
Determinants of The Quality of Financial Reporting Audit Quality as an Intervening Variable (Study on Regional State-Owned Bank Associations Banten)

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Abstract.

The quality of audits carried out by internal auditors has not met expectations in implementing risk management control so it is not optimal in supporting the quality of financial reporting that can present information with relevance, reliability, testability, and neutrality. The purpose of this study was to analyze the determinants of the financial reports' quality with audit quality as an intervening variable in Bank BUMN Tbk. The research method used is quantitative research with a quantitative descriptive approach. The research population is the internal auditors of Bank BUMN Banten Province totaling 227 auditors. The technique of distributing questionnaires using Google Forms so that 205 respondents were obtained, the rest did not respond. The sampling technique uses a saturated sample of all internal auditors as a sample. Data analysis used SEM (Structural Equation Model Analysis) analysis with PLS (Partial Least Square). The results of the study had a direct effect: auditor independence and ethics had a positive and significant direct effect on the quality of financial reporting. This verification is the mental attitude of the internal banking auditors who are independent of pressure in formulating opinions due to professional responsibility in auditing standards and prioritizing independence in appearance in the interpretation of the audit implementation to maintain an unbiased attitude in the assessment of Bank Banten financial statements. The support of the banking auditor's internal ethics to maintain confidentiality has a positive effect in supporting the quality of financial reporting due to the function of the internal auditor in carrying out the task of examining, evaluating, and monitoring the adequacy and effectiveness of internal controls in the operation of Bank BUMN as seen from the internal auditors' efforts to take action. care and protect information. Through mediation, the audit quality that is formed from the auditor's competence will have a positive effect on the relevance of the quality of financial reporting so that the implementation of audit quality in banking becomes the right method to support the quality of banking financial reporting.

Keywords: Independence, Auditor Ethics, Audit Quality, Financial Reporting Quality

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1. Introduction

The increase in accounting scandals worldwide in the early 21st century has demonstrated weaknesses in the quality of financial reporting (Herath & Albarqi, 2017). Based on the Association of Certified Fraud Examiners Report found fraud in fraudulent financial statements in 2018 amounted to 10% with a loss of USD 800,000 and in 2020 it was 10% but the losses increased to USD 954,000 (AFCE, 2018 and AFCE, 2020). One of them is in China which shows the poor quality of information previous accounting reported in China's capital markets due to a quarter of listed companies in mainland China explicitly admitting poor quality of financial information between 1999 and 2005 by stating back financial reports (Wang & Wu, 2011).

Recent economic corporate failures have given rise to some Credibility questions about accounting as a system of authentication and reliability reports in achieving optimal management and investment decisions (Abed, Hussin, Ali, Nikkeh, & Mohammed, 2020). Meanwhile, for reporting purposes Corporate finance must provide actual and potential information for investors, creditors, and users can gain rational benefits in investing, granting credit, and decisions (Gilaninia, Chegini, & Mohtasham, 2012). The problem is, that the quality of financial reports is not an indicator that can be easily measured, because it cannot be observed directly, because it is based on the perception of users of financial information. Each user category has its expectations and perceptions regarding the information's usefulness and quality (Achim & Chis, 2014).

Quality issues in financial reports are not a major concern only for the end user but for the whole society because influence economic decisions that may have significant impacts. This is evidenced in the most obvious way by a series of corporate failures (Enron, Parmalat), the Collapse of financial institutions (Lehman Brothers, Fortis, AIG), and overall, by the recent economic conditions created by the recession recent economics (Tasios & Bekiaris, 2012). Reporting quality issues finance in Indonesia based on ACFE Indonesia in 2019 shows The percentage of financial statement fraud cases was 9.2% with a total loss of IDR 242,260 billion (ACFE Indonesia, 2019).

Notable accounting scandals of the late 20th and early 20th centuries 21 in some cases prove the auditor's involvement in financial fraud conspiracy has thus eroded trust in investors to financial statements and has generated some criticism about the quality of financial reporting (Albrecht, Albrecht, Albrecht, & Zimbelman, 2009; Akeju & Babatunde, 2017). Fraudulent financial reporting practices indicate that fraud and forgery in banks have experienced a trend increase despite control measures imposed on banks that are more problematic in commercial banks than in merchant banks (Ahmed, 2014).

