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ETHICAL ISSUES OF VIETNAMESE AUDITORS: APPLYING THE FRAUD TRIANGLE MODEL

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ABSTRACT

Purpose: The article analyzes the impact of the factors affecting the fraud of Vietnamese auditors applying the fraud triangle model, providing more empirical evidence on the factors affecting the fraud of the auditors. Vietnam.

Theoretical framework: This paper uses the the fraud triangle model.

Design/methodology/approach: Research method using questionnaire survey of managers and auditors of Vietnamese auditing firms, the survey results collected 250 questionnaires. After eliminating invalid questionnaires due to There are many blank cells, the author chooses to use 236 questionnaires. Quantitative research was carried out with SPSS 25 software.

Findings: Research results show that pressure perception factor has higher standardized Beta coefficient (0.390) than all other factors. The normalized Beta coefficients of the remaining factors are: Perception of opportunity (0.289), Rationalization (0.267)

Research, Practical & Social implications: Based on the research results, the author has proposed recommendations to minimize the negative impact of these pressures in order to limit the occurrence of violations of professional ethics of Vietnamese auditors.

Originality/value:This study fills the gap in the Ethical issues of Vietnamese auditors: applying the fraud triangle model.

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QUESTÕES ÉTICAS DOS AUDITORES VIETNAMITAS: APLICAÇÃO DO MODELO DO TRIÂNGULO DA FRAUDE

RESUMO

Objetivo: O artigo analisa o impacto dos fatores que afetam a fraude dos auditores vietnamitas aplicando o modelo do triângulo da fraude, fornecendo mais evidências empíricas sobre os fatores que afetam a fraude dos auditores. Vietnã.

Estrutura teórica: Este artigo usa o modelo do triângulo da fraude.

Projeto/metodologia/abordagem: Método de pesquisa que utiliza pesquisa por questionário com gerentes e auditores de empresas de auditoria vietnamitas; os resultados da pesquisa coletaram 250 questionários. Depois de eliminar os questionários inválidos devido à existência de muitas células em branco, o autor optou por usar 236 questionários. A pesquisa quantitativa foi realizada com o software SPSS 25.

Conclusões: Os resultados da pesquisa mostram que o fator de percepção de pressão tem um coeficiente Beta padronizado mais alto (0,390) do que todos os outros fatores. Os coeficientes Beta normalizados dos demais fatores são: Percepção de oportunidade (0,289), Racionalização (0,267).

Implicações sociais, práticas e de pesquisa: Com base nos resultados da pesquisa, o autor propôs recomendações para minimizar o impacto negativo dessas pressões, a fim de limitar a ocorrência de violações da ética profissional dos auditores vietnamitas.

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Originalidade/valor: Este estudo preenche uma lacuna nas questões éticas dos auditores vietnamitas: aplicação do modelo do triângulo da fraude.

Palavras-chave: Ética Profissional, Modelo do Triângulo da Fraude, Auditores.

CUESTIONES ÉTICAS DE LOS AUDITORES VIETNAMITAS: APLICACIÓN DEL MODELO DEL TRIÁNGULO DEL FRAUDE

RESUMEN
Objetivo: El artículo analiza el impacto de los factores que afectan al fraude de los auditores vietnamitas mediante la aplicación del modelo del triángulo del fraude, aportando más pruebas empíricas sobre los factores que afectan al fraude de los auditores. Vietnam.
Marco teórico: Este artículo utiliza el modelo del triángulo del fraude.
Diseño/metodología/enfoque: Método de investigación mediante encuesta por cuestionario a directivos y auditores de empresas de auditoría vietnamitas; los resultados de la encuesta recogieron 250 cuestionarios. Tras eliminar los cuestionarios no válidos debido a la existencia de muchas casillas en blanco, el autor optó por utilizar 236 cuestionarios. La investigación cuantitativa se llevó a cabo con el programa SPSS 25.
Conclusiones: los resultados de la investigación muestran que el factor percepción de la presión tiene un coeficiente Beta normalizado (0,390) superior al de todos los demás factores. Los coeficientes Beta normalizados de los demás factores son: Percepción de la oportunidad (0,289), Racionalización (0,267).
Implicaciones sociales, prácticas y de investigación: Basándose en los resultados de la investigación, el autor propuso recomendaciones para minimizar el impacto negativo de estas presiones con el fin de limitar la aparición de violaciones de la ética profesional de los auditores vietnamitas.
Originalidad/valor: Este estudio viene a colmar una laguna en materia de ética de los auditores vietnamitas: la aplicación del modelo del triángulo del fraude.

