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FRAUD RISK FACTORS AND PREVENTION OF FINANCIAL STATEMENT FALSIFICATION AMONG NON-FINANCIAL FIRMS LISTED IN NIGERIA

Okoye, Emma I. and Urom, Alice Samuel
Department of Accountancy
Nnamdi Azikiwe University, Awka
Mail: aliceurom2@gmial.com

Abstract
The study investigated the effect of fraud risk factors on the prevention of financial statement falsification. Specifically, the study sought to rationalization and opportunity on the prevention of financial statement falsification among non-financial firms listed in Nigeria. Survey research design was adopted for the study. The population of the study was drawn from non-financial firms in south-south Nigeria. Data were extracted from the questionnaires administered to the respondents. Using regression analysis, the study revealed that rationalization and opportunity have significant effect on prevention of financial statement falsification. Based on the results, the study recommended among others that to ensure effective prevention of falsification, there is need for Strengthen Corporate Culture and Tone at the Top; hence Employees rarely rationalize fraud in companies where leadership visibly prioritizes honesty over short-term metrics. Executive leadership and board members must demonstrate unwavering integrity, particularly during financial downturns or missed earnings targets.

Key words: Fraud risk factors, Rationalization, Opportunity and Prevention of financial statement falsification.

Introduction

The ability of external audits to identify intentional misrepresentations in financial statements has been a longstanding issue of concern for professional accountants, regulators, and various stakeholders. Even with the growing complexity of auditing standards and methods, prominent instances of financial statement manipulation persist, prompting concerns regarding the effectiveness of audit practices in mitigating fraud risk (Narulita et al., 2024). The audit process traditionally includes fraud risk assessment as a key element; nonetheless, this activity is inherently intricate and largely depends on auditors' professional judgment and subjective assessments (Turley et al., 2016). This dependence brings variability to audit results and could undermine the consistency and efficacy of fraud detection initiatives.In reality, though, directors and executives frequently participate in the manipulation of financial reports for personal or corporate benefits. Such wrongdoing often includes collaboration among high-ranking officials, allowing them to bypass internal control mechanisms that seem functional on paper. This collusive conduct greatly lowers the chances that conventional audit methods will uncover fraud, especially when auditors overly depend on what management asserts. Adding to this issue is the inclination of external auditors to downplay management's motives and integrity when conducting fraud risk evaluations. This constraint is mainly due to the auditing standards that offer minimal procedural direction on how auditors ought to systematically evaluate subjective elements like ethical values, personal motivations, and management honesty (Al-Dhubaibi & Sharaf-Addin, 2022; Sinebe, 2024).

The falsification of financial statements is a significant type of financial misrepresentation, often involving intentional omission or alteration of information regarding particular accounts to deceive users of financial reports. By engaging in these practices, companies aim to create a misleadingly positive image of their financial performance and situation, thus affecting investment choices and stakeholder views (Nurkholik et al., 2024; Oktavia et al., 2022). The repercussions of these inaccuracies are extensive, leading to monetary losses for investors, reputational harm, and a decline in trust within the financial reporting framework. The broad objective of this study is to investigate the effect of fraud risk factors on the prevention of financial statement falsification. The specific objectives are to:

1. Ascertain the effect of rationalization on the prevention of financial statement falsification among non-financial firms listed in Nigeria.
2. Determine the effect of opportunity on the prevention of financial statement falsification among non-financial firms listed in Nigeria.

Conceptual Review

Fraud Risk Assessment

All organizations face numerous risks that can be either internal or external (Nyakarimi et al., 2020). Risk refers to the chance of an unfavorable event that may hinder the organization from reaching its goals. Risk evaluation serves as the foundation for deciding how to handle risks (Rittenberg & Martens, 2012). Consequently, risk assessment entails recognizing the circumstances and elements that may obstruct the achievement of the organization's aims and objectives (Nyakarimi et al., 2020). Risk Assessment is an evaluation performed by management to recognize risks that might hinder the attainment of set objectives (Rubasundram, 2017; Rittenberg & Martens, 2012). It involves recognizing possible mistakes and encompasses establishing controls, policies, and procedures to uncover those mistakes and avoid their occurrence (Okonkwo and Linda, 2016). Fraud risk factors are circumstances and events that motivate individuals to engage in fraudulent behavior or display unethical

actions (Anindya & Adhering, 2020). They are elements that suggest motives for committing fraud, methods for executing the deceitful act, or a mindset that rationalizes the fraudulent behavior. Difficulties in auditing assignments can negatively affect an external auditor's effectiveness, especially if the auditor lacks the necessary knowledge and expertise to perform the task (Kassem, 2023b; Alissa et al., 2014).

