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Potential of Fraud Financial Statements: The Fraud Triangle

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Abstract: This study aims to examine and analyze the effect of financial stability, financial target, personal financial need, external Pressure, Opportunity, and rationalizations on financial statement fraud in manufacturing companies in Indonesia in 2016 - 2020. This study uses a quantitative approach. The independent variables in this study consist of financial stability, financial target, personal financial need, external Pressure, Opportunity, and rationalization, while the dependent variable is financial statement fraud. The population in this study were manufacturing companies listed on the Indonesia Stock Exchange in the period 2016 - 2020. The sampling technique used was purposive sampling, so 189 data were obtained, and 61 manufacturing industry companies with the data type were secondary data. The analytical tool used is logistic regression supported by EViews 12 software. The results of this study indicate that financial stability, financial targets, and personal financial needs significantly affect fraudulent financial statements. In contrast, external Pressure, Opportunity, and rationalization have no considerable effect on fraudulent financial reports. This research has implications for policymaking by company management to make quality financial reports and minimize fraud.

Key words: Fraud Triangle Theory; Pressure; Opportunity; Rationalization; Fraudulent Financial Reporting.

Financial statement fraud arises because global economic pressures threaten business actors and decision-makers (Kukreja et al., 2020). Financial statements provide information on whether the company can survive in the face of global pressures (Aghghaleh & ., 2014). When making decisions or choosing the company's strategy, the information description will serve as a guide (Safta, 2021). Given the significance of financial statements as a factor in decision-making, financial statements must adhere to accepted accounting principles and be free of any aspects that could be considered fraudulent (Aprillia et al., 2015). Fraud is the disclosure of financial information that is not by actual conditions and is done intentionally (Dellaportas, 2013). Most financial statement fraud occurs because of the behavior of managers or power holders always to illustrate that the company's finances are in good condition

(Taherinia & Talebi, 2019). This situation motivates management to engage in fraudulent behavior by displaying reports that do not follow the actual situation so that the information submitted is unbiased (Mollah & Sakib, 2020). This unbiased information cannot be used in decision-making because it is considered invalid information. A company is involved in frauds or scandals because of several factors like unethical behaviors, agency problem and nonprofessional attitude (Tassadaq & Malik, 2015). According to the 2019 Indonesia fraud survey report published by ACFE Indonesia, the phenomenon of financial statement fraud in manufacturing industry companies is extremely prevalent. The report also indicates that corruption cases are the most prevalent type of fraud, as they account for 70% of the total cases surveyed and are the costliest, with a total loss of more than 373 billion rupiahs. In general, the government suffers the most damage from fraud. According to the study data, the institutions that suffer the highest losses are SOEs (31.8%). Followed by private firms (15.1%), non-profit organizations (2.9%), and others (1.7%) (Certified Association of & (ACFE), 2019). The importance of financial statement fraud cannot be overstated. The auditor plays a crucial role in detecting instances of fraud. Auditors must be able to examine the probability of fraud utilizing many views on fraud risk variables. Cressey's (1953) fraud triangle hypothesis is a fraud detection theory that is still frequently employed by practitioners. According to Cressey's (1953), every fraud situation has three factors: Pressure, Opportunity, and justification. In SAS No. 99, Consideration of Fraud in a Financial Statement Audit, the notion of the fraud triangle was introduced to the professional literature (Skousen et al., 2009).

The fraud triangle theory has been widely used in the research of Albrecht et al. (2011) to identify situations that cause Chaebol companies in Korea to engage in fraud. The study results show that a strong family relationship within the company plays a significant role in terms of Pressure and Opportunity. Lou and Wang (2011) make a model through the fraud triangle approach, which is proxied to various conditions. Several proxies can detect financial statement fraud considerably, with these proxies comprising the Pressure, Opportunity, and rationalization. Skousen et al. (2009) also made a different model for detecting financial statement fraud from the research of Lou and Wang (2011). After being tested, it turned out that only proxies of the pressure and opportunity variables were significant in detecting fraudulent financial statements. However, the model proposed by Skousen et al. (2009) has a predictive accuracy rate of financial statement fraud of 73%. Based on previous research, there are still inconsistencies in the results. Therefore, this study intends to examine further the causes of fraud based on the Fraud Triangle Theory by using several proxies in each variable. This study aims to analyze the fraud triangle theory variable on the fraudulent behavior of financial statements. Fraud often occurs and is not detected on time, which will undoubtedly harm the users of financial statements, such as novice investors who will invest. The results of this study can be used as consideration for investors in making investment decisions and knowing things that can cause fraudulent financial statements. Meanwhile, this study also emphasizes the novelty of data and proxies that have not been used in previous studies.

