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Determinants of Financial Statement Fraud Based on the Fraud Hexagon Model: The Moderating Role of Media Exposure

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ABSTRACT: Financial statement fraud is a persistent issue in corporate governance. This study aims to examine the influence of fraud hexagon elements on financial statement fraud, with media exposure as a moderating variable. The elements include pressure (ROA), opportunity (ineffective monitoring), rationalization (auditor change), capability (director change), arrogance (executive arrogance), and collusion (board duality). Using secondary data from 102 manufacturing companies listed on the Indonesia Stock Exchange during 2018–2022 (510 firm-year observations), logistic regression was applied. The results show that ineffective monitoring and auditor change significantly increase the risk of fraud, while other variables show no significant effect. Media exposure significantly moderates only the relationship between ROA and fraud. These findings highlight weaknesses in internal oversight and the limited role of media as an external monitor. The study supports agency theory and emphasizes the need to strengthen the roles of independent commissioners, auditors, and media in improving corporate transparency.

KEYWORDS: Financial statement fraud, fraud hexagon, media exposure

INTRODUCTION

Financial statements are the primary medium through which companies communicate their financial performance and position to external stakeholders such as investors, creditors, employees, and regulators. As a decision-making tool, financial statements are expected to meet key qualitative characteristics, including relevance, reliability, understandability, consistency, and timeliness (Kieso, 2017). Despite their essential role, financial statements remain vulnerable to manipulation. Such manipulative practices are often employed to create a more favourable financial image than what is accurate, typically to meet stakeholders' expectations or achieve performance targets (Sihombing & Rahardjo, 2014). Financial statement fraud, therefore, not only causes substantial financial losses but also undermines market trust. According to the Association of Certified Fraud Examiners (ACFE, 2022), although financial statement fraud accounts for only 9% of all fraud cases, it results in disproportionately large losses, averaging $593,000 per case. In the global manufacturing sector, this type of fraud represents 12% of reported cases, with an average loss of $177,000 per incident. In Indonesia, the manufacturing, banking, and financial services sectors have recorded the highest incidence of financial statement fraud, indicating systemic weaknesses in corporate governance and internal control (ACFE Indonesia, 2019).

Several high-profile cases in Indonesia—such as PT Jiwasraya, PT Tiga Pilar Sejahtera Food, and PT Indofarma—highlight that financial statement manipulation is not merely a technical issue but reflects deeper failures in oversight mechanisms. For instance, PT Jiwasraya had been recording fictitious profits since 2006, only revealed in 2020, while PT Tiga Pilar inflated its asset value by up to IDR 4 trillion (Kontan.co.id, 2021; Tempo.co, 2020). These cases underscore the destructive consequences of financial statement fraud on corporate stability, public reputation, and stakeholder trust. To explain the motivations and mechanisms behind fraudulent behavior, several theoretical models have been proposed. Among the most influential is the Fraud Triangle by Cressey (1953), which outlines pressure, opportunity, and rationalization as the primary elements of fraud. Building upon this framework, Vousinas (2019) proposed the Fraud Hexagon model, which extends the earlier theory by incorporating capability, arrogance, and collusion alongside the original three components.

Each element of the Fraud Hexagon addresses a unique dimension of fraudulent behavior. Financial targets (pressure) reflect the demands placed on management to meet performance benchmarks, often encouraging unethical reporting to meet expectations (Yusrianti et al., 2020). Opportunity arises from weak internal controls or ineffective monitoring, which grants management the chance to commit fraud undetected (Agusputri & Sofie, 2019). Rationalization allows individuals to justify fraudulent actions, often under the belief that such manipulation serves a greater good or is temporary. Auditor replacement, for instance, may be used to secure favorable audit opinions (Yusrianti et al., 2020). Capability emphasizes the management's power and expertise to commit fraud, which may be influenced by structural changes such as board turnover (Sihombing & Rahardjo, 2014). Arrogance reflects an inflated sense of invincibility or lack of accountability, often seen in overly dominant CEOs (Dewi & Anisykurlillah, 2021). Lastly, collusion refers to non-independent decision-making often due to overlapping roles or relationships within the board, enabling fraudulent acts to go unchecked (Akbar et al., 2022; Vousinas, 2019).

