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Determinants of Audit Report Quality: Enhancing Fraud Detection through Auditor Independence and Internal Control Systems at Public Accounting Firm Kanaka Puradiredja Suhartono

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Abstract

Fraudulent Financial Reporting is the intentional misstatement of amounts and disclosures with the intention of deceiving users of financial statements by disclosing higher amounts than true (overstates) of assets or income, or when the company reports lower amounts than true (understates) of liabilities and expenses. This study examines the effects of fraud auditing, auditor independence, and internal control systems on audit report quality at Kanaka Puradiredja Suhartono Public Accounting Firm. Using a quantitative causal comparative design, data were collected from 61 auditors via validated questionnaires. Hypotheses were tested through partial t-tests, simultaneous F-tests, and multiple regression analysis processed with SPSS Version 30. Results show that fraud auditing and internal control systems significantly improve audit report quality, while auditor independence has no significant partial effect. The findings highlight the importance of enhancing fraud detection capabilities and internal controls to elevate audit quality. This study provides empirical evidence to guide auditors and regulators in strengthening audit standards and control systems in Indonesian public accounting firms.

Keywords: Fraud Auditing, Independence, Internal Control System, Audit Report Quality Confirming

1. Introduction

Fraudulent Financial Reporting is the intentional misstatement of amounts and disclosures with the intention of deceiving users of financial statements by disclosing higher amounts than true (overstates) of assets or income, or when the company reports lower amounts than true (understates) of liabilities and expenses. Fraudulent Financial Reporting is the intentional misstatement or omission of amounts or disclosures in financial statements. Fraud perpetrators can be from people inside the company and outside the company. Triggers for fraud include greed, need, pressure, opportunity and rational. Financial statements that contain material misstatements can result in the quality of the financial statements not being presented fairly in all material respects. Misstatement of financial statements can occur as a result of errors or fraud. (Anisa Putri, 2020).

Fraudulent Financial Reporting was carried out by PT Mahata Aero Teknologi, a startup company providing wifi on board technology, in direct collaboration with PT Citilink Indonesia, a subsidiary of Garuda Indonesia. In this collaboration, Mahata is committed to bear all costs of providing, installing, operating and maintaining internet connectivity service equipment. PT Mahata has not paid any single penny of the total agreed compensation until the end of 2018. When PT Garuda Indonesia (Persero) Tbk was audited by the Public Accounting Firm (KAP) Tanubrata, Sutanto, Fahmi, Bambang & Rekan, the management of PT Garuda presented financial statements as of December 31, 2018 with a net profit of US$ 809 thousand or around Rp11.33 billion as compensation income for the right to install internet connectivity service equipment and inflight entertainment.

Public Accountant Kasner Sirumapea and KAP Tanubrata, Sutanto, Fahmi, Bambang and his subordinates (members of the international audit organization BDO) who conducted an audit of the 2018 financial statements of PT Garuda Indonesia Tbk. The Ministry of Finance found that there were violations of Auditing Standards (SA) - Public Accountant Professional Standards (SPAP) SA 315, SA 500, and SA 560 committed by auditors from KAP which affected the opinion of the Independent Auditor's Report (LAI). Fraud is defined as an act committed intentionally to deceive or take property or property rights of others illegally or illegitimately (Arens, Elder and

Beasley, 2014: 430). In the audit of financial statements, fraud is a presentation of financial statements that is made deliberately wrong (contains misstatements), to be misleading and to be misused of assets (Hery 2016; 197).

Fraud detection is carried out by identifying signs or symptoms that occur, then analyzing whether the signs can show early identification of fraud. Fraud is always accompanied by symptoms and signs of occurrence called Red flags. Auditors can use the method of detecting red flags that lead to fraud above, Auditors also need to be aware of and consider the possibility of the involvement of parties with unique characteristics because parties with these unique characteristics can increase the possibility of fraud. (Fraud Auditing Module of BPK Training Center 2018; 11).