According to Wells (2011), financial statement fraud includes several modes, including (1) Falsification, alteration, or manipulation of financial records (financial records), supporting documents, or business transactions. (2) Disappearance of intentional exposure to events, transactions, accounts, or other significant information as a source of presentation of financial statements. (3) Incorrect application and deliberation regarding the accounting principles, policies, and procedures used to measure, recognize, report, and disclose economic events and business transactions. (4) Deliberate deletion of information should be presented and expressed regarding principles and policies accounting used in making financial reports.

Preparation and presentation of impactful quality financial reports positive and useful in financial and management decisions. Utility financial information depends on stated qualitative characteristics (QC). by Accounting Standards (FASB, IAS, IFRS, AAOIFI). The main indicators of the quality of financial information from the perspective of accounting standards developers are relevance and reliability because they make the information useful for the creator's decisions (Nwaobia, Kwarbai, Akintoye, & Adegbe, 2016).

Based on the analysis, it was found that almost 50% of banking fraud occurs in government banks and 80% of banking fraud perpetrators are at the level of management (Yelvionita, Utami, & Mappanyuk, 2019). In fraudulent practices of financial reporting in banking, false information is entered or at worst omits statements to mislead users while statements should provide objective, precise, timely, and truthful information (Karim & Hossain, 2021). Another type of fraudulent financial reporting involves bank owners abusing their power to gain illegal profits as well as employing fraudulent techniques and accounting loopholes to extract large amounts of public money that are never returned to the banks (Ilter, 2014)

This problem occurs at BUMN Banks (State-Owned Commercial Banks). At BNI Bank there was a case of disbursement of a letter of credit (L/C) with fictitious documents to BNI Bank caused losses to the state of IDR 1.7 trillion. BRI burglary case Tarmini Square is worth IDR 29 billion, and the Bank Mandiri burglary is worth IDR 18 billion (Yulia & Basuki, 2016). In 2018, credit facilities were provided from Bank Mandiri to SNP Finance which is a subsidiary of the Colombia Group with a loss value of 1.403 trillion (Putra & Suprasto, 2021).

This problem shows the internal auditor's efforts to present financial statements in a way that is inappropriate and irrelevant to manipulating material values in financial reports so that there are indications fraudulent. Apart from that, there is a lack of role of internal auditors in risk Management to identify, assess, and control threats to capital and revenue. This shows the quality of the audit prepared internal auditors do not carry out audit professional ethics to assess and Check financial report information by standards and present relevant information. This problem shows the quality of reporting finances has not presented quality information. Meanwhile, the role quality of financial reporting is an important attribute of financial reports.

Investor confidence in the credibility of reports that present the truth about the performance of public companies will influence investors' perceptions of investing. On the other hand, audit quality is another important issue, because auditors play an intermediary role between investors and the board of directors (Alwardat, 2019). This is what information users expect to get audit quality that reflects higher quality information in the report finance.

DeAngelo defines audit quality as two possibilities. First, the auditor detects defects in the client's accounting system. Second, the report was disabled (Paiydarmanesh, Moradi, & Salehi, 2017).

Audit quality is urgent to be implemented, based on the Association of Certified Fraud Examiners/ACFE (2018), the frequency of fraudulent acts, misuse of assets, and corruption (Asset misappropriation and corruption) is an act of fraud that has the highest frequency followed by financial statement fraud. That cheating occurred in the Asia-Pacific region, showing internal auditor fraud at 16% and external audit fraud at 10% (ACFE, 2018), such as from Enron, WorldCom, and Satyam, it appears that corporate accounting fraud is a major problem increasing both in frequency and magnitude of losses (severity). Research evidence has shown that there is more and more fraud has damaged the integrity of financial statements, contributing to losses with substantial economic impact, and eroding investor confidence regarding the usefulness and reliability of financial reports (Bhasin, 2013). Based on the 2018 Global Economic Crime Survey by PWC shows this accounting fraud was 18%. In Belgium, a survey of fraud cases accounting increased from eight 8% in 2016 to 10%. Globally, accounting fraud increased from 18% to 20% in 2018. Meanwhile, based on ACFE 2018 in Latin America and the Caribbean there are accounting fraud was 14% with an average loss of USD 2,000,000.