Palabras clave: Ética Profesional, Modelo del Triángulo del Fraude, Auditores.

INTRODUCTION

The three branches of the fraud triangle are analyzed and interpreted according to each context, including in the field of auditing, in academic research and also in professional standards. Pressure can arise from a variety of situations, but often arises in connection with an undivided financial need. Financial pressure is considered to have a large influence on employee fraud motivation and is considered the most common type of pressure. According to research by Albrecht et al (2008), about 95% of fraud cases are affected by financial pressure.

Fraud often arises when employees, managers or organizations are under pressure. Stress can be due to deadlocks in personal life such as due to financial difficulties, due to a rift in the relationship between employer and employee. An incentive or pressure to perform fraudulent financial reporting may exist when management is under pressure from outside or within the entity to achieve a profit or financial result target. as expected (and possibly unrealistic), especially in the event that management's failure to meet its financial objectives will result in significant consequences.

Among the theories related to fraud, Cressey's Fraud Triangle Theory (1953) has been widely acknowledged and widely applied. Cressey is known as a criminologist at Indiana

University in the US. He has researched and shown that cheating occurs when three factors of Pressure, Opportunity and Attitude are met.

Pressure: Cressey believes that fraud occurs when an employee, manager or organization is under financial, emotional or performance pressure on a third party such as financial hardship, disagreements in relationships with business owners or pressure when not completing or not completing assigned tasks.

Opportunity: In this case, the first element can be seen as a precondition for the Opportunity element. Accordingly, when there are incentives or high pressures combined with favorable opportunities, enterprises can conduct fraud.

Attitude: This last factor can be considered a sufficient condition for fraud to occur. Because, not everyone who is under high pressure and has a good opportunity will commit fraud, but this depends on the attitude and personality of each individual. Most people who commit fraud often justify their criminal behavior, reassuring themselves that it will never happen again. But if they continue, the performer will no longer feel confused or embarrassed about the behavior he is doing. Then things go easier, even more often, and they feel more reasonable and acceptable.

The Fraud Triangle Theory then became the foundational theory in fraud studies and was the basis for the development of Auditing Standards related to signs of fraud in financial statements. Similar to organizations and professional associations in the world, Vietnam has also applied the Fraud Triangle theory to develop guidelines for applying fraud identification in ISA 240 – Responsibilities of Auditors. auditors involved in fraud during the audit of financial statements. Accordingly, fraud involves an incentive or pressure to commit fraud, a clear opportunity to do so, and a rationalization of cheating.

This study was conducted with the aim of examining the influence of ethical issues of Vietnamese auditors: applying the fraud triangle model, thereby making some recommendations to improve the professional ethics of Vietnamese auditors.

LITERATURE REVIEW

Fraud is the use of one's profession or responsibilities for personal gain through the deliberate abuse of power (Sutherland, 1983). According to the cheating triangle theory, cheating behavior is motivated by the convergence of three factors - Pressure, Opportunity, and Rationalization (Cressey, 1953). “Trust violators, when they conceive of themselves as having a financial problem that is non-shareable and has knowledge or awareness that this problem can