External auditors aiming to improve their capability to detect fraudulent behavior need to grasp the significance of recognizing fraud indicators in risk evaluation due to the risk of self-selection bias and the chance of overlooking critical information that could threaten the precision of fraud risk evaluations (Asare et al., 2015; Albrecht et al., 2008). Self-selection bias may occur when external auditors face pressures to complete work within budget and time limits, leading them to choose less critical fraud factors for evaluating fraud risk (Hurley, 2017).

Rationalization and financial statement falsification

An individual employs rationalization to avoid the feelings of guilt associated with deceit (Yusrianti et al., 2020a). People employ rationalization to reframe unacceptable actions in a way that makes them seem acceptable, thereby alleviating feelings of dissonance (Bandura 1999). This occurrence can skew organizational culture and lead both managers and staff to act unlawfully, thereby fostering dishonest actions and unethical conduct (Yusrianti et al., 2020a; Zimbelman et al., 2014). Previous research has explored the connection between rationalisation and financial statement fraud by utilizing proxies like total accruals (Chen et al, 2019; Nindito, 2018). Fraudulent financial statements or the falsification of financial statements might include transactions with related parties (Putra & Kusnoegroho, 2021). Hasnan *et al*.(2013), opine that a company can report more profitable outlook if a member of the group acts as an intermediary between individual entrepreneurs and imperfect markets, thus suggesting that related party transactions add value and help companies avoid financial statement falsification (Yusrianti *et al*., 2020a).

Opportunity and financial statement falsification

Opportunity denotes a circumstance that enables an individual to conceal unethical behaviors (Cressey, 1953). The chance of fraud rises with the presence of opportunities (Doinea et al, 2012). Likewise, the existence of poor corporate governance, inadequate internal controls, insufficient oversight, failure to maintain proper separation of duties, and ineffective external audit practices presents chances for asset misappropriation and the manipulation of financial statements (Yusrianti et al., 2020b; Cohen et al, 2011). According to Hogan (2008), strong corporate governance, including a competent board of directors, audit committees, and internal controls, is crucial for minimizing chances of fraud. Research conducted by Hasnan et al. (2013) indicates that firms engaged in financial reporting fraud possess a notably weak corporate governance framework, characterized by diminished audit quality and a clear over commitment of external directors. Consequently, the chances for fraud typically rise alongside inadequate audit quality.

Empirical review

Nandemara et al. (2024) explored the elements influencing auditor performance in fraud risk assessment, particularly audit technology, task design, and auditor skills. It examines the impact of audit technology, task structure, and auditor proficiency on the performance of fraud risk assessments. The findings show that audit technology, the structure of tasks, and the competence of auditors all positively and significantly influence the performance in assessing fraud risk. Nevertheless, the interaction effect of audit technology, task structure, and auditor competence together does not have a significant impact on the performance of

fraud risk judgments. The research suggested that additional exploration is necessary to deepen the comprehension of these tasks and to improve audit technology criteria for better fraud risk assessment. Yono and Indira (2024), in research akin to Achmad et al. (2022), analyzed the impact of financial goals, financial stability, external pressures, industry characteristics, and rationalization on financial statement fraud in Indonesia. Analyzing a sample of 83 firms within the construction industry, the findings indicate that financial stability significantly influences fraudulent financial reporting. Nonetheless, financial goals, outside pressure, industry characteristics, and rationalization do not significantly correlate with fraudulent financial reporting.