Prior empirical studies have yielded mixed results regarding the influence of each fraud element. For instance, financial targets were found to positively correlate with fraud by Omukaga (2021), Wicaksono & Suryandari (2021), and Indarti et al. (2023), but not by Achmad et al. (2023). Similarly, ineffective monitoring was significant in some studies (Agusputri & Sofie, 2019; Demetriades & Owusu-Agyei, 2022), yet insignificant in others (Achmad et al., 2023). The same inconsistencies appear in studies on auditor changes, director replacements, executive arrogance, and collusion. These disparities call for more comprehensive and robust analysis to verify the true relationships between the fraud hexagon elements and financial statement fraud. One potential explanation for the inconsistent findings is the absence of moderating variables that could clarify the relationships. Baron & Kenny (1986) posited that moderation can influence the strength or direction of the relationship between independent and dependent variables. In this context, media exposure emerges as a potential external oversight mechanism that can moderate the fraud relationship. Media coverage imposes reputational pressure on companies by increasing public and stakeholder awareness of possible misconduct, thereby encouraging greater transparency and accountability (Dyck et al., 2010). Accordingly, this study aims to examine how media exposure moderates the relationship between the elements of the Fraud Hexagon and financial statement fraud, with a specific focus on the manufacturing sector.

LITERATURE REVIEW

Agency theory, first introduced by Jensen & Meckling (1976), serves as a fundamental framework for understanding the relationship between the company owners (principals) and managers (agents) who are authorized to make decisions on their behalf. This theory highlights the potential conflicts of interest arising from differing goals and risk preferences between principals and agents, which are exacerbated by information asymmetry (Eisenhardt, 1989). Such conditions foster opportunistic behaviors by agents, including financial statement manipulation for personal gain, particularly when monitoring mechanisms are weak (Healy & Wahlen, 1999; Shleifer & Vishny, 1997). This phenomenon is especially pertinent in explaining the causes of financial statement fraud, where agents deliberately present misleading financial information to meet performance targets or preserve the company’s reputation (Murphy & Dacin, 2011).

The Fraud Hexagon model, developed by Vousinas (2019), extends the understanding of the traditional Fraud Triangle theory by adding three additional elements—capability, arrogance, and collusion—resulting in six key factors that trigger fraudulent behavior. Pressure arising from high-performance targets remains the primary driver, while opportunity stems from weaknesses in internal monitoring and control systems (Agusputri & Sofie, 2019; Yusrianti et al., 2020). Rationalization allows agents to morally justify their fraudulent actions (Sihombing & Rahardjo, 2014). The capability element emphasizes the agent’s skills and strategic position that enable fraud, whereas arrogance reflects a superior attitude and managerial dominance that disregard oversight (Dewi & Anisykurlillah, 2021). Collusion explains the involvement of both internal and external parties that strengthen the opportunity for fraud (Akbar et al., 2022). This comprehensive model aligns well with agency theory’s assumption that fraud results from conflicts of interest coupled with weak controls.

Media exposure emerges as a critical external monitoring mechanism in the context of modern corporate governance. The media functions as an external watchdog by exerting reputational pressure through public reporting of potential violations and unethical practices. Media exposure can erode investor confidence and trigger adverse market reactions, which ultimately create strong disincentives for agents to commit fraud (Dyck et al., 2010; Wang & Ye, 2015). As a moderating variable, media exposure enhances oversight by increasing transparency and accountability, thereby weakening the relationship between the fraud-inducing factors in the Fraud Hexagon and manipulative behaviors (Baron & Kenny, 1986). Integrating agency theory with the Fraud Hexagon model and the moderating role of media exposure offers a holistic approach to understanding and managing fraud risk. While agency theory identifies the fundamental motives and conflicts of interest, the Fraud Hexagon provides an in-depth perspective on the specific factors leading to fraud, and media exposure strengthens monitoring functions beyond the company’s internal controls. This approach is particularly relevant in the manufacturing sector, which faces high performance pressure and organizational complexity, thus necessitating more comprehensive oversight to prevent financial statement fraud (Dyck et al., 2010; Yusrianti et al., 2020).

Financial targets, such as profit growth reflected in Return on Assets (ROA), place pressure on management to achieve improved performance in each reporting period Achmad et al. (2022). This pressure arises because both the company and investors expect consistent profit increases. The inability to meet these targets often drives management to manipulate financial statements (Yusrianti et al., 2020). Studies have shown that high ROA in the previous year creates pressure to maintain or improve such performance, which potentially leads to financial statement fraud (Warsidi et al., 2018). Management that fails to meet financial expectations tends to engage in manipulation to portray a better image of performance (Omukaga, 2021). According to the fraud hexagon theory, such pressure motivates fraudulent financial reporting as a means to maintain the company's positive image in the eyes of investors (Achmad et al., 2023).