Fraud can be identified by the auditor by assessing the risk of non-compliance with regulatory provisions caused by fraud and/or abuse. The auditor must disclose non-compliance with regulatory provisions that indicate fraud, impropriety, and/or loss, as well as non-compliance that has a direct and material effect on the subject matter/information of the subject matter being examined in accordance with the provisions (State Financial Auditing Standards; 2017). Auditors must identify whether or not a misstatement is material, and the Auditor has reasons to believe that it might be/a result from fraud and that management is involved (Auditing Standard 240).

Auditors are responsible for planning and performing audits to obtain reasonable assurance about whether the financial statements are free from material misstatement whether caused by error or fraud (Zainiah, 2017). Fraud Auditing occurred in June 2022, where the KPK had named eight suspects in a bribery case against an employee of the West Java Representative Financial Auditor Agency (BPK), Ade Yasin. The bribe was made so that the Bogor Regency Government's financial statements would again receive an unqualified predicate. (Suara.com June 21, 2022).

Another case that befell to the Public Accountant occurred to the Independent Auditor of KAP Tahrir Hidayat who received pressure from his client to manipulate financial statements (Khoiriyah, 2013). In 2017, partners from KAP Ernest & Young (EY) in Indonesia had to pay a fine of US $ 1 million for issuing opinions to clients with insufficient evidence (bisnis.tempo.co.id, 2017). The quality of financial statements can be known from the results of the General Audit in order to provide an opinion / opinion on the fairness of the financial information presented in the financial statements. The quality of the resulting audit also makes people currently distrust KAP Audit quality is also influenced by auditor independence, internal control system (Muhidin & Arigawati, 2023).

Fraud occurs influenced by a weak Internal Control System, lack of supervision, and abuse of authority or power. Marciano et al. (2021) states that there are five important elements of internal control which include the control environment, risk assessment, control activities, information & communication, and monitoring. The auditor's internal control system is very important for carrying out his responsibilities. The purpose of the internal control system is to check the accuracy and reliability of accounting data. By using the accounting system, the risk of errors and recording or calculation errors can be minimized, thereby reducing the possibility of audit errors. (Dewi & Nurfadila, 2018).

Auditor errors carry out examinations not in accordance with audit standards, by providing an unqualified opinion without being supported by sufficient evidence. Audit quality is the auditor's actions during the audit in accordance with audit standards and providing financial audit reports for related parties based on the validity of sufficient evidence (Suripto, 2021). Audit quality is defined as the auditor's likelihood of detecting and reporting irregularities in his client's accounts (Sangadah, 2022). Effectiveness analysis leads to an appropriate response to the audit task performed by the auditor. Decisions taken by auditors can improve audit quality. They can analyze the integrity of financial statements and reports to determine whether their work deserves a positive review. Analysts must have good analysis to reduce misunderstandings between the board and members and help users make the right decisions.

Audit quality is an assessment of the quality of the auditor's audit results, which has an impact on the audit results, especially on the audit opinion assessment. Audits conducted by following the Basic Principles of Public Accountants set by the Standards can be considered of high quality (Fajri, 2020). Influence audit quality is auditor independence, according to (Vincent & Osesoga, 2019) independence is an auditor's impartial attitude, has no personal interests, and is not easily influenced by other parties. - party interested in providing opinions. So, the higher the independence of the auditor, the better the resulting audit quality.

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Independence affects Audit Quality (Zhella Rachma Gimardien (2017), (Muhidin & Arigawati, 2023). Independence is one of the components needed by accountants to carry out their duties, namely auditing financial statements (Panggabean & Pangaribuan, 2022). According to (Mulyadi, 2014: 26), independence can be interpreted as the auditor's actions or opinions are not influenced or controlled by any party. In other words, the attitude of independence is honest and not easily influenced when considering facts and making objective decisions without taking sides with anyone (Kristianto & Pangaribuan, 2022).

Independence is an attitude that can provide a real assessment of financial statements, without any burden on any party, so that the resulting audit quality assessment can describe the actual condition of the client. Independence is defined as the auditor's honesty in considering facts and the existence of impartial objective considerations in deciding and expressing his opinion. Auditors who have independence will have a mental attitude that cannot be influenced, is not controlled by other parties and there are objective and impartial considerations within the auditor in formulating and expressing his opinion so as to produce a quality audit. Research conducted by Burhanudin (2016), Rahayu & Suryanawa (2020), Dilla (2021), Triono (2022) and Sangadah (2022) states that independence has a positive effect on audit quality.