Nasywa et al. (2024) aimed to find strategies to tackle financial statement fraud in both developed and developing nations. Using a Meta-analysis approach, a systematic statistical method for aggregating multiple original studies to achieve more precise and dependable results and conclusions, they suggested methods to identify, gather, and combine ways to prevent fraud in government financial statements. Analysis of 5 journals indicates that effective strategies to prevent financial statement fraud comprise strong internal controls, enhancement of organizational culture, development of anti-fraud policies and procedures, and the application of forensic accounting.Yadiati et al (2023) explored the applicability of the fraud hexagon theory to identify financial statements fraud in state-owned enterprises (BUMN) in Indonesia from 2012 to 2019. The research was a repetition of the Achmad et al. (2022) study. The research indicates that financial stability (stimulus), external pressure (stimulus), industry characteristics (opportunity), auditor transitions (capability), director changes (rationalization), quantity of CEO Images (arrogance), and collaboration with government projects (collusion) positively influence the identification of fraudulent financial statements in SOEs.

Graham and Bedard (2023) investigated fraud risk and audit planning by having active Big 5 auditors pinpoint particular fraud risk elements of a real client, evaluate the client's fraud risk level, and design audit tests to tackle fraud. The findings indicate that a significant percentage of clients displayed one or more indicators of fraud risk, primarily associated with industry/competitive stance, management honesty, the quality of the internal control system, financial health, and the pressure to achieve financial goals. They additionally discovered that the different types of fraud risk factors examined are statistically linked to specific audit testing responses, but the kind of audit test designed differs depending on the type of risk factor.

Uwah et al. (2023) examined the detection of false financial statements using accounting ratios. The research utilized a descriptive survey approach, using combined data from companies listed on the Nigerian Exchange Group PLC over a span of 5 years (2017-2021). The population of the study comprised 239 companies listed on the Nigerian Exchange. The research depended on secondary data. Historical data were collected from the yearly financial statements of accounts from 10 intentionally selected service sector companies. The data collected were analyzed through descriptive statistics, Pearson correlation, and Pooled Data Binary logit regression analysis. The results of the research indicated that profitability correlates positively with the identification of fraudulent Financial Statements. Nonetheless, profitability and leverage ratios do not have a significant connection to the likelihood of Financial Statement fraud happening. According to the results, it was advised that the company's financial managers should carefully consider the adverse connection between financial ratios and the firm's profitability. Therefore, if the goal of financial management is to enhance fraud detection, then efforts must focus on utilizing financial ratios more effectively to uncover fraudulent financial reporting.

Huu and Bich (2023) claimed that their research on the determinants of financial statement fraud will provide a foundation for managers to enhance corporate governance and efficiency, while also aiding policymakers in developing regulations to manage fraudulent financial statements, thereby preventing such fraud among companies listed on the Vietnamese stock market effectively and improving the effectiveness of the State's corporate governance authority. The authors believe that numerous studies on financial reporting fraud have been conducted globally, primarily in developed economies like the US, UK, and Australia, where financial statement users recognize the importance of truthfulness and accuracy in the information presented. The research indicates a strong connection among pressure, opportunity, and attitude factors and fraudulent financial statements.The research by Bekiris (2022) revealed the occurrence of financial statement manipulation in today's corporate environment, specifically examining the fraud case of Folli-Follie, which resulted in its bankruptcy in Greece in 2019. The research analyzed the fraud case involving Folli-Follie and its rival Pandora using the Benish-Score method (1999) to assess financial statement manipulation for the period from 2009 to 2018. Simultaneously, the Altman Z-Score index (2000) was examined to assess the level of viability, which, along with statistical analysis, results in the conclusion that these scoring tools can forecast manipulation in addressing a company's potential bankruptcy. The research provided statistical evidence on the significance of investigating the alteration of financial statements in businesses and shows that such manipulation can temporarily aid a company's sustainability; however, in the long run, the firm encounters the possibility of bankruptcy.

Andrew et al. (2022) investigated methods to prevent fraud in financial statements by analyzing the financial statements of firms listed on the Indonesia Stock Exchange (IDX). The research aimed to pinpoint essential fraud-related signals that are useful in identifying and stopping fraudulent financial reporting. The research identified that stimulus, capability, and financial distress serve as crucial factors linked to the identification of fraud in financial statements, employing fraud risk elements as analytical proxies. The results indicate that companies under financial strain and distress, along with those whose management can bypass controls, are more vulnerable to fraudulent financial reporting.Anindya and Adhariani (2020) explored the fraud risk factors that employees believe most impact fraud offenders, including assessing employees' views on anti-fraud initiatives. The study, utilizing a sample of 109 employees chosen via convenience sampling, concludes that pressure, opportunity, and rationalization do not significantly impact fraud. The research indicates that the surveyed employees concur that implementing all preventive strategies related to proper segregation of duties is essential for improving fraud prevention.