H1: Financial targets have a positive effect on financial statement fraud.

Ineffective monitoring within a company creates opportunities for management to commit fraud (Janah et al., 2022) Ineffective monitoring allows managers to act freely for personal gain (Achmad et al., 2022; Agusputri & Sofie, 2019). The lack of active involvement from independent commissioners in supervising company operations also contributes to the occurrence of fraud (Sari & Irawati, 2021). A disparity in the proportion of independent commissioners relative to the board of commissioners increases the potential for fraudulent behavior (Zulfikar et al., 2020). According to the fraud hexagon theory, poor monitoring opens avenues for management to abuse their authority (Sanjaya et al., 2021). Previous studies have shown that ineffective monitoring has a positive effect on financial statement fraud (Agusputri & Sofie, 2019; Sari & Irawati, 2021)

H2: Ineffective monitoring has a positive effect on financial statement fraud.

The replacement of external auditors by a company to audit its financial statements can increase the potential for financial statement fraud. Management may change auditors in order to avoid detection of previously committed fraud by the former auditor. Frequent auditor changes within a short time frame pose a high risk, indicating possible attempts to conceal fraudulent activities, as new auditors may not yet fully understand the company's financial condition (Handayani et al., 2023). According to the fraud hexagon theory, auditor replacement can serve as a form of rationalization, where management seeks to protect itself from fraud detection by exploiting the transition period between outgoing and incoming auditors (Achmad et al., 2023). Research has shown that auditor replacement has a significant positive effect on the occurrence of financial statement fraud (Abu Nizarudin et al., 2023).

H3: Auditor changes has a positive effect on financial statement fraud.

Director replacement is undertaken by companies to improve managerial performance and quality while minimizing the potential for financial statement fraud. Long-serving directors tend to possess extensive knowledge, intelligence, and control over the company, which may enable them to exploit internal weaknesses to commit fraud (Achmad et al., 2022; Ratnasari & Solikhah, 2019). According to the fraud hexagon theory, the presence of newly appointed, more competent directors can reduce the ability to commit fraud by addressing weaknesses and enhancing governance (Chang & Budiman, 2023). Research suggests that director rotation leads to the creation of new policies that improve company performance and reduce the risk of fraud (Fitriyah & Novita, 2021).

H4: Director changes has a negative effect on financial statement fraud.

Director arrogance, reflected in a sense of superiority and the belief that rules do not apply to oneself, can trigger financial statement fraud. Executive positions provide directors with significant control over the company's operations, which may be misused for personal gain (Faradiza, 2019; Rahmani & Oktalita, 2023). The frequency of directors' photographs appearing in a company's annual report is often considered an indicator of arrogance, as such displays reflect pride in their position and authority (Achmad et al., 2022; Octani et al., 2022). According to the Fraud Hexagon theory, the higher the frequency of directors' images in the annual report, the greater the likelihood of financial statement fraud due to executive arrogance (Akbar et al., 2022). Previous studies have found that director arrogance has a positive influence on financial statement fraud (Purnaningsih, 2022; Rahmani & Oktalita, 2023). Based on this, the hypothesis proposed is:

H5: Director arrogance has a positive effect on financial statement fraud.

Multiple directorships held by members of the board of commissioners reflect weak corporate governance, which can lead to conflicts of interest and collusion between companies. Commissioners who concurrently serve on the boards of other companies are likely to lose their independence in performing oversight functions, thereby increasing the risk of financial statement fraud (Valeeva et al., 2020). The Fraud Hexagon theory explains that multiple directorships facilitate inter-company cooperation that may lead to collusion and fraudulent activities (Achmad et al., 2022). This practice often shifts the focus of management and oversight away from the interests of the company, prioritizing personal or group gains instead (Dal Magro & Klann, 2021). Prior studies have found that multiple directorships among board commissioners have a positive effect on financial statement fraud (Andjelina Panggabean et al., 2023). Based on this, the proposed hypothesis is:

H6: board of commissioners duality have a positive effect on financial statement fraud.

High financial targets often place significant pressure on management to deliver optimal results, thereby increasing the risk of financial statement fraud. According to agency theory, the divergence of interests between shareholders and management creates conflicts that may lead to earnings manipulation (Meckling & Jensen, 1976). Media exposure, as an external monitoring mechanism, can mitigate the effect between financial targets and financial statement fraud. The media imposes additional pressure on management to maintain transparency and accountability, thereby reducing the likelihood of manipulation (Dyck et al., 2010). Research has shown that media exposure enhances effective external oversight and curbs managerial opportunism (Bonsall et al., 2020; Gao et al., 2022). Media exposure acts as a reinforcing control that diminishes the impact of high financial targets on financial statement fraud.