Literature Review

Fraud

Fraud is unlawful behavior that is detrimental and is carried out by one or more persons intentionally and does not have an element of coercion (Albrecht et al., 2011). Meanwhile, the ACFE or Association of Certified Fraud Examiners (2019), through the 2019 Indonesia Fraud Survey, defines fraud as an unlawful act carried out consciously to achieve specific goals. Fraud committed can be in the form of manipulating or presenting reports that do not follow the actual situation to other parties. Fraud can be carried out by internal or external parties to achieve personal or group interests (Aprillia et al., 2015). Fraudulent financial statements are used to cover up the inability of management to achieve company goals. There are two forms of fraudulent financial reporting, namely, presenting financial statements that are better than the truth (overstatement) or presenting worse than the original (understatement)(Perols &

Lougee, 2011). Excessive presentation of financial statements is used to cover the condition of the company's performance below the target or attract investors.

In the meantime, the presentation of understated financial accounts is used to lower liabilities or obligations so that the company appears to have less debt, or to reduce tax payments due to discrepancies between reality and what is reported (Ruankaew, 2016). Moreover, dishonest financial reporting is conducted by those who are not accountable for supporting their own needs. Financial statement fraud is also perpetrated to attract investors' attention, acquire a higher selling price for acquisitions, accomplish firm objectives, eradicate negative market views, and receive more reward for outstanding performance. Accounting irregularities, insufficient internal controls, analytical oddities, extravagant lifestyles, odd conduct, and complaints are indicators of financial statement fraud at companies (Albrecht et al., 2011).

Agency Theory

Jensen and Meckling (1976) define agency theory as a contract in which one or more shareholders (principals) engage management (agents) to perform some services on their behalf. Management is a party contracted by shareholders to work to achieve shareholders' interests, and agents will always act in the best interests of shareholders. Management, as an agent, has the authority to make decisions within the company. However, there are sometimes disagreements between management and the shareholders, resulting in a conflict of interest between the agent and the principal. This encourages information asymmetry between the two parties (Chyntia & Puji, 2016). Agency theory appears to solve problems that occur in agency relationships. Shareholders aim to get high returns on their investment, while management, as an agent, wants significant incentives with a small amount of workload. This difference in interests has a high probability that the agent will do moral hazard (Rahmatika et al., 2019).

Fraud Triangle Theory

The Fraud Triangle Theory is the first theory that can explain the elements that cause fraud. This theory introduces three elements that cause fraud, commonly referred to as the fraud triangle theory. The Fraud Triangle Theory has been widely used in researching fraudulent financial statements. Based on the theory coined by Cressy (1953), managers, as management, are responsible for maximizing shareholder profits but are also interested in optimizing personal welfare. This difference in interests can lead to fraudulent financial statements (Skousen et al., 2011). The fraud triangle theory consists of three variables: pressure, opportunity, and rationalization (Cressey, 1953). In general, it is said that if the three elements of the fraud triangle - (1) incentives and pressures, (2) opportunities, and (3) attitudes and rationalizations - exist in the organization, the risk of fraud will be higher (Kanjanapathy et al., 2022; Murphy & Free, 2016).

Beneish M – Score Model

To identify earnings management and FFR, Professor Messod Beneish modeled the M - score in 1997. In his article "The Detection of Earnings Manipulation," Beneish put forward the theory that there are several indicators that can be used to predict the occurrence of financial fraud (Kukreja et al., 2020). Beneish (1999) cites earnings manipulation as an example where management violates Generally Accepted Accounting Principles (GAAP) to profitably show a company's financial performance. Accounting standards are flexible, so accountants can cope with changing circumstances. However, flexibility in accounting can also be used to manipulate data for personal economic purposes (Sakib, 2019).