Auditors must maintain an independent attitude by being free and not counting on anyone. (Sihotang, 2016: 194). Independent auditors can violate the code of ethics or professional standards of practice, which can cause auditors to lose their jobs if they do not have independence (Sukriah, 2020). Every auditor must maintain integrity and objectivity in carrying out his duties by acting honestly, firmly, and without pretension so that he can act fairly, without being influenced by certain parties to fulfill his personal interests. (Khomsiyah, 2019). Audit quality is the probability that the financial statements do not contain obstructions or material misstatements (Ahmed, 2017).

According to Sukirman (2015) audit quality is a form of reporting on internal control weaknesses and compliance with provisions, responses from responsible officials, distribution of audit reports and follow-up of auditor recommendations according to established rules or standards. Shintya et al. (2016) defines audit quality as the possibility of an auditor reporting a violation found in his client's accounting information system.

Based on the description of the background of the problem above, the title of this research is “The Effect of Fraud Auditing, Independence, Internal Control System on the Quality of Audit Reports by Public Accounting Firm Kanaka Puradiredja, Suhartono”.

PROBLEM FORMULATION

From the description presented, the authors try to formulate several problems as followed 1) Does Fraud Auditing have a direct effect on the Quality of the Audit Report by the Auditor? 2) Does Independence have a direct effect on the quality of the Audit Report? 3) Does the Internal Control System have a direct effect on the Quality of the Audit Report by the Auditor?

2. Literature Review

Fraud Auditing

Fraud is a crime that is different from other crimes, it is hidden, there is no direct evidence. Fraud has occurred or someone has committed fraud with symptoms found first. Symptoms of fraud are caused by non-fraud factors with weak internal controls unintentional or negligent loss of evidence or documents. Fraud is an act that is planned in advance to deceive, trick, or manipulate other parties with the aim of causing losses to other parties and obtaining direct or indirect financial benefits for the person committing the fraud. (Kuntadi, 2019)

Fraud is a series of violations that include an unlawful act committed intentionally for a specific purpose (eg creating a false image (misleading) other parties) An act committed by people inside or outside an organization with the aim of: Obtaining personal or group benefits and causing direct or indirect losses to others (Karamoy and Vokas, 2022). Fraud is a deliberate act that uses company resources inappropriately for personal gain. The interests of the company concerned are disturbed (Masri et al., 2022).

Fraud is a premeditated act of deception. Fraud can seriously alter financial statements. fraud caused by misrepresentation of illegal appropriation of assets; dan fraudulent misrepresentations during preparation of

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financial statements. Deliberately confusing the elements that distinguish fraud from error. Auditors often find financial errors in their clients' books, but these errors are not intentional errors (Turumova Dildora Abdumannonovna, 2024).

ACFE (2022) explains that misuse of assets is a situation where an employee unlawfully takes all resources from the workplace (Arens, 2014). Misused Asset occurs at lower levels of organizational hierarchy. Involving-employees Theft is usually done to steal something valued (assets) such as financial expenditures that are not accompanied by supporting documents, errors in recording, deliberately removing proof of transactions, purchasing inventory at higher prices and not adjusted to the predetermined quantity and quality.

Meanwhile, financial statement fraud is a misstatement or deliberate omission of amounts or disclosures with the intention of deceiving users of financial statements. Fraud can cause substantial damage to businesses and economies by deceiving individuals about products or services and disseminating false information. One prevalent form of fraud is the misrepresentation of financial statements, which can mislead shareholders and investors about a company's true financial condition (Abebaw, 2020). Identifying a fraud is an action to find out that fraud occurs, who is the perpetrator, who is the victim, and what causes it. One of the abilities that auditors must have is the ability to detect fraud that may occur in their audit duties. Fraud is always accompanied by symptoms and signs of the occurrence of conditions called red flags.