The role of audit quality is used to measure the credibility of the report's financial use of accounting information to reduce risks the risk of non-credible information in financial reports for users financial reports, especially investors (Mgbame, Eragbhe, & Osazuwa, 2012). Existence, audit quality is related to the auditor's guarantee that the report financial statements do not present material errors or contain fraud. Audit quality is determined by the auditor's ability to detect potential errors (detection quality) and discovery information (discovery quality) (Manita & Elommal, 2010).

There are always difficulties in achieving audit quality and how much the auditor can do, the possibility of low audit quality is due lack of effective approaches that could mitigate this problem (Vice, Alifiah, & Teru, 2020). In addition, the quality of financial reporting implies how well the audit can detect and document errors in material presentation in the company's financial statements (Arens, Elder, Beasley, & Hogan, 2020). In audited financial statements, errors are possible can be minimized, but not all errors will be detected. The impact Errors resulting from the auditee's financial statements affect the quality of the resulting audit. Therefore, researchers want to determine the factors that may affect audit quality, including auditor independence (Mardijuwono & Subianto, 2018). Apart from that, to explore the needs of researchers as well as policymakers, efforts are made to consider the role importance that auditor independence plays in achieving audit quality.

This important role was especially visible in the global financial crisis which resulted in a heated debate about the impact of auditor independence on audit quality, which resulted in consideration of potential trade-offs between auditor independence and audit quality (Olatunji & Weihang, 2017; Tepalagul & Lin, 2015). This situation shows a lack of independence can lead to biased assessment, which indicates a failure in the audit process (Church, Jenkins, McCracken, Roush, & Stanley, 2015).

2. Research Method

2.1. Design Research

The research design uses a quantitative approach. Study quantitative according to Creswell (2016) explains: Quantitative research is an approach for testing objective theories by examining the relationships among variables. These variables, in turn, can be measured, typically on instruments, so that numbered data can be analyzed using statistical procedures. In this research to analyze determinant of the quality of financial reports with audit quality as an intervening variable with the variables Independence (X1), Auditor Ethics (X2) Quality Financial Reporting (Y), and Audit Quality (X3) as intervening variables or mediation. This approach is to measure several variables being processed using statistical techniques and then presented in the form of tables statistics and figures that can ultimately be interpreted as data analysis to reveal the phenomenon under study precisely so that newness is obtained.

The research approach uses descriptive surveys and verification explanatory surveys carried out to collect field data for distributing research instruments (questionnaires) using questions same structured/systematic to respondents, then all answers and the results obtained are recorded, processed, and analyzed to explain and understand the phenomenon of the Quality of Financial Reporting of BUMN Banks. Based on its benefits, this research is included in pure research because research is academically oriented and explains the determinants of quality financial reports with audit quality as an intervening variable. Based on Time, this research is a cross-sectional study. According to Neuman (2014) cross-sectional research, namely examining one point at a time or taking a one-time snapshot approach. The research that will be carried out by researchers is to find out the relationship between variables with the unit of analysis being the individual as the respondent one-time research or cross-section.

2.2. Construct Operationalization of Research Variables

The operational grid of the dimensions of the Independence variable (X1), Auditor Ethics (X2) Audit Quality (X3) as an intervening or mediating variable, and Quality of Financial Reporting (Y), and are arranged in the table below.

Table 1. Construct Operationalization of Research Variables

Variable	Dimension	Indicator
Independence (X1) Independence is the Attitude of a mental auditor who is free from pressure in assessing risk management accordingly professional responsibility through the use of standard audit rules and prioritize a code of ethics to maintain integrity and objectivity because it is independence of mind and independence in appearance. Source: Bakar & Ahmad (2009); Stewart & Subramaniam (2010); Arens, Elder, Beasley, & Hogan (2020), Nwanyanwu (2017), and Rahmina & Agoes (2014)	Independence of mind	<ul style="list-style-type: none"> • Obedience audit standards • Maintain objectivity report • Responsibilities profession
	Independence in appearance	<ul style="list-style-type: none"> • Judgmental attitude financial statements • Judgmental attitude risk management • Checking attitude financial statements
Auditor Ethics (X2)	Integrity	<ul style="list-style-type: none"> • Honest • Courage reveals fraud