The M – score consists of eight financial ratios that predict the potential for profit manipulation or distortion of financial statements. In addition to the eight variables, there is also a truncated model version consisting of five variables (Arshad et al., 2015). All financial ratios are calculated from the company's financial statements and combined. Scores are created to describe the extent to which earnings have been manipulated. In this study, the Beneish M – Score equation used consists of five ratios, namely

Days SalesSales in Receivables (DSRI), Gross Margin Index (GMI), Asset Quality Index (AQI), Sales Growth Index (SGI), and Depreciation Index (DEPI). After the five ratios above are calculated, they will then be included in the Beneish regression model (Kukreja et al., 2020):

$$M = -6{,}065 + 0{,}823 \times DRSI + 0{,}906 \times GMI + 0{,}593 \times AQI + 0{,}717 \times SGI + 0{,}107 \times DEPI$$

M value – a score greater than -2.22 indicates that earnings have been manipulated (Nyakarimi, 2022).

According to Warshavsky (2012), firms with higher Beneish scores are more likely to engage in manipulation.

The Effect of Financial Stability on Fraudulent Financial Statements.

Financial stability is a situation that describes the company's stable financial condition (Milenia Mintara & Nugrahesthy Sulistya, 2021). Companies generally want their financial condition to improve or at least not decline (stable). The company's financial stability can be seen from how big the level of asset growth occurs in the company. The increase in assets every year shows the company has an excellent financial condition, making it easier for the company to obtain additional capital from third parties. In addition, a reasonable asset growth rate can also increase the company's value, which will impact the level of return that will be received by investors and the incentives received by the management. Maintaining the company's financial stability can be a different pressure for management if the management cannot manage the company's assets properly. Following the relationship between shareholders (principals) and managers (agents), managers who are contracted to fulfill the interests of shareholders will provide the best possible performance to maintain the company's financial stability. Managers who act as managers can take risks to commit fraud on company assets so that financial conditions look stable. In this case, assets play an important role in showing the company's financial stability. So that the higher the financial stability, the greater the possibility of fraudulent financial statements. Management commits fraud to show that the company's condition has good stability to increase investor confidence to invest. This argument is supported by research (Bawakes et al., 2018; Imtikhani & Sukirman, 2021; Jiang, 2022; Skousen et al., 2011).

H1: Financial stability have positive effect on fraudulent financial statements

The Effect of Financial Target on Fraudulent Financial Statements.

Financial targets are shareholders' financial performance targets that managers must achieve in one period. The company's financial performance can be said to be good if it can manage its assets well to obtain returns. Companies with high returns will undoubtedly be the main attraction for investors to invest. Shareholders and managers have conflicting interests. Shareholders only want management to meet the targets set, while management wants large bonuses with a small workload. This difference in interests can motivate management to commit fraud. Profitability ratios are often used to measure management performance and to consider investing. Companies with high returns will have additional capital to improve performance and provide operational quality assurance by improving the resources' resources and implementing policies that can increase company value. In addition, with high financial targets, management will be more careful to meet the targets set so that the occurrence of fraud will be minor. The higher the financial target is determined, the better the resulting performance, and the less likely the management to be involved in fraudulent financial statements will be. This argument is supported by research (Darmawan & Oktoria, 2017; Purnama & Astika, 2022; Emalia et al., 2020)

H2: Financial Target have a Negative Effect on Fraudulent Financial Statements

The Effect of Personal Financial Needs on Fraudulent Financial Statements.

Personal financial needs influence the company's executive financial condition on the company's financial condition (Skousen et al., 2011). The ownership of shares by company executives' triggers claims to the company's income and wealth. The ratio of share ownership by executives is directly proportional to fraud in financial statements, so if the ratio of share ownership by executives increases, the percentage of fraud in financial statements also increases (Yap et al., 2010). As the manager of the company, the manager has personal and company interests. From the company's side, the management tries to improve the company's development using dividend yields. Meanwhile, from a personal perspective, management is trying to improve the private facilities obtained from the company. This can trigger managers to act opportunistically by submitting financial information that contains fraud (Khatun et al., 2022). Managers determine performance achievements in obtaining dividends to satisfy shareholders, and these conditions can pressure management's interests for fraudulent financial statements. So that the greater the personal financial needs, the greater the potential for fraudulent financial statements. This argument is supported by research (Aprillia et al., 2015; Skousen et al., 2011; Sulkiyah, 2016).

H3: Personal Financial Need have a Positive Effect on Fraudulent Financial Statements

The Effect of External Pressure on Fraudulent Financial Statements.