be secretly resolved by a violation of the position of financial trust. Also, they can apply to their conduct in that situation verbalizations which enable them to adjust their conceptions of themselves as trusted persons with their conceptions of themselves as users of the entrusted funds or property" (Crassey 1953, p. 742). Pressures from difficult life such as financial loss, lack of money, or pressure from relationships can be a trigger for cheating (Lister, 2007). They can occur from other non-financial causes such as a lack of personal discipline or other reasons (Murdock, 2008). In the presence of pressures, fraud can occur if given the opportunity and reasonably self-comforting arguments. When fraud is repeated, people find it easier to accept and are no longer confused or obsessed. All three elements of the fraud triangle model are significantly related to each other. The gap between pressure and opportunity is closer when there are reasonable justifications (Howe and Malgwi, 2006). However, these three factors are also interactive (Albrecht et al., 2008). The greater the perceived opportunity or pressure, the fewer reason people need to commit fraud. The more dishonest a fraud perpetrator is and the easier it is to rationalize deviant behavior, the less opportunity and/or pressure he has to promote fraud.

Pressure is felt in different ways. Unshareable finances come from the difficulty in paying debts, resulting from personal failure, business reversals, physical isolation, status problems gaining, and employer-employee relationship (Cressey, 1953). The empirical study of Albrecht et al. (2006) indicated that 95% of fraud cases are due to the financial pressure of the fraudsters. Pressure is a major factor leading to fraud (Lister, 2007). Auditors may face pressures from continuous compensation structures, management's financial interests, external pressure, financier covenants, and market expectations. Albrecht et al. (2010) divide the pressures promoting fraud into financial and non-financial pressures. Financial stress was indicated as personal financial loss, reduced revenue, inability to compete with other companies, greed, living beyond one's means, personal debt, poor credit, short-term credit crunch needs, inability to meet financial forecasts, and unexpected financial needs. Non-financial pressures can be the need to report results that are better than actual performance, frustration with the job, or even the challenge to beat the system. Based on the review of previous studies explaining the fraudulent triangle model, Kassem, and Higson (2012) classify pressure into 3 main types personal pressure, business or work pressure, and outside pressure; each category includes financial and non-financial pressures. Financial pressure is considered to be the most common factor that causes an entity to engage in an evil act (Mansor, N., & Abdullahi, R., 2015).

Although a person must face pressures, he will not be able to commit fraud if opportunities are not present. Opportunities can occur when there is information and technique (Cressey, 1953). An organization's weak internal control system can potentially create opportunities for fraud (Rae and Subramaniam, 2008; Manurung & Hadian, 2013). Fraudsters believe that a weak internal control system will not detect their fraud (Fitri et al., 2019). Poor auditing systems, lack of accounting records, and poor division of duties can promote fraud (Hooper and Pornelli, 2010; Rasha and Andrew, 2012). Kelly and Hartley (2010) define perceived opportunity as people taking advantage of pre-existing circumstances. The opportunity may not be real but only exists in the perception and belief of the fraudster.

The third element of the fraudulent triangle pattern is rationalization. Rae and Subramanian (2008) defined it as justification for fraudulent behavior due to honesty design or moral reasoning. Before performing fraud, fraudsters tend to use different types of ethical behaviors to justify the idea of cheating. First-time fraudsters excuse themselves that they are in a bad situation. They believe the dishonest and unethical behavior committed is a different category, not a crime (Cressey, 1953). They have a particular way of thinking that helps justify their behaviors (Hooper and Pornelli, 2010). However, this rationalization is relatively difficult to observe (Wells, 2005).

From the research overview, the proposed research model is as follows:

$$\mathbf{AF = \beta_1 + b_2 \, x \, PP + \beta_3 \, x \, PO + b_4 \, x \, RT + E}$$

To assess the impact of factors on fraud of Vietnamese auditors, the study uses 3 detailed hypotheses as follows:

Hypothesis 1:Perceived pressure has a positive relationship with fraud of Vietnamese auditors

Hypothesis 2: Perception of opportunityhas a positive relationship with fraud of Vietnamese auditors

Hypothesis 3: Rationalizationhas a positive relationship with fraud of Vietnamese auditors

METHODOLOGY

The research method used includes surveying through questionnaires of auditing firms to assess the factors affecting the professional ethics of auditors. Auditor fraud, Perceived pressure, Perceived opportunity, Rationalization are measured on a five-level Likert scale Very

good, good, moderate, not good, weak. The 5-level Likert scale is familiarly used in many studies, so the author also quantifies each factor according to five levels. Quantitative research was carried out with SPSS 25 software.