Auditors conduct investigations to identify potential fraud or financial risks through the analysis of red flags in company's financial reports (Victor Munteanu, 2024). Red flags are unusual signs and odd conditions due to the occurrence of fraud in a company (Aziz Pratama, 2019) Auditors can use the method of detecting red flags that lead to fraud above, auditors also need to be aware and consider the possibility of collusion involving parties with unique characteristics because parties with these unique characteristics can increase the likelihood of fraud. (Fraud Auditing Module of BPK Training Center 2018).

Collusion refers to an agreement that deceives a party where the deceived party is two or more people, for one party who aims to take other actions for some unfavorable purposes, such as cheating third parties of their rights (Vousinas, 2019).

Independence

The word Independence comes from English which means freedom, this freedom means not dependent or controlled by anything; act or think according to your heart's desire. Independence is a situation or condition where a person is not related to any party. That is, a situation where a person is independently free and does not depend on anyone. (Sihotang, 2016: 194). Independence is a firm attitude and is not easily influenced in making audit decisions. The value of auditors is highly dependent on the public accountant's perception of the auditor's independence. A Public Accountant must be able to be independent of all stakeholders, especially company management, in order to carry out his duties properly.

The auditor is independent, meaning that he is not easily influenced, because he carries out his work in the public interest and is not allowed to take sides with anyone's interests, because no matter how perfect the technical expertise he has, he will lose his impartiality which is very important to maintain his freedom of opinion. The independent attitude possessed by a public accountant will produce a good and reliable audit quality. So that the financial statements that have been examined are reliable and trustworthy financial statements, then from the side of investors or users of financial statements have better confidence in making a decision. The independent attitude of the auditor significantly affects the quality of the audit produced by an auditor, because the auditor works without interference from any party and there is no special relationship that will affect the results of the audit opinion that will be issued by the auditor (Ni Kadek Eka Candra Uning Lestari1, 2024).

Internal Control System

Internal control is a policy and procedure that protects assets from misuse, It ensures that information is accurate and complied with by all employees. The same thing is expressed by Mulyadi (2018: 129), that the internal control system includes organizational structures, methods and measures that are coordinated to safeguard organizational assets, check the accuracy and reliability of accounting data, encourage efficiency and encourage compliance with management policies. The definition of an internal control system according to Jason Scott (2019: 226) is the

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process carried out to provide adequate assurance that control objectives have been achieved. Meanwhile, the internal control system according to IAPI (2020: 319.2) is a process carried out by the board of commissioners, management and other entities designed to provide reasonable assurance about achievements in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Understanding internal control that is relevant to the audit or that is material to the subject matter will be related to the risk assessment process, including the assessment of the risk of fraud and impropriety. The effectiveness of internal control relevant to the audit may affect the risk of the audit. Furthermore, the Auditor may modify the nature, timing, or scope of audit procedures in accordance with the Auditor's assessment of internal control and the results of internal control tests (SPKN 2017). As an understanding of the entity and its environment, including the entity's internal control, the Auditor must obtain an understanding of the measurement and review of the Quality of the entity's financial Audit Report.(TM Books, 2021: 224)

Assessment of the Internal Control System in financial auditing is carried out to plan the audit which in determining the nature, timing and scope of the audit. Assessment of the effectiveness of SPI is carried out by assessing the level of Control Risk (RP). Control Risk is the risk that SPI cannot prevent or detect and correct material misstatements in the financial statements. The risk of expressing an inappropriate auditors' opinion on materially misstated financial statements (Tuanakotta, 2017: 234).

Based on the above study, it can be concluded that the Internal Control System is an understanding of the entity, adequate assurance of the effectiveness and efficiency of activities, fairness of the presentation of financial statements, and safeguarding assets. Auditors who test the internal control system with an understanding of the entity, reasonable assurance of the effectiveness and efficiency of the entity's activities, fair presentation of the entity's financial statements, compliance with regulations, asset safeguards.