H7: Media exposure weakens the relationship between the financial targets and financial statement fraud.

Ineffective monitoring within a company creates opportunities for management to engage in financial statement fraud, particularly when internal oversight is weak (Zulfa & Tanusdjaja, 2022). Agency theory explains that inadequate supervision enables managerial opportunism, increasing the risk of financial statement manipulation (Meckling & Jensen, 1976). Media exposure serves as an external monitoring mechanism that reinforces internal oversight, enhances transparency, and reduces manipulative behaviour by management (Dyck et al., 2010; Gao et al., 2022). High levels of media exposure place additional pressure on management to adhere to sound corporate governance practices, thereby weakening the effect of ineffective monitoring on financial statement fraud.

H8: Media exposure weakens the relationship between ineffective monitoring and financial statement fraud.

The replacement of auditors is often used by management to eliminate traces of fraud detected by the previous auditor, increasing the likelihood of fraud occurrence (Purba, 2019). Frequent auditor rotation opens opportunities for financial statement manipulation because the new auditor may not fully understand the company's context (Agusputri & Sofie, 2019). Agency theory explains that management tends to act in its own interest, including rationalizing financial statement manipulation. External oversight, such as media exposure, is necessary to reduce the potential for fraud. Media exposure functions as a monitoring mechanism that strengthens transparency and accountability, reducing the opportunity for management to manipulate financial statements (Dyck et al., 2010). The media places additional pressure on management to maintain the integrity of financial reports, especially during auditor rotations.

H9: Media exposure weakens the relationship between auditor changes and financial statement fraud.

Over time, long-serving board members increasingly control the company's information, raising the risk of financial statement manipulation (Aulia Haqq & Budiwitjaksono, 2020). Board changes can reduce the potential for fraud as new directors bring better perspectives and competencies (Fitriyah & Novita, 2021). Agency theory explains that shareholders desire management that can improve performance and reduce the potential for fraud (Alfarago et al., 2023). Media exposure functions as external oversight that strengthens the effect between board changes and the reduction of financial statement fraud. The media exerts additional pressure on the company to maintain transparency and accountability, thereby reducing the opportunity for financial statement manipulation after a board change (Dyck et al., 2010).

H10: Media exposure weakens the relationship between board changes and financial statement fraud.

Director arrogance, as defined in the Fraud Hexagon, reflects an executive's belief in their superiority, which leads to overconfidence and the disregard of internal controls (Crowe, 2011; Hambrick & Fukutomi, 1991). This arrogance increases the likelihood of financial statement fraud by undermining oversight mechanisms. From an agency theory perspective, such directors may exploit their position and access to information for personal gain, exacerbating information asymmetry and reducing accountability (Jensen & Meckling, 1976). Media exposure serves as a moderating variable that intensifies external pressure through public scrutiny and reputational risk. The increased media attention compels directors to act more ethically and transparently to protect their public image (Gao et al., 2022). Moreover, the media acts as a watchdog, revealing irregularities and discouraging unethical behaviour (Dyck et al., 2010). As a result, media exposure mitigates the negative effects of director arrogance on financial reporting. Thus, media coverage can reduce the risk of fraud by increasing the consequences of unethical actions.

H11: Media exposure weakens the relationship between director arrogance and financial statement fraud

Dual positions held by the board of commissioners in other companies can trigger collusion, which risks leading to financial statement fraud. Weak oversight by the board of commissioners holding dual positions can undermine the principles of good corporate governance (Zulfikar et al., 2020). Agency theory explains that the conflict of interest between shareholders and management can exacerbate this situation, driving manipulative actions for personal gain (Dal Magro & Klann, 2021). Media exposure, as an external oversight mechanism, can weaken the effect between dual positions held by the board of commissioners and financial statement fraud. Media attention enhances transparency and accountability, reduces the potential for collusion, and improves oversight of management decisions. Research indicates that media exposure can reduce the potential for fraud by increasing public attention to the company's practices (Dyck et al., 2010).