The scope of the study is auditing firms in Vietnam. Research data was collected in the form of face-to-face interviews and email interviews with managers and auditors working in Vietnamese auditing firms. The survey results collected 250 questionnaires. After eliminating the invalid questionnaires due to many blank cells, the author chose to use 236 questionnaires.

RESULTS AND DISCUSSION

Check the Scale

The results of evaluating the reliability of the scale by Cronbach's Alpha show that the scales have a reliability greater than 0.6 and the correlation coefficient of the total variable is greater than 0.3. All scales satisfy the conditions for EFA exploratory factor analysis. The reliability of the scales is summed up in the table below.

Table 1: Results of testing the scale

STT	Variable name	Symbol	Number of observed variables	Cronbach's Alpha coefficient	Minimum total variable correlation coefficient
1	Auditor fraud	OF	4	.805	.571
2	Pressure perception	PP	5	.847	.547
3	Perceiving the opportunity	AFTER	6	.825	.472
4	Rationalization	RT	5	.859	.565

Source: Prepared by the authors (2023).

EFA Analysis

Factor analysis was performed with Principle Component extraction, Varimax rotation for the dependent observed variable. The results show that the coefficient KMO = 0.884 (condition > 0.5); Significance level and Barlett test = 0.000 (meet condition < 0.05) show that EFA analysis is appropriate. The total variance extracted is60.893% > 50%; and factor loading factors are all greater than 0.5, so they are satisfactory. The official scale after EFA processing includes 3 independent variables with 16 observed variables as proposed.

Table 2: EFA analysis

	Factor		
	1	2	3
PO1	.808		
PO2	.769		
PO4	.723		
PO6	.669		
PO3	.659		
PO5	.528		
RT2		.843	
RT4		.829	
RT1		.742	
RT3		.727	
RT5		.712	
PP4			.862
PP2			.824
PP3			.809
PP5			.561
PP1			.501

Source: Prepared by the authors (2023).

Regression Analysis

Table 3. Statistical results of factors

	Model Summary				
Model	R	R squared	R squared corrected	Estimated error of standard deviation	Durbin - Watso coefficient
1	.761[a]	.580	.574	.49263	1.801

a. Predictors: (Constant), RT, PO, PP
b. Dependent Variable: OF
Source: Prepared by the authors (2023).

R squared greater than 0.5: the model is significant, 3 variables included in the model explain 58% of the change of the dependent variable, the rest are due to out-of-model variables and random error.

Durbin - Watson coefficient < 2: no first order series autocorrelation in the model.

In order to check whether this regression model is suitable with the collected data set and has application significance, the author continues to test the model's fit through ANOVA test as follows:

Table 4: Test of model fit (ANOVA model)

Model		Sum of Squares	df	Mean Square	F	Say.
1	Regression	77.680	3	25.893	106.698	.000[b]
	Residual	56.302	232	.243		

	Total	133.982	235			

Source: Prepared by the authors (2023).

Sig test F = 0.000 < 0.05, so the regression model evaluates the influence of 3 factors (perceived pressure, perception of opportunity, rationalization) on fraud of Vietnamese auditors.

The model's F-statistic has a Sig value. = 0.000 < 0.05 shows that the model fits the data set and can be generalized. VIF coefficients are all less than 2, so there is no multicollinearity between components that do not appear in the research model.