Auditors' Report Quality Result

Audits must be carried out by competent and independent institutions or people, because The Auditors' financial statements audit results will be used by users of financial statements to make economic decisions. This means that the auditor has an important role in validating the financial statements of a company or agency. Therefore, audit quality is an important thing that must be considered by me in the audit process. (Okky, 2018). Audit quality intensifies when the Auditor's assessment of the effectiveness of internal control operations informs the level of testing and substantive perceptions of possible material misstatements in the financial statements. In fulfilling good audit quality, the Auditor in carrying out his profession as an Auditor must be guided by the accountant's code of ethics, professional standards and applicable financial accounting standards. Every auditor must maintain integrity and objectivity in carrying out our duties by acting honestly, firmly, and without pretension so that they can act fairly, without being influenced by certain parties to fulfill their personal interests. (Khomsiyah, 2019). For the results of the audit by the Auditor, supervision is carried out in stages to ensure getting a high quality Auditor. Research conducted by Shireenjit K. Johl (2022), the quality of internal audit with its components in the organization consists of independence, experience, investment, financial focus and quality control assurance for the auditors.

3. Research Method

Research Type

This research is a comparative causal research with a quantitative approach. Comparative causal research is a type of research with problem characteristics in the form of a cause-and-effect relationship between two or more variables (Sugiyono, 2016: 11). Quantitative research methods are research methods based on the philosophy of positivism used to research on certain populations or samples, data collection using research instruments, data analysis is quantitative / statistical, with the aim of testing predetermined hypotheses.

Description of Research Object

This research was conducted at KAP Kanaka Puradiredja Suhartono which is located at Jl. Prof. DR. Soepomo No.178A, RT.1 / RW.15, Menteng Dalam, Kec. Tebet, South Jakarta City, Special Capital Region of Jakarta

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12810, KAP Kanaka Puradiredja Suhartono which is located at Tower A, 18 Office Park, Jl. TB Simatupang No.18, RT.1 / RW.1, Kebagusan, Pasar Minggu, South Jakarta. Respondents seen from the level of position of the majority of Senior Auditors as many as 45 people or 73.8% and Junior Auditors 15 people or 73.8%, most of the KAP Kanaka Puradiredja Suhartono auditors who were respondents in this study had a bachelor's degree, around 54 people or 88.5% and those with a master's degree with 3 people or 4.9%.

Data collection and research time

Data collection is carried out based on the variables studied, as seen in the constellation of research problems, namely data collected using questionnaire techniques. The questionnaire was distributed to all auditors at the Kanaka Puradiredja Suhartono Public Accounting Firm. Data collection was carried out using 3 (three) instruments, which are: (1) Fraud Auditing Instrument, (2) Internal Control System Instrument, (3) Audit Report Quality Instrument. These instruments were tested on respondents. Trial respondents were determined by simple randomization from the affordable population. Data collection techniques by providing a series of questions or written statements to respondents in the form of a series of questions relating to Risk Based Audit, Materiality Determination and Opinion Giving. Giving questionnaires is done with the aim that researchers obtain data that can be used to solve research and test predetermined hypotheses. The research was conducted from December 2023 to October 2024.

The type of questionnaire distributed with google form with available answers and respondents are asked to provide a checklist or check mark (√) in the available column. While the statistical method used to test the hypothesis is to use multiple regression with the help of SPSS for windows 16.0 software.

Variable Operational Definition

4. Results and Discussion

Calculation of Research Variables

Validity Test

Calculation for r table 61 respondents on validity if the value of r count> r table then valid. The value of r count X1 fraud auditing is 0.504> 0.2521. Calculation of validity if the value of r count> r table then valid. The value of r count X2 independence is 0.845> 0, 2521. Calculation of validity if the value of r count> r table then valid. The r value of X3 internal control system is 0.587> 0.2521. Calculation of validity if the value of r count> r table then it is valid. The calculated r value of each variable X1 0.504, X2 0.845, X3 0.587> 0, 0.2521.

Reliability Test

The fraud auditing variable is said to be reliable because the alpha value is above 0.6, which is 0.911. The independence variable is said to be reliable because the alpha value is above 0.60, which is 0.961. The Internal Control variable is said to be reliable because the alpha value is above 0.60, which is 0.872. The variable Quality of Financial Report Results is said to be reliable because the alpha value is above 0.60, which is 0.862.