H12: Media exposure weakens the relationship between the concurrent roles of board of commissioners and financial statement fraud

RESEARCH METHOD

This study employs secondary data derived from the annual reports of manufacturing companies listed on the Indonesia Stock Exchange (IDX). The population comprises all manufacturing companies listed on the IDX during the period 2018–2022, totalling 164 companies. The observation period spans from 2019 to 2022, aiming to examine the risk of financial statement fraud within the manufacturing industry. The sample was selected using a purposive sampling technique, and the selection process was assisted by EViews 12 software. Based on the established selection criteria, 102 companies qualified to be included in the study sample

Table 1: Criteria Sample

No	Selection Criteria	Companies
1	Manufacturing companies listed on the IDX during the 2018–2022 period.	164
2	Companies that did not publish complete and consecutive annual reports throughout the 2018–2022 period.	(35)
3	Companies that did not present financial statements in Indonesian Rupiah (IDR) during the observation period.	(27)
	Total companies included in the final sample	102

Sources:Author, 2024

This study aims to examine the influence of financial targets, ineffective monitoring, audi[illegible]tors' turnover, managerial arrogance, multiple directorships of the board of commissioners, and media exposure as a moderating variable on the indication of financial statement fraud. The F-score model is employed to detect the likelihood of companies engaging in financial statement fraud based on specific measurement criteria. The study utilizes descriptive statistical analysis and logistic regression to analysed the data. The regression equation used in this study is as follows:

$$FSF = \alpha + \beta_1.ROA + \beta_2.BDOUT + \beta_3.AUDCH + \beta_4.DCHAN + \beta_5.FRQD + \beta_6.MC + e$$

$$FSF = \alpha + \beta_1.ROA + \beta_2.BDOUT + \beta_3.AUDCH + \beta_4.DCHAN + \beta_5.FQRD + \beta_6.MC + \beta_7.ROA*ME + \beta_8.BDOUT*ME + \beta_9.AUDCH*ME + \beta_{10}.DCHAN*ME + \beta_{11}.FQRD*ME + \beta_{12}.MC*ME + e$$

Where:

α	= Constanta
β	= Regression Coefficient
ROA	= Financial Targets
BDOUT	= Ineffective Monitoring
AUDCH	= Auditor Changes
DCHAN	= Director Changes
FQRD	= Arrogance Director
MC	= Duality board of commissioners
e	= Error

RESULTS AND DISCUSSION

To provide an initial understanding of the dataset, descriptive statistics present key measures of central tendency and variability, such as the mean, standard deviation, and the observed range for each variable.

Table 2. Descriptive Statistic

	Mean	Median	Maximum	Minimum	Std. Dev	N
FSCORE	0.076471	0.000000	1.000000	0.000000	0.266010	510
ROA	463.6961	418.5000	9210.000	-10498.00	1216.468	510
BDOUT	4165.465	4000.000	8333.000	2500.000	1092.210	510
AUDCH	0.131373	0.000000	1.000000	0.000000	0.338139	510
DCHAN	0.115686	0.000000	1.000000	0.000000	0.320162	510
FQRD	1.682353	2.000000	5.000000	0.000000	0.595565	510
MC	16698.01	10000.00	260000.0	0.000000	24395.56	510
MEDIA	0.264706	0.000000	1.000000	0.000000	0.441610	510

Sources: Output eviews 13,2024

Descriptive statistics provide an overview of the dataset's central tendency and variability. As presented in Table 1, the average value of financial statement fraud (FSCORE) is 0.076, indicating a relatively low incidence of fraudulent reporting within the observed sample. Return on Assets (ROA) exhibits a broad range (from -10,498 to 9,210) and a high standard deviation (1,216.47), reflecting substantial disparities in profitability among firms. The ineffectiveness of monitoring, as measured by the number of board meetings attended by outside directors (BDOUT), has a mean of 4,165.47 with moderate variability. Variables representing auditor changes (AUDCH) and director changes (DCHAN) display low mean values and limited dispersion, suggesting such events are relatively infrequent. CEO arrogance (FQRD) has a mean score of 1.68, typically concentrated within a range of 1 to 5. The duality of commissioners (MC) shows the highest variability in the dataset, indicating significant structural differences across firms. Finally, media exposure (MEDIA) records a mean of 0.264, suggesting that approximately 26% of firms in the sample received public attention via media coverage.

Table 3. Hosmer and Lemeshow Goodnes of Fit Hosmer Test

H-L statistic	10.8472	Prob. Chi-Sq(8)	0.2105
Andrews Statistic	15.8081	Prob. Chi-Sq(10)	0.1053

Sources: Output eviews 13, 2024

The model's goodness-of-fit was assessed using the Hosmer and Lemeshow test, which produced a p-value of 0.2105 (> 0.05). This indicates that there is no significant difference between the model's predicted values and the actual data.