Regression results showing the influence of 3 factors on fraud of Vietnamese auditors are shown in the table below:

Table 5: Multiple regression results

Coefficient								
Mô hình		Unnormalized coefficients		Normalized coefficient	t	Sig.	Multicollinear Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.216	.208		1.035	.002		
	PP	.380	.052	.390	7.325	.000	.639	1.566
	PO	.308	.055	.289	5.575	.000	.674	1.483
	RT	.254	.046	.267	5.537	.000	.781	1.280

Source: Prepared by the authors (2023).

The sig test value for each independent variable < 0.05: all variables are significant in the model.

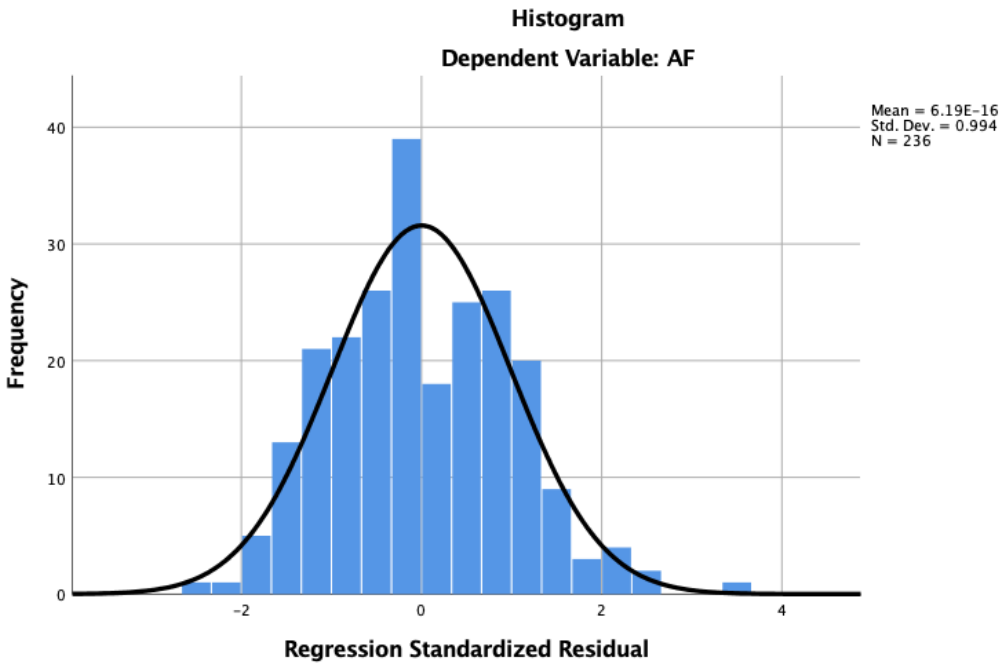
Beta coefficients are all positive: all variables have the same effect on the dependent variable

The regression model is written as follows:

AF = 0.216 + 0.390PP + 0.289PO+ 0.267RT+ E

Normalized Residual Frequency Plot

Figure 1: Normalized Residual Frequency Plot



Source: Prepared by the authors (2023).

CONCLUSION

Based on the results of quantitative research on the factors affecting fraud of Vietnamese auditors, the following conclusions can be drawn:

The multiple linear regression equation extracted according to the standardized Beta coefficient shows that the pressure perception factor has a higher standardized Beta coefficient (0.390) than all other factors. The normalized Beta coefficients of the remaining factors are: Perception of opportunity (0.289), Rationalization (0.267).

From the research results on the factors affecting fraud of Vietnamese auditors, the author makes some recommendations as follows:

The research results show the strongest influence of the observed variables on the pressure factor. Auditing firms need to have reasonable policies to minimize the negative impact of these pressures in order to limit the occurrence of violations of professional ethics of Vietnamese auditors. Improve employee welfare in the enterprise with policies such as health care and training. Disseminate and thoroughly understand to each auditor before each audit about professional ethics; strengthen risk prevention measures. There are measures such as reward and encouragement to promote the sense of professional ethics of each auditor in auditing activities. Auditing firms continue to promote training and fostering to improve staff

qualifications and ethics in the direction of professionalism, expertise, culture of behavior and solid political bravery.

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