Multiple Linear Regression Test

Table 4.1 Coefficient of Multiple Linear Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	4.567	3.919		1.165	.249
	Fraud Auditing	.129	.056	.251	2.284	.026
	Independensi	.003	.038	.008	.071	.944
	Sistem Pengendalian Internal	.649	.109	.598	5.932	.000

a. Dependent Variable: Quality of Report Results

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In this study, simple linear regression analysis with one independent variable was used. The results of the equation in the table above can be written in a simple linear regression equation as follows:

$$Y = \alpha + B_1X_1 + B_2X_2 + B_3X_3 + \varepsilon$$

$$\hat{Y} = 4{,}567 + 0{,}129\,X_1 + 0{,}003X_2 + + 0{,}649X_3$$

Description:

Y = Quality of report results
α = Constant
X1 = Fraud auditing
X2 = Independence
X3 = Internal control system
ε = residual error

Hypothesis Test

From the regression equation above, it can be explained that:

1. The constant value of 4.567 indicates that if all the independent variables in the model that has been formed have a value of zero, then the value of the quality of the report results will be fixed at 4.567 points, assuming other factors outside the model are considered constant. Other factors are audit communication, materiality, professional, opinion giving..

2. The coefficient of auditing fraud is 0.129, which means that every increase in the value of auditing fraud by 1 point, the value of the quality of the report results will increase by 0.129 points, assuming other factors, namely audit communication, materiality, professionals outside the model are considered constant.

3. The independence coefficient of 0.003 means that every increase in the independence value by 1 point, the quality of the report results will increase by 0.003 points, assuming other factors outside the model are considered constant.

4. The coefficient of the internal control system is 0.649, which means that every increase in the internal control system by 1 point, the value of the quality of the report results will increase by 0.649 points, assuming that other factors outside the model are considered constant.

Simultaneous Significance Test (F Test)

Table 4.2. F-test Results (Simultaneous)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1811.845	3	603.948	23.950	.000[b]
	Residual	1437.368	57	25.217		
	Total	3249.213	60			

a. Dependent Variable: Quality Of Report Results
b. Predictors: (Constant), Internal Control System, Independence, Fraud Auditing

Hypothesis:

H0: There is no independent variable in the model that has a significant effect on the dependent variable

H1: There is at least one independent variable in the model that has a significant effect on the dependent variable

Interpretation:

With empirical data (field results), it is found that the F-count value is 23.950 and the p-value is 0.000. If the p-value < alpha (5%) then the conclusion of the hypothesis test taken is to **reject H0**. In the 95% confidence range, it is concluded that there is sufficient evidence to say that there is at least one independent variable that has a significant effect on the dependent variable in the model that has been formed.

Coefficient of Determination (R2)

The following is the result of the Coefficient of Determination Test (R2):

Table 4.13 R2 Test Results

Model Summary[b]

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.747[a]	.558	.534	5.022

a. Predictors: (Constant), Sistem Pengendalian Internal, Independensi, Fraud Auditing

From the table above, the coefficient of determination of the model is 0.558. This coefficient of determination is the contribution of a variable to the formation of the value of the dependent variable. From this value it can be concluded that Fraud Auditing, Independence and Internal Control System have a contribution of 53.4% to the formation of variations in the quality of the report results (Y), while the remaining 46.6%% is explained by other factors outside the model.

T Test Results

Table 4.14 T-test Results (Partial)

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	4.567	3.919		1.165	.249
	Fraud Auditing	.129	.056	.251	2.284	.026
	Independensi	.003	.038	.008	.071	.944
	Sistem Pengendalian Internal	.649	.109	.598	5.932	.000

a. Dependent Variable: Quality of report results

Hypothesis 1:

H0: Fraud auditing variables partially **do not have a significant effect** on the quality of the audit report.

H1: Fraud auditing variables partially **have a significant effect** on the quality of the audit report.