Methodology

Research design

This study employed a survey research design involving the collection of information from the unit of analysis through questionnaires to generate the quantitative data necessary to validate the underpinning theories highlighted in the literature review. This is because the study seeks to examine the effect of fraud risk factors and the prevention of financial statement falsification. The experimental research design enables a researcher to systematically manipulate the independent variable to observe the corresponding changes in the dependent variable (Tengli, 2020).

Population of Study

The study's population consists of management and auditors of non-financial firms in South-South geopolitical zone of Nigeria. Major non-financial firms operating in the South-South region of Nigeria span the energy, oil and gas, agro-industrial, and manufacturing sectors.

Sample Size and Sampling Technique

Given the difficulty in reaching all members of the population of interest or sampling frame, a subset of the population was determined using the table developed by Krejcie and Morgan (1970) based on the following formula for an infinite population is given as:

$n = \{Z^2 * p(1-p)\}/M^2$ ---------- (3.1)

Where:

n = Sample size for infinite population
Z = Z value (e.g. 1.96 for 95% confidence level)
P = population proportion (expressed as decimal) (assumed to be 0.5 (50%)
M = Margin of Error at 5% (0.05)

$n = \{1.96^2 * 0.5(1-0.5)\}/0.05^2$

= 384.16
≈384

Sources of Data collection

The study collected data predominantly from the primary source.

Method of Data Collection

This consists of data collected through the administration of a questionnaire to the respondents. This information was coded appropriately to enable testing of the study's hypotheses to provide answers to the research questions.

Reliability of the research instrument

To ensure the reliability of this research instrument, the survey instrument was pilot-tested to determine if the scales consistently reflect the constructs they purport to measure. This was achieved through scale reliability analysis to determine the Cronbach-alpha reliability coefficient of the constructs. At least fifty copies of the questionnaire were administered to the staff of 10 companies which constituted the unit of analysis, selected randomly. To establish the reliability of the research instrument, a scale reliability test was carried out on the instrument administered using IBM Statistic 26. According to Hair *et al*. (2014), Cronbach's Alpha coefficient with a standard score not lower than 0.60 or 0.70 for the test of reliability is acceptable. The result of the reliability test carried out in this study is reported in Table 1 below. The result shows that all the variables passed Cronbach's α test at the upper limit of ≥ 0.70.

Validity of the instrument

To establish the content and face validity of the research instrument, the questionnaire was designed and structured to capture the variables of interest to the study. Thereafter, experts in auditing and forensic accounting were requested to review the test items. The experts were required to rate the test items on a rating scale with values describing opinions such as 'does not match the construct'; matches the construct somewhat and matches the construct well. Test items with a score ≥ 0.50 are considered good (Avwokeni, 2016). Exploratory factor analysis was carried out on the instrument administered to the respondents to establish construct validity. Generally, factor loadings and commonality of 0.50 and above are adequate for establishing the validity of test items measuring a construct (Hair, *et al*., 2014).

Model Specification

To aid the testing of the proposed hypotheses the following model was relied upon:

FALFINR= *f* (RATIONZ, OPPORT, PRESSR, PCAPBL, PINTGR) ----------(1)

The econometric form of the model is given as:

FALFINR = $\alpha_0 +$ α_1 RATIONZ + α_2 OPPORT + μ ----------(2)

Where:
FALFINR = Falsification of Financial Report
RATIONZ = Rationalization
OPPORT = Opportunity
α_0 = slope
α_1 to $\alpha_4 \neq 0$ = the regression coefficients
μ = Stochastic error term

Method of data analysis

Structural equation modelling (SEM) shall be adopted to estimate the study's model because the researcher developed multi-item scales for the constructs representing the dependent and independent variables. SEM is a multivariate technique combining aspects of factor analysis and multiple regression that enables the researcher to simultaneously examine a series of interrelated dependence relationships among the measured variables and latent constructs (variates) as well as between several latent constructs (Hair *et al*., 2014). SEM is a technique that allows separate relationships for each of a set of dependent variables.