Variable	Dimension	Indicator
Auditor Ethics is an attitude and auditor behavior ethically comply with the provisions of standards professional ethical and technical standards consciously show compliance with internal rules carried out the audit including Integrity, Maintaining independence, Behavior, and Confidentiality. Source: Pickett (2010), Ardelean (2013), Enofe, Nbgame, Okunega, & Ediae (2013), Messier, Glover, & Prawitt (2017), AICPA in Kaveh, Khalili, Ghorbani, & Soroush (2015), Russell (2013), Johnstone-Zehms, Gramling, & Rittenberg (2016)	Confidentiality	<ul style="list-style-type: none"> • Precautionary measures be careful • Protect information
	Behavior	<ul style="list-style-type: none"> • Skeptical attitude • Precautionary attitude toward corruption
	Maintaining independence	<ul style="list-style-type: none"> • Consistency evaluation • Confidence presentation
Audit Quality (X3) Audit Quality is the auditor's ability to detect and report misstatements material through inspection and evaluation of company operations carried out methodically using standards-supported audit of the process technical audit (technical audit process), risk accuracy (Pertinence risk), competence auditor, and degree of individual responsibility (level responsibility). Source: Manita & Elommal (2010), Carcello et al., in Boon, Mckinnon, & Ross (2008), DeAngelo in Solomon, Yasin, & Muhammad (2018), Francis (2011), IAASB (2014), Knechel, Krishnan, Pevzner, Shefchik, & Velury (2013)	Technical audit process	<ul style="list-style-type: none"> • Conformity audit standards • Conformity process inspection
	Pertinence risk	<ul style="list-style-type: none"> • Accuracy risk assessment • Accuracy presentation risk findings
	Auditor competency	<ul style="list-style-type: none"> • Skills auditing • Proficiency compile report
	Degree of individual responsibility	<ul style="list-style-type: none"> • Responsibilities for solution auditing • Responsibilities presentation of wrong findings serve
Quality of Financial Reporting (Y) Quality of Financial Reporting is reporting information presenting finances financial entity as decision-making information economic standards reporting that includes relevance, faithful representation, comparability, verifiability, timeliness, and understanding ability. Source: Salehi, Moradi, & Paiydarmanesh (2017), Tasios & Bekiaris (2012), Cohen & Karatzimas (2017), IPSASB (2010), Renkas, Goncharenko, & Lukianets (2016)	Relevance	<ul style="list-style-type: none"> • Taking decision • Benefits Reporting
	Faithful representation	<ul style="list-style-type: none"> • Error-free material • Quality information
	Comparability	<ul style="list-style-type: none"> • Accounting principles the good one • Information accounting can be compared to
	Verifiability	<ul style="list-style-type: none"> • Report finances can tested • Support report notes finance
	Timeliness	<ul style="list-style-type: none"> • Accuracy time collection of financial data • Timeliness reporting
	Understandability	<ul style="list-style-type: none"> • Presentation report finances can understood

Variable	Dimension	Indicator
		<ul style="list-style-type: none"> Information can support decision

2.3. Population And Sampling

In this study, the research population was internal auditors of BUMN Banks at Bank BRI, BNI, BTN, and Mandiri in Banten Province totaling 227 internal auditors consisting of 73 internal auditors at Bank BNI, 56 Bank Mandiri internal auditors, 59 BRI Bank internal auditors, and 39 auditors BTN Bank internal. Research subjects aimed directly at the population The right one is expected to get the expected research results because of the object The target is the phenomenon to be studied. Determinants of Quality Finance report.

Lomax & Scumacher's (2010) model on SEM techniques and sample requirements for research data can be used with a ratio of 5 to 10 times observer variables or at least 5 times the required number of indicators. Furthermore, the sample size is small with minimum requirements: 10 times the magnitude of the most formative indicators used to measure 1 latent variable or 10 times the largest number of structural items addressed to a particular latent variable in the structural model (Sarwono & Narimawati, 2015). The research samples were internal auditors at state-owned banks at Bank BRI, BNI, BTN, and Mandiri which are in Banten Province.