Interpretation:

With empirical data (field results) it is found that the T-count value of the independent variable fraud auditing is 2.282, with a p-value of 0.026. If the p-value < alpha (5%), the conclusion of the hypothesis test taken is to **reject H0**. With these results, in the confidence range of 95%, it is concluded that the auditing fraud variable **has a significant effect** (partially) on the quality of the audit report. This research is in line with research (Muhammad Fajar Alamsyah Razak, 2022), Chyntia Riana Simamora (2018) which explains that Fraud audit has a positive and significant effect simultaneously on the quality of the audit report results. The results show that the more auditors

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detect fraud in the examination, the better the quality of the audit produced by the auditors at **Kanaka Puradiredja Public Accountant, Suhartono**.

Hypothesis 2:

H0: The independence variable partially has **no significant effect** on the quality of the audit report.

H1: Independence variable partially has **a significant effect** on the quality of audit reports

Interpretation:

With empirical data (field results) it is found that the T-count value of the independent variable independence is 0.071, with a p-value of 0.944. If the p-value> alpha (5%) then the conclusion of the hypothesis test taken is **Fail to Reject H0**. With these results, in the confidence range of 95%, it is concluded that the independence variable does not have **a significant effect** (partially) on the quality of the audit report. This is in line with the research of **Bimo Yoeri Pasya Ramadhan**, (2024) which shows that auditor independence has no positive effect on audit quality. (Mutiara, 2018) which concluded that independence does not affect audit quality.This is different from the results of research conducted by (Fauziah and Yanthi, 2021; Anwar & Rinaldy, 2022). The results show that independence affects audit quality. This shows that independence has a positive and significant effect on audit quality. So the second hypothesis is accepted. This research is in line with research which concludes that partial independence has a significant effect on audit quality.

Independence means honesty in accountants in considering facts and objective considerations, and impartiality in accountants in formulating and expressing their opinions. Independence is the attitude of being free from influence and honesty of the auditor in considering the facts and audit evidence found (Anna Dewi Debora Silitongaa).

Independence can be interpreted as a mental attitude that is free from influence, not controlled by other parties, and not dependent on other people. Independence also means the auditor's honesty in considering facts and the presence of objective, impartial considerations in the auditor in formulating and expressing his opinion(According to Purba & Umar (2021),.

Hypothesis 3:

H0: The internal control system variable partially has **no significant effect** on the quality of the audit report.

H1: The internal control system variable partially has **a significant effect** on the quality of the audit report.

Interpretation:

With empirical data (field results) it is found that the T-count value of the internal control system variable is 5.932, with a p-value of 0.000. If the p-value < alpha (5%), the conclusion of the hypothesis test taken is to reject H0. With these results, in the confidence range of 95%, it is concluded that the internal control system variable has a significant influence (partially) on the quality of the audit report. The results of the study are in line with the research of Tefani Marina Palimbong, (2024) which shows that the Internal Control System has a significant effect on the quality of financial statements. This explains that the implementation of the internal control system (SPI) is good, so is the quality of the resulting financial statement auditor's results. Internal control is a procedure to measure directing, team leader guidance, supervision to adequate auditors, so that the internal control carried out by public accounting firms is improved, efficient and effective in achieving audit objectives (Sari et al., 2020). The research findings of Ilham Dio Bhakti, (2024) explain that the importance of internal control in improving the quality of audit results.

5. Conclusion

The following are the study's conclusions, which are According to the problem formulation, Examination findings, and examined in the preceding chapter: 1). With empirical data (field results) it is found that the T-count value of the independent variable fraud auditing is 2.282, with a p-value of 0.026. If the p-value < alpha (5%), the conclusion of the hypothesis test taken is to reject H0. With these results, in the confidence range of 95%, it is

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concluded that the Fraud auditing variable has a significant influence (partially) on the quality of the audit report. This indicates that, the greater the auditing fraud will have an influence or impact on the quality of the audit report. Thus, fraud auditing contributes to the quality of the audit report. 2). On the quality of the audit report. Thus, Independence does not contribute to the quality of the audit report. 3). With empirical data (field results) it is found that the T-count value of the internal control system variable is 5.932, with a p-value of 0.000. If the p-value < alpha (5%) then the conclusion of the hypothesis test taken is reject H0. So the internal control system has a significant influence (partially) on the quality of the audit report. This indicates that, the greater the internal control system has an influence or impact on the quality of the audit report. Thus, the internal control system greatly contributes to the quality of the audit report.

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