Decision Rule

If the p-value is less than or equal to α value at 0.05 (5%) (That is, if the result is significant), we reject the Null Hypothesis (H_0) and accept the Alternative Hypothesis (Ha), and if the p-value is greater than α at 0.05 (5%) we accept the Null Hypothesis (H_0) and reject the Alternative Hypothesis (Ha).
Where;
P-value = probability
α = level of significance.

Data Analysis

Table 1: Summary of responses from the questionnaires

S/N	ITEMS	SA	A	U	DA	SD
A	**FALSIFICATION OF FINANCIAL REPORT** {Adapted from Yüce (2013); Zahari et al. (2019); Abdullatif (2016); DiNapoli (2010); Singleton & Singleton (2010), SAS No. 99}					
1	Rapid growth or unusual profitability, especially compared to other companies in the same industry is indicative of falsification of financial statement	79	180	0	39	0
2	When debt collection rate is lower than normal, companies may be tempted to falsify financial statement	104	167	0	25	2
3	When suppliers are constantly making discounts, the likelihood of falsification of financial statement will be high	102	195	0	10	0
4	If management staff of the client company is from companies that went bankrupt, probability of falsification of financial statement will be high	89	153	4	42	10
5	The client company have a consistently weak cash flow possibility of falsification of financial statement will be high	88	160	5	45	0
6	Excessive borrowing of the company is indicative of falsification of financial statement	79	170	0	44	5
7	Consistent fulfilment of earnings targets signals possible falsification of financial statement	104	157	0	35	2
8	Questionable definitions of income for the company to reach its targets smacks falsification of financial statement	99	188	0	11	0

9	Significant changes in income policies suggests possibility of falsification of financial statement	98	143	4	50	3
10	Excessive pressure on operating management or personnel to meet financial targets exerted by board of directors or chief executive officers	88	160	5	45	0
11	Perceived or real adverse effects of reporting poor financial results on significant pending transactions, such as business combinations or contract awards	79	170	0	39	10
12	Significant, unusual, or highly complex transactions, especially occurring close to year end that pose difficult "substance over form" questions	104	157	0	35	2
13	Ineffective accounting and information systems, including situations involving reportable conditions	102	185	0	10	1
14	Significant bank accounts or subsidiary or branch operations in tax-haven jurisdictions for which there appears to be no clear business justification	89	153	4	52	0
15	Significant related-party transactions not in the ordinary course of business or with related entities are not audited or audited by another firm	98	160	5	35	0
16	Insufficient explanation in balance sheet footnotes, seasonal differences, generation of fictitious income and improper asset valuation	79	170	0	37	12
	RATIONALISATION Adapted from Mansor 2015; Zahari et al. (2019), SAS 99					
1	A practice used by management of committing to analysts, creditors, and other third parties to achieve aggressive or unrealistic forecasts constitutes fraud risk factor	109	175	3	11	0
2	Domineering management behaviour in dealing with the auditor, especially involving attempts to influence the scope of the auditor's work constitutes fraud risk factor	96	146	4	47	5
3	Formal or informal restrictions on the auditor that inappropriately limit his access to people or information or limit his ability to communicate effectively with the board of directors or the audit committee constitutes fraud risk factor	95	153	5	40	5
4	Management failure to correct known reportable conditions in internal controls in a timely basis constitutes fraud risk factor	81	168	0	44	5
5	The members of the client company have a known history of violations of securities law, or claims against the entity, its senior management, or board members alleging fraud or violations of securities laws possibility of rationalisation will be high	104	160	0	32	2
	OPPORTUNITY {Adapted from Mansor (2015), adopted}; Zahari et al. (2019); SAS 99}					
1	Close relationship between suppliers and other key people within and outside the organization constitute a fraud risk	95	160	5	38	0
2	Organizational failure to orienting employees on the measures uses to eradicate fraudulent act constitute a fraud risk	86	170	0	37	5
3	Frequent and excessive replacement of key employees due to retrenchment, firing and retiring constitute a fraud risk	101	170	0	25	2
4	Lack of job rotation, regular vacation or transfer of key employees within the organization constitute a fraud risk	99	195	0	4	0
5	Inadequate personnel-screening policies when employing a new employee for the replacement constitute a fraud risk	99	153	4	42	0
6	Lack of general and precise personnel policy constitute a fraud risk	95	160	8	35	0
7	Improper record of commendation on personnel dishonest act and other disciplinary actions constitute a fraud risk	81	168	0	44	5
8	Lack of executive disclosures and examinations creates opportunity for fraud	104	157	0	35	2
9	A dishonest or overlapping of duty by the dominant management is a fraud risk	99	188	0	11	0
10	Frequent operation in an unfavorable climate creates opportunity for fraud	96	156	4	42	0