In line with sampling using PLS-criteria SEM, Hair et al., (Haryono, 2017) explain: size guide The minimum sample in SEM-PLS analysis is (1) Ten times the number of the largest formative indicator used to measure something construct, (2) Ten times the largest number of structural paths leading to a particular construct. This guideline is called the 10 X rule (10-time rule of thumb) which is practical and is 10 X the maximum number of arrows (paths) that hit latent variables in the PLS model. In this research the number of structural there are 3 biggest ones, namely: Independence X1, Auditor Ethics X2, and Quality Audit X3 leads to the Financial Report Quality variable Y, so according to SEM-PLS criteria obtained $(10 \times 3) = 30$. The structure referred to in the concept is the number of independent variables that influence the dependent variable.

Based on the explanation above, the sample selection criteria are determined to show that the sample size of 227 respondents has met the sample size minimum of PLS-SEM. However, the implementation of the distribution of research instruments for 1 month from the 22nd of June 2022 and ending on the 22nd of the month In July 2022, 205 respondents received responses from 22 auditors Internal has not yet responded. Based on this sample researchers used a total of 205 samples consisting of 67 internal auditors of Bank BNI, 51 internal auditors of Bank Mandiri, 54 internal auditors of Bank BRI, and 33 internal auditors of Bank BTN.

2.4. Data Analysis Technique

The data analysis technique in this research uses Partial analysis Least Square (PLS). One procedure that emerged from Wold's efforts was partial least squares path modeling, which later evolved to partial least squares structural equation modeling (Hair, Hult, Ringle, & Sarstedt (2014). Agree In this case, Partial least squares path modeling (PLS-SEM) is often called variance or component-based structural equation modeling developed by Wold (1974) in Ghazali and Latan (2012).

3. Results and Discussion

3.1. Results

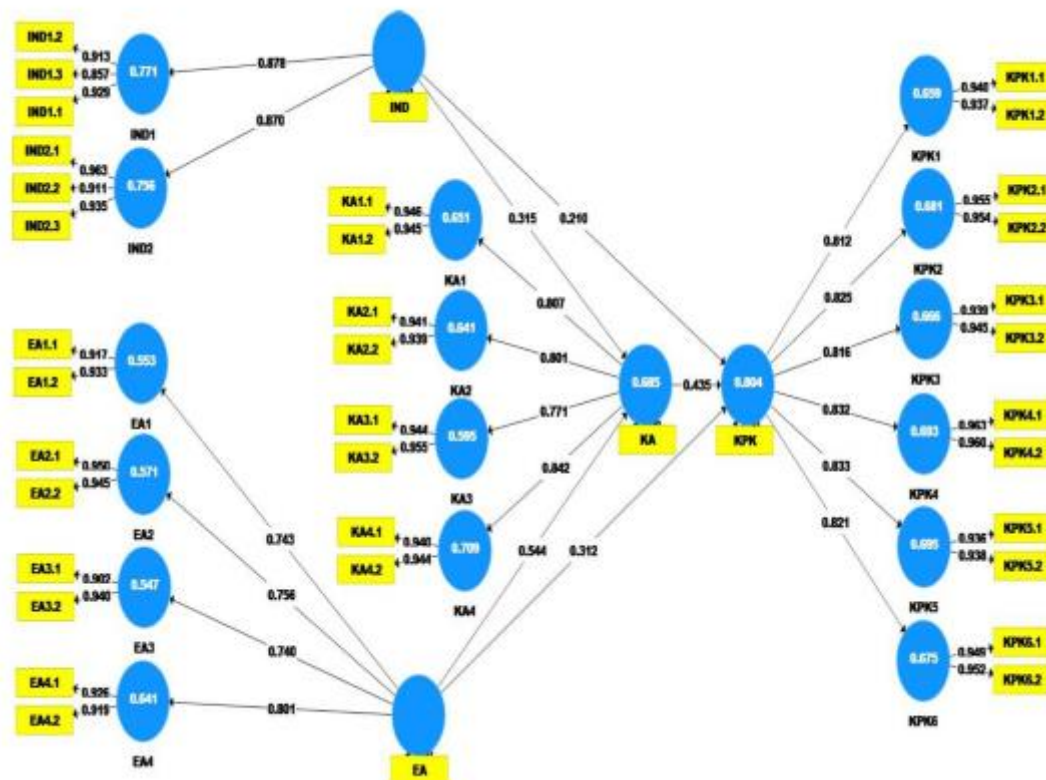


Figure 1. Outer Model Factor Loading Results (Measurement Model) and Inner Model Path Coefficient (Structural Model)

Evaluation results of the Measurement Model (Outer Model) for indicators or the reflective dimension show meaning if the outer loading is > 0.7 then the indicator or dimension is valid in measuring the construct it forms.