Tabel 4. Fit Test

	Estimated Equation		
	Dep=0	Dep=1	Total
E(# of Dep=0)	436.25	34.75	471.00
E(# of Dep=1)	34.75	4.25	39.00
Total	471.00	39.00	510.00
Correct	436.25	4.25	440.50
% Correct	92.62	10.90	86.37
% Incorrect	7.38	89.10	13.63
Total Gain*	0.27	3.25	0.50
Percent Gain**	3.52	3.52	3.52

Sources: Output eviews 13, 2024

According to the model accuracy assessment, the model correctly predicts 92.62% of the cases in the Dep=0 category, and achieves an overall classification accuracy of 86.37%.

Table 5. Test Coefficient Of Determination

McFadden R-squared	0.052217
S.D. dependent var	0.266010
Akaike info criterion	0.543296
Schwarz criterion	0.609718
Hannan-Quinn criter.	0.569338
Restr. deviance	275.4648
LR statistic	14.38385
Prob(LR statistic)	0.044760

Sources: Output eviews 13, 2024

The McFadden R-squared value of 0.052217 indicates that the model explains only 5.22% of the variation in the dependent variable, while the remaining 94.78% is influenced by factors not included in the model. Despite the relatively low McFadden R-squared value, the Likelihood Ratio (LR) test yields a value of 0.044760, which is less than 0.05, indicating that all independent variables in the model simultaneously influence the dependent variable at a statistically significant level.

Table 6. Regression Results

Hypothesis	Coefficient	Prob.	Results
H1: Financial target has a positive effect on financial statements fraud	-0.000242	0.0535	Rejected
H2: Ineffective monitoring has a positive effect on financial statements fraud	0.000348	0.0164**	Accepted
H3: Auditor changes has a positive effect on financial statements fraud	0.725516	0.0831*	Accepted
H4: Directors changes has a positive effect on financial statements fraud.	-0.804637	0.2056	Rejected
H5: Directors arrogance has a positive effect on financial statements fraud	0.078212	0.7818	Rejected
H6: Board of commissioners duality has a positive effect on financial statements fraud.	-1.137006	0.8782	Rejected
H7: Media exposure weakens the effect between financial target and financial statements fraud.	0.000588	0.0182***	Accepted
H8: Media exposure weakens the effect between ineffective monitoring and financial statements fraud.	0.000229	0.3982	Rejected
H9: Media exposure weakens the effect between auditor changes and financial statements fraud	-0.603994	0.4804	Rejected
H10: Media exposure strengthens the effect between directors changes and financial statements fraud.	-0.212452	0.8715	Rejected
H11: Media exposure weakens the effect between directors arrogance and financial statements fraud.	-0.596837	0.3078	Rejected
H12: Media exposure weakens the effect between board of commissioners and financial statements fraud.	-1.620006	0.9338	Rejected

Sources: Output eviews 13, 2024

1. Financial target has a positive effect on financial statements fraud

The results indicate a probability value of 0.0535, which exceeds the 0.05 threshold, leading to the rejection of hypothesis H1. This suggests that return on assets (ROA) does not have a statistically significant effect on financial statement fraud. The negative coefficient (-0.000242) implies that higher profitability tends to reduce the likelihood of fraudulent financial reporting, although the effect is not statistically significant. This finding aligns with agency theory, which posits that financially healthy firms experience less pressure to manipulate financial statements. Nonetheless, the lack of significance suggests that other factors may play a more dominant role in driving managerial fraud. These results are consistent with (Achmad et al., 2023) and also (Citra et al., 2022).

2. Ineffective monitoring has a positive effect on financial statements fraud

The analysis reveals a probability value of 0.0164, which is less than 0.05, leading to the acceptance of hypothesis H2. This indicates that the independent board of commissioners (BDOUT) has a statistically significant positive effect on financial statement fraud, with a coefficient of 0.000348. However, this finding contradicts agency theory, as the role of independent commissioners appears ineffective due to weak oversight or limited understanding of the company's internal conditions. Ineffective monitoring creates opportunities for fraud, as also demonstrated by Agusputri & Sofie (2019), Demetriades & Owusu-Agyei (2022) and Sari & Irawati (2021).