11	Lack of supervision and attention paid to details of the job creates opportunity for fraud	95	163	5	35	0
12	Inadequate compensation scheme creates opportunity for fraud	89	170	0	34	5
13	Inadequate training programs creates opportunity for fraud	111	150	0	25	12
14	Related party transactions can create opportunity for fraud	109	188	0	1	0
15	A complex organizational structure can constitute a fraud risk as can creates opportunity for fraud	89	153	4	42	10
16	Lack of effective internal auditing staff constitute a fraud risk as it creates opportunity for fraud	88	160	5	35	10
17	Use of several auditing firms or frequent change of auditors constitute a fraud risk because it creates opportunity for fraud	96	163	0	34	5
18	Providing irrelevant data to the auditors and lack of required information constitute a fraud risk	114	147	0	35	2
19	Use of various legal firms or changes legal counsels repeatedly constitute a fraud risk as it creates opportunity for fraud	99	188	0	10	1
20	An organization that uses large number of different bank accounts smacks fraud risk as it creates room for fraud	86	166	4	42	0
21	Continuous problems with various regulatory agencies smack fraud risk	95	160	5	38	0
22	Large year-end and unusual transactions or unbalanced transactions constitute a fraud risk	79	180	0	34	5
23	An inadequate internal control system or no enforcement of the existing internal controls constitute a fraud risk as it creates opportunity for fraud	100	168	0	28	2
24	Lack of proper accounting records and inadequate accounting personnel constitute a fraud risk as it creates opportunity for fraud	109	185	0	4	0
25	An organization that inadequately discloses questionable or unusual accounting practices constitute a fraud risk	96	153	4	42	3
26	Too much familiarity with the operation constitute a fraud risk as it creates opportunity for fraud	105	153	5	35	0
27	Inadequate monitoring of significant internal controls constitutes a fraud risk as it creates opportunity for fraud	76	163	0	54	5

Table 2: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
FALFINR	5	27.00	2668.00	953.6000	1125.25366	1.046	.913	-.081	2.000
RATIONZ	5	12.00	802.00	298.0000	340.99780	.915	.913	-.705	2.000
OPPORT	5	6.00	992.00	357.6000	430.63709	.932	.913	-.845	2.000
Valid N (listwise)	5								

The descriptive statistics for the dependent variable, falsification of financial report (FALFINR), with the independents variables; rationalization (RATIONZ), opportunity (OPPORT), were represented in table 2. The mean is used to establish a baseline. The maximum and minimum numbers, on the other hand, aid in the detection of data problems. The variation from the mean is represented by the standard deviation. It is a risk indicator; the greater the standard deviation, the greater the risk. The standard deviation is a metric that expresses how much each item in a dataset deviates from the mean. It is the most reliable and extensively used metric. The standard deviations in the firms are 1125.25, 341.00, 430.64, for FALFINR, RATIONZ and OPPORT, respectively.

Test of hypotheses

Hypothesis One

H_{01}: Rationalization does not have any significant effect on the prevention of financial statement falsification among non-financial firms listed in Nigeria.

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.999[a]	.998	.997	61.60469

a. Predictors: (Constant), RATIONZ

Table 3 shows that the three predictor variables jointly account for .99% of the variance in Rationalization and prevention of financial statement falsification ($R^2 = 0.998$, Adjusted $R^2 = 0.998$). The correlation coefficient ($R = 0.999$) shows that there is a strong positive correlation between the independent variables and the dependent variable.

Table 4: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5053397.787	1	5053397.787	1331.545	.000[b]
	Residual	11385.413	3	3795.138		
	Total	5064783.200	4			

a. Dependent Variable: FALFINR
b. Predictors: (Constant), RATIONZ

The results of the ANOVA in Table 4 confirm that the overall regression model is significant $F= 1331.55$, $p = 0.000 < 0.05$). It shows that the predictive power of the rationalization have significant effect on the prevention of financial statement falsification.

