

ABSTRACT

This research study aims to investigate the impact of tax aggressiveness (pressure), audit committee financial expertise (opportunity), and the financial expertise of the board of directors (rationalization) on the possibility of financial statement fraud.

This study employed 54 non-financial sector firms identified as involved in the violations of Otoritas Jasa Keuangan regulation and the Indonesia Stock Exchange with an observation period during the years 2015-2019. Using a purposive sampling method, this study identified that 27 firms violated and were subject to sanctions for fraud likelihood in Indonesia. Meanwhile, 27 other firms are companies in healthy condition. This study uses logistic regression with cross-sectional industry data according to the criteria for the sample time of observation, considering that the dependent variable (Y) uses non-metric data measurements (variable dummy) and the independent variable (X) uses metric data (ratio).

The results of this research study found that tax aggressiveness (CETR) has a positive impact on the possibility of financial statement fraud likelihood in Indonesia. Meanwhile, the financial expertise of the audit committee (ACFINEXP) and the financial expertise of the board of directors (DIRECTFINEXP) have negative impacts on the possibility of financial statement fraud in Indonesia. The conclusions of this study indicate that: 1) the fraud triangle is considered relevant for detecting factors that can lead to fraudulent behavior among non-financial sector firms in Indonesia; 2) the higher aggressive tax reporting detection and the lack of expertise in the organizational structure of the audit committee and the board of directors can increase the incidence of possible OJK violations by firms as indications of the likelihood of financial statement fraud.

Keywords: Financial Statement Fraud, Fraud Triangle Theory, OJK Violation