Convergent validity assessment is carried out by looking at the outer loading value the size of the individual reflexive outer loading model is said to be correlated if the value of the factor loading is greater than 0.70, then the indicator used is correct and meets convergent validity. Convergent validity assessments were also conducted by looking at the Average Variance Extracted (AVE) value, where if the AVE value obtained is greater than 0.50, then the indicator used has met convergent validity. The results of the analysis obtained a total of 32 indicators from all dimensions of ownership value > 0.70 .

To assess the significance of the standard effect between variables, the was done bootstrapping procedure. The bootstrap procedure uses the entire original sample to carry out resampling again. In the bootstrap resampling method, the value significance used (two-tailed) t-value is 1.96 (significance level= 5%). Statistical test results to test the significance of latent variable indicators second order construct are presented in the table below.

Table 2. Path Coefficient Second Order Measurement

Konstruk	<i>Original Sample (O)</i>	<i>Sample Mean (M)</i>	<i>Standard Deviation</i>	<i>t-Statistics > 1.96</i>	<i>p-Value</i>
IND → IND1	0.878	0.879	0.019	46.188	0.000
IND → IND2	0.870	0.869	0.026	33.354	0.000
EA → EA1	0.743	0.738	0.045	16.616	0.000
EA → EA2	0.756	0.751	0.037	20.671	0.000
EA → EA3	0.740	0.737	0.043	17.405	0.000
EA → EA 4	0.801	0.798	0.034	23.301	0.000
KA → KA1	0.807	0.804	0.030	27.229	0.000
KA → KA2	0.801	0.800	0.030	26.279	0.000
KA → KA3	0.771	0.768	0.038	20.295	0.000
KA → KA4	0.842	0.841	0.023	36.983	0.000
KPK → KPK1	0.812	0.810	0.037	22.024	0.000
KPK → KPK2	0.825	0.821	0.029	28.119	0.000
KPK → KPK3	0.816	0.815	0.027	29.879	0.000
KPK → KPK4	0.832	0.833	0.026	31.721	0.000
KPK → KPK5	0.833	0.831	0.029	28.761	0.000
KPK → KPK6	0.821	0.819	0.031	26.736	0.000

Based on the path coefficient results contained in the Path Coefficient table Second Order measurements show that all indicators are positive and significant for the construct with t-statistic values > 1.96 and p-values <0.05. Thus it can be said that the indicators IND1, and IND2, are constructed to form the latent variable Independence (IND). EA1, EA2, EA3 indicators, and EA4 is the construct forming the latent variable Auditor Ethics (EA). Indicators KA1, KA2, KA3, and KA4 are constructs forming the latent variable Quality Audit (KA). and indicators KPK1, KPK2, KPK3, KPK4, KPK5, and KPK6 a constructs forming the latent variable Financial Reporting Quality (KPK).

3.2. Discussion

Direct Effect of Independence on Audit Quality

The results of testing the first hypothesis are empirically proven to be independent and directly have a positive and significant effect on audit quality. Based on the results of hypothesis testing, it is known that the t-value is 3.418 > t-statistic 1.96, indicating that there is an influence. The p-value obtained was 0.001 by testing the significance of the p-value is $0.001 \leq 0.05$, which means there is a significant influence. The results of this hypothesis test can be concluded: there is a positive direct effect and significant Independence on Audit Quality in BUMN Banks that can be accepted and the hypothesis tested empirically.

