ABSTRACT

This study examines the determinants of Financial Statement Fraud (FSF) using the fraud hexagon model and assesses the moderating effects of internal control and media exposure. The research focuses on manufacturing companies in the consumer non-cyclicals sector listed on the Indonesia Stock Exchange from 2021 to 2023. The fraud hexagon model comprises pressure (external financial pressure proxied by leverage), opportunity (ineffective monitoring proxied by proportion of independent commissioners), rationalization (total accruals to total assets ratio), capability (CEO education level), arrogance (CEO tenure), and collusion (political connections).

A quantitative approach with panel logistic regression was applied to 56 companies, yielding 168 observations. FSF was measured using the F-Score model, integrating accrual quality and financial performance. Internal control was assessed using COSO ERM disclosure scores, while media exposure was measured through the logarithmic frequency of news coverage. Results indicate that pressure and opportunity significantly ($p < 0.05$) increase FSF likelihood, highlighting the influence of financial stress and weak oversight. Rationalization, capability, and arrogance showed no significant effect, while collusion displayed a significant negative relationship, suggesting a context-specific dynamic in politically connected firms.

Moderation analysis reveals that internal control reduces the effect of opportunity but unexpectedly strengthens the collusion–fraud link. Media exposure weakens the effects of pressure and capability on FSF but tends to reinforce the collusion–fraud relationship. These findings emphasize the dominant role of financial pressure and ineffective monitoring, alongside the nuanced influence of political connections. This research enriches the fraud hexagon framework by integrating internal control and media exposure as moderating factors, providing insights for regulators, auditors, and investors to develop targeted fraud risk mitigation strategies within industry-specific contexts.

Keyword: Financial Statmenet Fraud, Fraud Hexagon Model, Internal Control, Media Exposure