Effect of External is the pressure experienced by managers to be able to obtain loans from external parties and be able to meet obligations to pay these loans. To obtain a capital loan, management must display the performance of financial ratios and the availability of funds to meet obligations. As the company manager is responsible for the shareholders, if the manager cannot obtain additional capital by borrowing, it will undoubtedly affect the development of the company and the number of dividends received by investors. This is undoubtedly a pressure that can motivate managers to commit fraud. A large amount of leverage can also be associated with a high probability of breaching credit agreements and a low ability to obtain additional loan capital. So, the greater the leverage owned by the company, the greater the external pressure experienced by management and the risk of fraudulent financial statements. This argument is supported by research (Skousen et al., 2011; Utama et al., 2018).

H4: External Pressure have a positive Effect on Fraudulent Financial Statements

The Effect of Opportunity on Fraudulent Financial Statements

Opportunity is a prerequisite for committing financial statement fraud. Opportunities for fraud are typically the result of inadequate internal controls, insufficient managerial monitoring, holding many jobs, and abusing positions and authority. Internal parties' lack of oversight will enhance the likelihood of misleading financial statements. The independent board of commissioners can be relied upon to enhance the efficacy of oversight to reduce the incidence of misleading financial statements. Having an independent commissioner as a supervisor can help keep an eye on things and stop fraud. An impartial assessment from an independent commissioner who comes from outside will reduce the occurrence of fraud. Companies need to appoint external parties as neutral parties to help companies obtain good financial reports and are far from fraudulent elements. So, it can be concluded that the more the number of independent commissioners of the company, the lower the level of fraudulent financial statements. This argument is supported by research (Harman & Bernawati, 2021; Skousen et al., 2011).

H5: Opportunity has a Negative Effect on Fraudulent Financial Statements

The Effect of Rationalizations on Fraudulent Financial Statements

Rationalizations are justifications or justifications for the perpetrator's behavior to commit fraud and consider it reasonable. Managers commit financial statement fraud when they feel they are entitled to something more such as a position, salary, or promotion, or feel they have the right to some of the company's profits in return for the performance given to the company. Companies can replace auditors to reduce the detection of financial statement fraud. Changes in auditors are carried out to eliminate the auditor trail of the previous party. This strategy indirectly makes it easier for perpetrators to rationalize financial statements' fraudulent behavior. This argument is supported by research (Lokanan & Sharma, 2018; Rahmatika et al., 2019; Taherinia & Talebi, 2019)

H6: Rationalizations have a Positive Effect on Financial Fraudulent Statements

METHOD

Research Design

This study uses secondary data from the company's financial statements for 2016 - 2020. The population is manufacturing industry companies listed on the IDX in 2016 - 2020. The sampling technique uses purposive sampling by setting several criteria (Sugiyono, 2011). The criteria used are companies whose manufacturing industry has gone public for the 2016-2020 period, companies that publish complete financial reports, companies that issue financial statements using rupiah units, and companies that earn profits during the research period. Based on the criteria and the results of the sample selection, there are 189 data samples and 61 manufacturing industry companies. The data was processed by logistic regression using EViews 12 software. Several tests were carried out to determine the best model that can be used in this study, such as the Hosmer and Lemeshow's goodness of fit test, overall model fit test, Nagelkerkes R Square, and f test.

Table 1. Statistic Descriptive

Variable	N	Maximum	Minimum	Mean	Std. Deviation
Kecurangan Laporan Keuangan	189	1.000000	0.000000	0.095238	0.294323
Financial Stability	189	0.967074	-0.176910	0.130285	0.192325
Financial Target	189	0.206755	0.001170	0.057842	0.046376
Personal Financial Needs	189	0.973155	0.000241	0.158114	0.210157
External Pressure	189	0.840562	0.098477	0.420723	0.171330
Opportunity	189	0.500000	0.222222	0.385584	0.079012
Rationalization	189	1.000000	0.000000	0.179894	0.385119

According to the descriptive statistical tests, the financial stability variable has a mean value of 0.130285 and a standard deviation of 0.192325, indicating that the data is dispersed or heterogeneous. In contrast, the financial target variable has a mean value of 0.057842 and a standard deviation of 0.046376, indicating that the data is homogeneous. Personal Financial Needs has a mean of 0.158114 and a standard deviation of 0.210157. Therefore, the standard deviation is more significant than the mean, and the data may be described as heterogeneous. External Pressure Needs has a mean value of 0.420723 and a standard deviation of 0.171330. Since the standard deviation is less than the mean, we may conclude that the data is not uniform or spread out. The opportunity has a mean value of 0.385584 and a standard deviation of 0.079012. Thus, the standard deviation is less than the mean, indicating that the data are not uniformly distributed. Rationalization has a mean value of 0.179894 and a standard deviation of 0.385119, meaning the standard deviation is more significant than the mean, and the data can be described as heterogeneous or dispersed.