3. Auditor changes has a positive effect on financial statements fraud

The acceptance of hypothesis H3 indicates that auditor change (AUDCHAN) has a positive and significant effect on financial statement fraud (FSF) at a significance level of < 0.10 (coefficient = 0.725516; p-value = 0.0831). This finding supports agency theory, which suggests that management tends to engage in opportunistic behavior, including replacing strict auditors with more lenient ones to facilitate fraudulent practices (Fitriyah & Novita, 2021). It implies that frequent auditor changes increase the likelihood of financial statement fraud. These results are also consistent with the findings of (Abu Nizarudin et al., 2023; Handayani et al., 2023).

4. Directors changes has a positive effect on financial statements fraud.

The test results show that director change (DCHAN) does not have a significant effect on financial statement fraud (FSF) (coefficient = -0.804637; p = 0.2056), as the p-value exceeds the 0.10 significance level. Although the negative coefficient suggests a potential decrease in fraud, the relationship is not statistically significant. This finding contradicts agency theory, which posits that managerial changes can reduce opportunistic behavior. It suggests that director replacement alone may not effectively improve financial reporting quality unless accompanied by broader improvements in oversight systems. These results are consistent with the findings of (Abu Nizarudin et al., 2023; Achmad et al., 2022).

5. Directors arrogance has a positive effect on financial statements fraud

The test results show a probability value of 0.7818, which is greater than 0.05, leading to the rejection of the hypothesis. This indicates that the number of CEO photographs in the annual report, as a proxy for arrogance, does not have a significant effect on financial statement fraud (FSF). Although the fraud hexagon theory suggests that leadership arrogance may drive fraudulent behavior (Wolfe & Hermanson, 2004), this finding implies that symbolic expressions through visual media do not necessarily reflect manipulative actions. This is consistent with Handayani et al. (2023), Achmad et al. (2022) and Lestari & Henny (2019) who argue that visual expressions in annual reports are not directly linked to opportunistic behavior, as strategic decisions are more influenced by corporate governance and internal oversight mechanisms.

6. Board of commissioners duality has a positive effect on financial statements fraud.

The test results show that the probability value for board of commissioners' duality is 0.8782, which is greater than 0.05, indicating that the hypothesis is rejected. This suggests that CEO duality (MC), or dual roles, does not have a significant effect on financial statement fraud (FSF). The findings imply that the presence of commissioners holding dual positions does not directly contribute to fraudulent behavior. Although agency theory argues that power dominance resulting from dual roles may increase the risk of arrogance and opportunistic behavior, this result indicates that other governance mechanisms—such as internal controls or the oversight roles of other board members—may be sufficiently effective in limiting such risks (Handayani et al., 2023). These findings are consistent with previous studies by (Achmad et al., 2022; Omukaga, 2021).

7. Media exposure weakens the effect between financial target and financial statements fraud.

The results of hypothesis H7 testing indicate that media exposure significantly moderates the effect of return on assets (ROA) on financial statement fraud (FSF), with an interaction coefficient of 0.000058 and a p-value of 0.0182 (< 0.05), H7 is accepted. This finding suggests that media exposure strengthens the relationship between financial performance and the likelihood of fraud occurrence. It supports the role of the media as an external monitoring mechanism that enhances reputational pressure and managerial accountability, in line with agency theory. Dyck et al. (2010) found that although the media is not the primary source in uncovering fraud, its presence amplifies reputational pressure on firms once fraud is revealed. Therefore, the effectiveness of the media in fraud prevention depends on the availability of initial information from other internal governance mechanisms.

8. Media exposure weakens the effect between ineffective monitoring and financial statements fraud.

The test results for hypothesis H8 indicate that media exposure does not moderate the relationship between ineffective monitoring (BDOUT) and financial statement fraud (FSF), with a coefficient of 0.000229 and a p-value of 0.3982 (> 0.05), thus the H8 is rejected. This finding suggests that media has not been effective in strengthening the role of independent commissioners in preventing fraud. Theoretically, this result does not support agency theory, which assumes that external monitoring can constrain managerial opportunism. The limited influence of media may be attributed to insufficient public scrutiny of internal oversight functions. These findings are consistent with prior studies by Widawati et al. (2023), Manan et al. (2023), and Sinarti & Nuraini (2019), which show that external monitoring is not always effective in enhancing the internal oversight function in mitigating fraud.

