAT + -25.32288CAP + 18.48727KA + e$$

Table 10 Regression Test Results Through Moderation Variables

Variable	Coefficient	Std. Error	t-Statistic	Prob. One Tailed
C	738.0573	2573.051	0.286841	0.3881
ACHANGE_KA	-296.9922	252.3225	-1.177034	0.1240
ROA_KA	171.7805	225.7771	0.760841	0.2262
DAR_KA	5.305658	8.175537	0.648968	0.2605
REC_KA	-89.26808	336.3185	-0.265427	0.3962
BDOUT_KA	-691.6451	552.7391	-1.251305	0.1100
RAT_KA	-26.66386	160.6323	-0.165993	0.4346
CAP_KA	1093.479	1302.687	0.839403	0.2038

Based on the results of regression output with those that have been done in research, a regression equation model can be made as follows:

$$ROE = 738.0573 + 891.4309ACHANGE - 515.0267ROA - 15.76689DAR + 268.0594REC + 2042.163BDOUT + 107.3673RAT - 3289.916CAP - 241.3600KA - 296.9922ACHANGE*KA + 171.7805ROA*KA + 5.305658DAR*KA - 89.26808REC*KA - 691.6451BDOUT*KA - 26.66386RAT*KA + 1093.479 CAP*KA + e$$

H. Test the hypothesis

Hypothesis testing is a testing procedure that will result in a decision, namely the decision to accept or reject a hypothesis in a study. Hypothesis testing in research uses partial hypothesis tests (t tests) and coefficient of determination tests (R2).

I. T test (Partial Hypothesis Testing)

The statistical test t is used to determine the influence of an independent variable individually in explaining the variation of the dependent variable (Ghozali, 2013). The criteria for acceptance and rejection of the hypothesis are based on the significance value of the p-value.

- If the p-value (significance) > 0.05 then the research hypothesis is rejected
- If the p-value (significance) < 0.05 then the research hypothesis is accepted
- Based on the results of partial hypothesis testing (t-test) in the previous table, conclusions can be drawn:

- The Effect of Pressure on Financial Performance

- ✓ Pressure measured by ACHANGE has a coefficient value of 15.42372 and a probability value of 0.0814 > 0.05 so it can be concluded that ACHANGE does not have a significant effect on financial performance as measured by Return On Equity (ROE).
- ✓ Pressure measured by ROA has a coefficient value of 0.124973 and a probability value of 0.2392 > 0.05 so that it can be concluded that ROA does not have a significant effect on financial performance as measured by Return On Equity (ROE).
- ✓ Pressure measured by DAR has a coefficient value of 0.341252 and a probability value of 0.0905 > 0.05 so it can be concluded that DAR does not have a significant effect on financial performance as measured by Return On Equity (ROE).

J. The Effect of Opportunity on Financial Performance

- Opportunity measured by REC has a coefficient value of 0.398399 and a probability value of 0.4134 > 0.05 so it can be concluded that opportunity measured by REC does not have a significant effect on financial performance measured by Return On Equity (ROE).
- Opportunity measured by BDOUT has a coefficient value of 138.0439 and a probability value of 0.0338 < 0.05 so it can be concluded that opportunity measured by BDOUT has a positive influence on financial performance as measured by Return On Equity (ROE).

- The Effect of Rationalization on Financial Performance

Rationalization has a coefficient value of 37.89825 and a probability value of 0.0001 < 0.05 so that it can be concluded that Rationalization has a positive effect on financial performance as measured by Return On Equity (ROE).

- The Effect of Capability on Financial Performance

Capability has a coefficient value of -25.32288 and a probability value of 0.0158 < 0.05 so it can be concluded that capability negatively affects financial performance as measured by Return On Equity (ROE).

- The Effect of Pressure on Financial Performance through the Audit Committee as a Moderation Variable

pressure measured by having a coefficient value of -296.9922 and a probability of 0.1240 > 0.05 so that it can be concluded that the audit committee variable cannot moderate between the pressure measured by ACHANGE and financial performance measured by Return On Equity (ROE).

- The Effect of Opportunity on Financial Performance through the Audit Committee as a Moderation Variable

REC has a coefficient value of -89.26808 and a probability value of 0.3962 > 0.05 so that it can be concluded that the audit committee variable cannot moderate between opportunity measured by REC and financial performance measured by Return On Equity (ROE).

- The Effect of Rationalization on Financial Performance through the Audit Committee as a Moderation Variable

rationalization has a coefficient value of -26.66386 and a probability value of 0.4346 > 0.05 so that it can be concluded that the audit committee variable cannot moderate between rationalization to financial

performance measured by Return On Equity (ROE).