Based on the results of the 2x2 classification test of 189 samples used, the total number of samples that did not experience financial manipulation was 171 samples, with an accuracy of 90.48%. The total number of samples that experienced financial manipulation was 18, with an accuracy of 9.52%.

Research Model Test

Table 2. Research Model Test

	Sig
McFadden R- squared	0,126452
LR statistic	15.03240
Prob (LR Statistic)	0.020006
H-L Statistic	0.3049

Hosmer and Lemeshow's test yielded a sig value of 0.3049, which is greater than 0.05, indicating that the regression model is appropriate for further investigation and can predict the data value. With a probability value (LR statistic) of 0.020006 < 0.05, it can be said that the hypothesized model is fitted with the existing data. McFadden R - squared value is 0.126452, which means that 12.64% of variations in financial stability, financial targets, personal financial needs, external Pressure, Opportunity, and rationalization can be explained by the dependent variable, namely financial statement fraud. The remaining 87.36% is influenced by other variables not examined. The value of the LR statistic is 15.03240, and the probability (LR statistic) is 0.020006 < 0.05, which means that the model in this study is feasible to use.

Hypothesis Test

Table 3. Partial Test

Variable	Coefficient	Prob.	Decision
C	-3.171207	0.0309	
Financial Stability	3.038921	0.0039	Accepted
Financial Target	-19.92239	0.0166	Accepted
Personal Financial Need	1.317178	0.0305	Accepted
External Pressure	-0.390484	0.8088	Rejected
Opportunity	4.664135	0.1752	Rejected
Rationalizations	-0.595016	0.4336	Rejected

From the results of the regression carried out, the following equation is:

Ln = $\frac{p}{1-p}$ = -3.171207 + 3.038921 *financial stability* -19.92239 *financial target* + 1.317178 *personal financial needs* - 0.390484 *external pressure* + 4.664135 *opportunity* - 0.595016 *rationalizations* + e

According to Table 3's test results, it is recognized that financial stability has an impact on financial statement fraud. Companies with stable financial conditions will undoubtedly attract investors to invest. Stable financial conditions can attract investors' attention because they are considered to provide less risk than companies whose financial conditions are volatile (Purnama & Astika, 2022). In addition, companies with good stability will find it easier to obtain funds from investors. Maintaining the company's financial stability can be a different pressure for management if the management cannot manage the company's assets properly.

Financial stability is seen from how big the growth rate of the company's assets is. A reasonable asset growth rate can increase the company's value, which will impact the level of return that will be received by investors and bonuses received by management. These reasons often encourage management to use financial statements as a tool to cover up financial stability conditions that are not in line with expectations by committing fraud (Imtikhani & Sukirman, 2021). Management who acts as a manager can take risks to commit fraud on company assets so that the financial condition looks stable, that the higher the financial stability, the greater the possibility of fraudulent financial statements. The study's findings are supported by (Bawakes et al., 2018; Imtikhani & Sukirman, 2021; Skousen et al., 2009).

Financial targets have a detrimental impact on financial statement fraud, but only in part. This indicates that the less likely a corporation is to be implicated in misleading financial statements, the bigger its financial goal. This situation can be happened because the company is improving the operational quality of the company, selecting quality resources, implementing policies that can increase company value, such as marketing management to increase sales, and choosing the correct depreciation method so that the depreciation expense is lower so that it can increase profits (Purnama & Astika, 2022). This situation follows agency theory which states that there is a cooperative relationship between managers and shareholders, where shareholders provide profitability targets and managers are responsible for improving the company's operational quality to achieve these targets (Purnama & Astika, 2022). Meanwhile, according to Emalia (2020), companies with high financial targets will make managers more ambitious, so various ways will be taken to achieve their targets. The study's findings are supported by (Darmawan & Oktoria, 2017; Purnama & Astika, 2022; Emalia et al., 2020).