Based on the results of the path coefficient, a value of 0.315 was obtained. Results this influence in a positive direction shows the auditor's independence BUMN Bank internal is an auditor's mental attitude that is free from pressure in carrying out the audit process and compiling audit results reports from the findings banking risks and implementation of the internal control system as appropriate with professional responsibilities and position and authority within SKAI State-owned banks use standard audit principles and prioritize code of ethics to maintain the integrity and objectivity of audit results with support independence of mind and independence in appearance. The results are descriptive and show that of these

two factors only independence in appearance (independence in appearance) which is the dominant factor in establishing independence influences audit quality.

In the concept of independence Arens, Elder, Beasley, and Hogan (2020) stated that independence in auditing means taking a corner unbiased view. Independence is very important for auditors to maintain in carrying out their responsibilities. The research results show that there are weaknesses in independence in appearance because it is below the average score from the results of the respondent's response assessment. This is because independence represents the views of the parties who have an interest in the auditee and are aware of the relationship between auditors with management who can influence the audit process to support audit quality transparently and objectively. independence in appearance in supporting audit quality due to the attitude of assessing reports finance, attitude towards assessing risk management, and attitude towards checking reports finance is the result of descriptive research.

Independence in appearance in supporting audit quality shows interpreting results from the audit process to maintain an unbiased attitude in presenting audit results on inspections and management risk assessments State-owned banks because auditors are required to be able to maintain their attitude his independence from being independent in their appearance is not easy influenced by the relationship with the internal auditor's work status with the party management to check for indications of banking risks. This matter is based on the work status of the internal auditor of the Banten Province BUMN Bank, it is There were 179 permanent employees (87.3%) and 26 (12.7%) contract employees. The work status of Banten Province BUMN Bank employees is position employees in carrying out their work, in this case, the tasks carried out as an internal auditor at a state-owned bank. Employee work status is of their encouragement of employees to carry out their work wholeheartedly because relates to the hope of being in a state-owned bank environment. However, these expectations are of course different between permanent employees and employees' contracts because for permanent employees their existence is required by BUMN Bank which is different from contract employees because at any time there are terminations employment relationship if the company does not need additional employees supporting audit report tasks and in supporting the preparation of reports finance.

The Direct Effect of Auditor Ethics on Audit Quality

The results of testing the second hypothesis empirically proven by auditor ethics directly have a positive and significant effect on audit quality. Results This research is based on the results of hypothesis testing, it is known that the t -value is $6.410 > t$ -statistic 1.96 indicates there is an influence. The p -value obtained is 0.000 with significance testing p -value $0.000 \leq 0.05$ which means there is an influence significant. The results of this research can be concluded: there is a direct influence of positive and significant Auditor Ethics on Audit Quality in State-Owned Banks in Banten Province is acceptable and the hypothesis is tested empirically.

Based on the results of the path coefficient, a value of 0.544 was obtained. Results of this influence in a positive direction show that the auditor's ethics are an ethical attitude and behavior of an auditor that complies with the provisions of professional ethical and technical standards, consciously demonstrates compliance with internal regulations carries out audits

that include Integrity, Confidentiality, Maintaining independence, and Behavior. The descriptive results show the fourth of these factors, only Confidentiality is the dominant factor in forming auditor ethics, it influences audit quality.

The research results show that there are weaknesses in confidentiality (Confidentiality) for banking internal auditors because the score is below the average from the results of assessing respondents' responses. This is because auditor ethics constitute the auditor's professional code of ethics and is implemented by auditing principles for carrying out the process of collecting and evaluating transaction evidence banking as well as measuring and assessing banking operational entities. Confidentiality in supporting audit quality is due to its existence Presentation of information relating to audit results is presented based on importance and approval from management as an effort to protect auditee information which is seen from precautionary measures.

Confidentiality in supporting audit quality shows the results of examinations from banking internal auditors presented for internal banking interests, especially banking management as decision makers in carrying out banking operations. Approach confidentiality of internal auditors within the BUMN Bank environment is This is important because while carrying out audit duties an internal auditor gets information about state-owned bank policies, competitive strategies banking, and even plans to be carried out in banking activities as well as relationships with partner companies

State-owned banks and lending to companies. The role of banking internal auditors in Confidentiality in supporting audit quality is only limited to assessing Bank operations BUMN regarding the risks faced by banking management. This is appropriate with Johnstone-Zehms, Gramling, & Rittenberg (2016) explaining Confidentiality (Confidentiality) in the professional ethics of auditors must respect the confidentiality of information obtained as a result of the relationship professional because audit results are only reported to the President Director, except there is an assignment to disclose information independently, objectively and professional and carry out special inspections if necessary. Information secrets obtained as a result of professional relationships and risk assessment management as internal control of BUMN Banks, internal auditors can maintain objectivity regarding the objects being inspected and are not permitted to be involved/carrying out operational activities.