9. Media exposure weakens the effect between auditor changes and financial statements fraud

The test results indicate that the interaction between media exposure and director change (DCHAN) does not have a significant effect on financial statement fraud (FSF), with a coefficient of -0.212452 and a p-value of 0.8715 (> 0.05). Thus, the hypothesis is rejected. This finding suggests that media exposure has not been effective in mitigating the influence of leadership changes on financial reporting fraud. These results do not support agency theory, which posits that media can function as an external monitoring mechanism to constrain managerial opportunism. Similar findings were reported by Manan et al. (2023), who noted that not all external factors, including media, are capable of strengthening internal control mechanisms in preventing fraud.

10. Media exposure strengthens the effect between directors changes and financial statements fraud.

The interaction test between media exposure and managerial arrogance (FRQD) on financial statement fraud (FSF) yielded a coefficient of -0.596837 with a p-value of 0.3078 (> 0.05), leading to the rejection of the hypothesis. This result indicates that media exposure does not effectively weaken the relationship between managerial arrogance and the likelihood of committing financial statement fraud. Theoretically, this finding contradicts agency theory, which positions the media as a public monitoring tool to constrain managerial misconduct. Supporting this result, Sinarti & Nuraini (2019) found that weak internal governance mechanisms cannot be sufficiently addressed through media pressure alone.

11. Media exposure weakens the effect between directors arrogance and financial statements fraud.

The interaction test between media exposure and managerial arrogance (FRQD) on financial statement fraud (FSF) yields a coefficient of -0.596837 with a p-value of 0.3078 (> 0.05), indicating that the hypothesis is rejected. This result suggests that media exposure does not significantly weaken the relationship between managerial arrogance and the propensity to commit financial fraud. Theoretically, this finding does not align with agency theory, which posits that media can serve as an external control mechanism to curb managerial opportunism. This conclusion is supported by Sinarti & Nuraini (2019) who argue that weaknesses in internal governance such as the concentration of power within the board cannot be effectively mitigated by media pressure alone. Therefore, when internal governance mechanisms fail to function optimally, the role of the media as an external monitoring tool becomes less effective in preventing financial statement fraud.

12. Media exposure weakens the effect between board of commissioners and financial statements fraud.

The analysis results indicate that the interaction between media exposure and board of commissioners' duality (MC) does not have a significant effect on financial statement fraud (FSF), with a p-value of 0.9338 (> 0.05) and a coefficient of -1.620006. Therefore, Hypothesis 12 is rejected. This finding does not support the agency theory assumption that positions media as an effective external monitoring mechanism. The result suggests that media presence has not been effective in mitigating the potential conflicts of interest arising from dual roles within the board of commissioners. This is consistent with the findings of Dyck et al. (2010), which highlight the media's limited ability to uncover structural or opaque issues, such as internal conflicts of interest.

CONCLUSION AND SUGGESTION

The findings of this study indicate that not all elements of the fraud hexagon model have a significant influence on financial statement fraud. Specifically, financial targets (ROA), board of directors changes, managerial arrogance, and commissioner duality do not exhibit a significant effect on fraud, although the direction of the coefficients aligns with assumptions in agency theory. In contrast, ineffective monitoring (measured by the proportion of independent commissioners/BDOUT) and auditor switching (AUDCHAN) show a positive and significant impact on financial statement fraud. These results suggest that weak internal oversight and auditor changes can create greater opportunities for management to manipulate financial reports. In terms of the moderating effect, media exposure is found to be effective only in strengthening the relationship between financial targets and fraud. However, this variable does not strengthen or weaken the relationships between financial statement fraud and other elements, such as ineffective monitoring, auditor switching, board changes, managerial arrogance, and commissioner duality. This indicates that the effectiveness of the media as an external monitoring mechanism remains limited and largely depends on the strength of the company's internal control system. These findings partially support the assumptions of agency theory, particularly regarding the importance of effective monitoring mechanisms and the high risk of opportunistic behaviour by management when internal control systems are not functioning optimally. Nevertheless, the role of the media as an external monitor has not yet proven fully effective across all fraud-related contexts.

LIMITATIONS AND RECOMMENDATIONS

This study has several limitations that should be considered. The data used only cover manufacturing companies, which may not fully represent the broader population of firms, especially across different sectors or geographic regions. The moderating effect of media exposure is significant only in the relationship between financial targets and fraud, while it shows no significance in other variables. This suggests that there may be other influencing factors not included in the current model. Furthermore, reliance on secondary data poses inherent limitations due to potential bias and constraints in variable measurement. Future research is encouraged to expand the sample scope, consider additional relevant variables, and combine quantitative and qualitative approaches to gain a more comprehensive understanding of the factors contributing to financial statement fraud.

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