Personal financial needs partially have a significant effect on financial statement fraud. Management, as the company's manager, has personal and company interests. From the company's side, management tries to improve the company's development using dividends. Meanwhile, from the personal side, the management tries to improve the personal management facilities obtained from the company. This can trigger management to act opportunistically by submitting manipulated financial information. Aprilia (2015) shows that managerial ownership significantly affects financial statement fraud. When most of the company's outstanding shares are owned by management, the incidence of fraudulent financial statements will increase (Skousen et al., 2009). This study's results align with research (Aprillia et al., 2015; Bawakes et al., 2018; Imtikhani & Sukirman, 2021; Skousen et al., 2009; Sulkiyah, 2016).

Meanwhile, External Pressure, Opportunity, and Rationalizations were found to have no significant effect on financial statement fraud. This study's results align with (Aprillia et al., 2015; Chyntia & Puji, 2016; Lokanan & Sharma, 2018; Sihombing & Rahardjo, 2014). External Pressure does not affect fraudulent financial statements. This is because the high leverage value does not become a pressure for management to commit fraud. The company's management not only obtains sources of financing from debt agreements with creditors but can also be obtained by reissuing shares to obtain sources of capital from investors (Purnama & Astika, 2022). Thus, it can reduce pressure in terms of paying debts and the pressure that can cause management to commit fraudulent financial statements. Bawakes (2018) shows that external pressure does not affect financial statement fraud. External pressure in the form of credit risk due to loans or debts to external parties does not become a pressure for companies to engage in fraudulent behavior. This could be because the company has been able to pay off its obligations or debts. In addition, Dechow, Sloan, and Sweeny (1995) mention that the company's internal governance is used to maintain the report's credibility and protect against unwanted behavior.

Based on the analysis, it is known that the number of independent commissioners does not affect financial statement fraud. This happens because the placement or addition of independent commissioners is carried out to meet the formal requirements of the IDX, which requires an independent board of commissioners at least 30% of the number of commissioners in the company (Herviana, 2017). In addition, companies with good governance and an excellent internal control system will avoid fraud because internal control can prevent fraudulent financial statements. Sihombing (2014) says that a more number of independent commissioners are expected to improve company performance. However, it will be different if there is intervention on the independent board of commissioners, which will result in the non-objective supervision of the independent board of commissioners so that the number of independent commissioners in a company is not a significant factor in increasing the company's operational supervision. Meanwhile, according to Imtikhani (2021) the appointment of independent commissioners is carried out only to the extent of fulfilling regulatory requirements so that it does not impact the existing supervisory system. This may be why effective monitoring does not affect fraudulent financial statements. The results of this study support the results of research conducted by (Dellaportas, 2013; Imtikhani & Sukirman, 2021; Lokanan & Sharma, 2018; Sihombing & Rahardjo, 2014).

Rationalizations have no significant effect on financial statement fraud. This could be due to the infrequent voluntary change of auditors. Voluntary auditor turnover occurs when a company replaces auditors because they are considered conservative, which creates a misunderstanding with the auditors so that there must be a change of auditors even though they have not reached the limit of the auditor rotation period (Putri, Hardi, and Silfi 2017). Auditor changes do not affect fraud and can also occur when auditor changes are made due to dissatisfaction with the previous auditor's performance, not to cover up the fraud that occurred. Companies with positive motivation will employ independent auditors who are objective in conducting audits to improve company performance in the future (Sihombing & Rahardjo, 2014). Meanwhile, according to Imtikhani (2021), auditor turnover is carried out to improve the performance of external auditors in the previous period to improve the quality of the company's financial statements so that investors will be interested in investing in the company.

CONCLUSION

Based on the results of the study, it was found that financial stability, financial target, and personal financial need were known to have a significant influence on financial statement fraud. Meanwhile, external pressure, opportunity, and rationalizations were found to have no effect on fraudulent financial statements. Further research can explore other variables outside of pressure, opportunity, and rationalization that can be used to predict the occurrence of financial statement fraud. In addition, future research can also use other measuring tools from variables that have or have not been used in this study. For example, changing the proxy on the external pressure variable to free cash flow or the proxy on the ineffective monitoring variable being the percentage of the independent audit committee.

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