- The Effect of Capability on Financial Performance through the Audit Committee as a Moderation Variable capability has a coefficient value of 1093.479 and a probability value of 0.2038 > 0.05 so that it can be said that the audit committee variable cannot moderate between capability to financial performance as measured by Return On Equity (ROE).

K. Coefficient of Determination Test

The coefficient of determination (R2) test describes the percentage of total variation in the dependent variables described together. R2 describes a measure of goodness of fit, i.e. the extent to which the sample regression line matches the existing data. The criterion is that the higher the R2 value (R2 is close to 1), the better the regression line of the sample. The results of the coefficient of determination test in this study are as below:

Table 11 Test Results of Coefficient of Determination R2)

Model	R-Squared
Tanpa Moderasi	0.456297 (45,6%)
Melalui Moderasi	0.449942 (44,9%)

Based on Table 11 above, it is known that the results of the coefficient of determination test from the two models in this study will be explained below.

- The R-square value without moderation variables is 0.456297, this shows that 45.6% of financial performance variables are influenced by pressure, opportunity, rationalization and capability variables while the remaining 54.4% are influenced by other variables outside the studied.
- The R-square value through the moderation variable is 0.449942 this shows that 44.9% of financial performance variables are influenced by pressure, opportunity, rationalization, capability,

VI. DISCUSSION

➤ *The Effect of Pressure on Financial Performance*

The results of testing the first hypothesis show that pressure measured by ACHANGE, ROA and DAR does not have a significant effect on financial performance. According to Tuanakotta, (2014) pressure is fraud or fraud that occurs due to incentives / pressure / needs. Pressure can be measured through financial stability, financial targets, external pressures and personal financial needs. However, the results of this study show that financial performance cannot be affected by pressure, both internally and externally. This result is in line with research conducted by Rajagukguk (2017) stating that fraud prevention does not have a significant effect on financial performance.

➤ *The Effect of Opportunity on Financial Performance*

The results of testing the second hypothesis show that opportunity measured using REC does not have a significant effect on financial performance. Furthermore, opportunity measured by BDOUT has a positive influence on financial performance. Therefore, it can be concluded that

opportunities related to the company's industrial conditions have no effect on the company's financial performance. Meanwhile, the ineffectiveness of supervision, namely the company's board of commissioners, has a significant effect on the company's financial performance. It can be explained that opportunity is a situation that opens up an opportunity for financial statement fraud in the company or one of the elements of diamond fraud, when there is an increase in opportunity it means diamond fraud increases, which will subsequently have an impact on financial performance company. The results of this study are supported by Rahayu et al (2022), who concluded that the components of fraud diamond, one of which is opportunity, have a significant effect on financial performance.

➤ *The Effect of Rationalization on Financial Performance*

The results of testing the third hypothesis show that Rationalization has a positive effect on financial performance as measured by Return On Equity (ROE). This means that the change of auditors can bring a fresh and objective view of the company's financial statements. New auditors can bring more effective audit methods, an emphasis on internal control, and a better understanding of best practices within a particular industry. Auditor turnover carried out on the grounds of rationalization and improvement can provide positive signals to company stakeholders, including investors, creditors, and business partners. This can enhance the company's reputation and strengthen stakeholders' confidence in the company's overall financial performance and integrity. The results of this study support research conducted by Sari et al (2021) which states that rationalization affects the deception of financial statement fraud. The same results shown by Nadia et al (2023) found that rationalization has a positive effect on the deception of financial statement fraud.

➤ *The Effect of Capability on Financial Performance*

The results of testing the fourth hypothesis show that capability negatively affects financial performance as measured by return on equity (ROE). This indicates that changes in the company's directors or management have a negative impact on the company's financial performance. According to Nadia et al (2023), a person's position in the organization gives him the ability to commit fraud. Furthermore, Kultsum and Triyatno (2022) suggest that capability proxied by changes in directors can cause a stress period which has an impact on opening opportunities for fraud. The results of this study support research conducted by Takakobi (2022) and Darise et al. (2021) stating that ability has a significant effect on financial statement fraud.

➤ *The Effect of Pressure on Financial Performance through the Audit Committee as a Moderation Variable*

The results of testing the fifth hypothesis show that the audit committee cannot moderate the relationship between pressure measured by ACHANGE, ROA and DAR on financial performance. Where pressure, both internal and external, cannot affect financial performance through the company's audit committee. The results of this study are supported by previous research conducted by Kasthury, Anandasayanan (2020), the results of his research concluded

that the audit committee could not moderate the influence between diamond fraud as measured by pressure on financial performance through the audit committee as a moderation variable. Jadongan Sijabat and Renata A. Tamba (2021), the results of their research concluded that fraud does not have a significant effect on the audit committee, so the audit committee cannot moderate the influence between diamond fraud and financial performance.