Table 5: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-28.660	38.518		-.744	.511
	RATIONZ	3.296	.090	.999	36.490	.000

a. Dependent Variable: FALFINR

The regression coefficients of Table 5 show that the predictor contributes statistically significant to prevention of financial statement falsification. This finding suggests that an increase in rationalization of one unit is linked with a corresponding 3.296 unit change in prevention of financial statement falsification other things held constant. The null hypothesis is rejected and the alternate hypothesis is accepted since all of the p-values are less than the 0.05 level of significance. The rationalization has significant effect on the prevention of financial statement falsification among non-financial firms listed in Nigeria.

Hypothesis Two

H_{02}: Opportunity has no significant effect on the prevention of financial statement falsification among non-financial firms listed in Nigeria.

Able 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.998[a]	.996	.994	85.84090

a. Predictors: (Constant), OPPORT

Table 6 shows that the three predictor variables jointly account for .99% of the variance in opportunity and prevention of financial statement falsification (R^2 = 0.994, Adjusted R^2 = 0.994). The correlation coefficient (R = 0.998) shows that there is a strong positive correlation between the independent variables and the dependent variable.

Table 7: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5042677.218	1	5042677.218	684.341	.000[b]
	Residual	22105.982	3	7368.661		
	Total	5064783.200	4			

a. Dependent Variable: FALFINR
b. Predictors: (Constant), OPPORT

The results of the ANOVA in Table 7 confirm that the overall regression model is significant F= 684.341, p = 0.000 < 0.05). It shows that the predictive power of the opportunity has significant effect on the prevention of financial statement falsification.

Table 8: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	21.233	52.383		.405	.712
	OPPORT	2.607	.100	.998	26.160	.000

a. Dependent Variable: FALFINR

The regression coefficients of Table 8 show that the predictor contributes statistically significant to prevention of financial statement falsification. This finding suggests that an increase in opportunity of one unit is linked with a corresponding 2.607 unit change in prevention of financial statement falsification other things held constant. The null hypothesis is rejected and the alternate hypothesis is accepted since all of the p-values are less than the 0.05 level of significance. The opportunity has significant effect on the prevention of financial statement falsification among non-financial firms listed in Nigeria.

Discussion of Findings

The hypothesis one revealed that the rationalization has significant effect on the prevention of financial statement falsification among non-financial firms listed in Nigeria. The result agreed with Firth et al. (2021) results indicated that financial stability and rationalization significantly affect the indicators of financial statement fraud. Achmad et al. (2022) study showed that rationalization affect fraudulent financial reporting. However, this result disagreed with Yono and Indira (2024) results show that rationalization has no significant association with fraudulent financial reporting. Ariany and Murtanto (2024) founds rationalization do not affect financial statement fraud.

Hypothesis two showed that the opportunity has significant effect on the prevention of financial statement falsification among non-financial firms listed in Nigeria. The result agreed with Yadiati et al (2023) who found that opportunity has a positive effect on the detection of fraudulent financial statements. However, the findings disagreed with Ariany and Murtanto (2024) opportunity does not affect financial statement fraud.

Conclusion

The study investigated the extent fraud risk factors on the prevention of financial statement falsification. Regression analysis was employed test the hypotheses. The outcome indicates that rationalization and opportunity have significant effect on prevention of financial

statement falsification. Improving by identifying financial stability (e.g., Return on Assets) or high leverage as risk factors, the Board of Directors can design realistic, risk-adjusted performance goals. It may achieve via implementing mandatory dual-authorization for significant adjustments, strict system access logs, and regular forced job rotations ensures that no single individual has the unchecked capability to falsify ledgers.

Recommendations

Based on the results, the following recommendations were made:

1. To ensure effective prevention of falsification, there is need for Strengthen Corporate Culture and Tone at the Top; hence Employees rarely rationalize fraud in companies where leadership visibly prioritizes honesty over short-term metrics. Executive leadership and board members must demonstrate unwavering integrity, particularly during financial downturns or missed earnings targets.
2. Opportunity is the only element of the fraud triangle that an organization has complete and direct control over. There is need to enhance Oversight by an Independent Audit Committee. Empower the Board and Audit Committee to ensure the audit committee is composed of independent, financially literate members who actively challenge management assumptions, review high-risk transactions, and oversee the external audit process.

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