➤ *The Effect of Opportunity on Financial Performance through the Audit Committee as a Moderation Variable*

The results of the sixth hypothesis test show that the audit committee cannot moderate the opportunity measured by REC and BDOUT to financial performance measured by Return On Equity (ROE). This means that the establishment of an audit committee by the company cannot help to oversee the company's operations, especially in the context of preparing financial statements. So that the presence or absence of an audit committee cannot affect the company's financial performance. The results of this study are supported by previous research conducted by Kasthury, Anandasayanan (2020), the results of his research concluded that the audit committee could not moderate the influence between diamond fraud as measured by pressure on financial performance through the audit committee as a moderation variable. Besides, research finding from Ratna Mappanyuki et al (2022) stated that ineffective or inadequate supervision or monitoring will have impact on the output of financial reporting. In the other research by Ratna Mappanyuki et al (2019) have shown the effectiveness of the internal control effects the quality of financial reporting. Furthermore, research conducted by Jadongan Sijabat and Renata A. Tamba (2021), the results of their research concluded that fraud does not have a significant effect on the audit committee, so the audit committee cannot moderate the influence between diamond fraud and financial performance.

➤ *The Effect of Rationalization on Financial Performance through the Audit Committee as a Moderation Variable*

The results of the seventh hypothesis test show that the audit committee cannot moderate between Rationalization of financial performance as measured by Return On Equity (ROE). This means that the audit committee in the company does not play an important role in the financial reporting process by supervising the work of independent auditors in the financial reporting process and assisting the duties of the board of commissioners. The results of this study are supported by previous research conducted by Ayem and Mas'adah (2023) which found that the audit committee could not moderate the effect of rationalization on Fraudulent Financial Statements. Meanwhile, research conducted by Lauwrens and Yanti (2022) states that the audit committee can weaken the influence of rationalization on Fraudulent Financial Statements

➤ *The Effect of Capability on Financial Performance through the Audit Committee as a Moderation Variable*

The results of testing the eighth hypothesis show that the audit committee cannot moderate the capability to financial performance as measured by Return On Equity (ROE). It can be explained that the presence or absence of the audit committee does not weaken and strengthen the change of directors into an effort by the company to improve performance. This means that fraud against financial statements can occur when there is a change in directors to improve the performance of previous management. Changes in directors can cause a stressful period that has an impact on the more open opportunities for fraud. The results of this study are supported by previous research conducted by Ayem and Mas'adah (2023) which found that the audit committee could not moderate the effect of capability on Fraudulent Financial Statements. The same result was shown by Rizkia et al (2023) who stated that the audit committee could not moderate the effect of capability on Fraudulent Financial Statements.

VII. CONCLUSION, LIMITATIONS AND SUGGESTION

This study aims to determine the effect of diamond fraud on financial performance with the audit committee as a moderation variable in transportation companies listed on the Indonesia Stock Exchange for the period 2016 – 2020. This study found that pressure measured by ACHANGE, ROA and DAR did not have a significant effect on financial performance. Then opportunity measured using REC does not have a significant effect on financial performance. Furthermore, opportunity measured by BDOUT has a positive influence on financial performance. The rationalization variable has a positive effect on financial performance as measured by Return On Equity (ROE). Meanwhile, the capability variable negatively affects financial performance as measured by return on equity (ROE). The results of moderation testing in this study showed that the audit committee could not moderate the relationship between pressure as measured by ACHANGE, ROA and DAR, opportunity as measured by REC and BDOUT, rationalization and capability to financial performance as measured by Return On Equity (ROE).

This research has limitations that only focus on one sector, namely transportation companies so that the results of this study cannot be generalized to other industries, then. The observation year in this study was only carried out for 5 (five) years, namely 2016-2020, so it is possible that the results of this study are not enough to describe the condition regarding the financial performance of transportation companies in Indonesia which are influenced by diamond fraud and moderation by the audit committee. Based on the results and limitations of this study, the advice for investors is that this research can be used for investors related to financial performance information, fraud, and audit committees which all three can play a role in increasing company profits, and especially for those who want to invest in transportation sector companies must consider the elements of diamond fraud before deciding to invest. Then

the next researcher's morning suggestion is to be able to expand the observations studied so that they can find out other factors that have an influence between diamond fraud and financial performance moderated by the audit committee. Then it is suggested to replace diamond fraud proxies with other fraud theories and moderation variables can be replaced with other proxies and add different objects in conducting research so that the samples obtained are more numerous and diverse or by extending the research period.

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