Direct Effect of Independence on Reporting Quality Finance

The results of testing the third hypothesis were empirically proven to be independent and directly have a positive and significant effect on the quality of reporting finance. Based on the results of hypothesis testing, it is known that the $t\text{-value} = 2.763 > t\text{-statistic } 1.96$ indicating there is an influence. The $p\text{-value}$ obtained was 0.017 with significance testing $p\text{-value } 0.006 \leq 0.05$ which means there is a significant influence. The results of the hypothesis test can be concluded: there is a direct influence of positive and significant Independence on the Quality of Financial Reporting in the Banten Province BUMN Bank is acceptable and the hypothesis has been tested empirically.

Based on the results of the path coefficient, a value of 0.262 was obtained. Results this influence in a positive direction shows the auditor's independence BUMN Bank internal is an auditor's mental attitude that is free from pressure in forming opinions by professional responsibilities through the use of audit standard rules and prioritizing a code of ethics to

maintain integrity and objectivity due to independence of mind and independence in appearance that can support the quality of financial reporting. This fact from the descriptive results shows only independence in appearance being the dominant factor in forming independence influences the quality of financial reporting.

Descriptive results show that there are weaknesses in independence in appearance because it is below the average score from the response assessment results respondents. This is because independence represents the views of the parties who have an interest in the auditee and are aware of the relationship between auditors and management can be supported by the attitude of assessing financial reports, The attitude providing an opinion statement, and the attitude of examining financial reports. Matter This is the result of descriptive research that independence in appearance is formed from the attitude of assessing financial reports, the attitude of assessing risk management, and attitudes towards checking financial reports. This shows that internal audit activities must be free from interference in determining space scope, implementation of assignments, and reporting of audit results.

Direct Effect of Auditor Ethics on Reporting Quality Finance

The results of testing the fourth hypothesis empirically prove that auditor ethics directly has a positive and significant effect on the quality of the report finance. These results are based on hypothesis testing, it is known that the t -value is $3.941 > t$ -statistic 1.96 shows there is an influence. The p -value obtained is 0.000 with significance testing p -value $0.000 \leq 0.05$ which means there is an influence significant. These results can be concluded: there is a direct positive influence and the significance of Auditor Ethics on the Quality of Financial Reporting in State-Owned Banks in Banten Province is acceptable and the hypothesis is tested empirically.

Based on the results of the path coefficient, a value of 0.312 was obtained. Results this influence in a positive direction show that auditor ethics are related to the quality of financial reports being an auditor's attitude and behavior those who are ethical in nature comply with the provisions of professional ethical and technical standards and Consciously demonstrate compliance with rules in carrying out audits to assess and check that the entity's financial statements comply with accounting standards includes Integrity, Confidentiality, Maintaining independence, and Behavior.

The descriptive results show that of the four factors, only Confidentiality is the dominant factor in shaping auditor ethics and influencing the quality of financial reporting. Descriptive results indicate a weakness in confidentiality (Confidentiality) for banking internal auditors because the score is below the average from the results of assessing respondents' responses. This is because auditor ethics constitute the auditor's professional code of ethics and is implemented by auditing principles for carrying out audit tasks on findings of misstatements in financial reports. Confidentiality in supporting the quality of financial reporting because of the function of internal auditors in carrying out audit duties, evaluating, and monitoring the adequacy and effectiveness of controls internal operations of BUMN Banks as seen from the auditor's efforts internally to take precautionary measures and protect information is the result of descriptive research.

Direct Effect of Audit Quality on Reporting Quality Finance

The results of testing the fifth hypothesis empirically prove that audit quality directly has a positive and significant effect on reporting quality finance. Based on the results of hypothesis

testing, it is known that the t-value is $6.487 > t\text{-statistic } 1.96$ indicating there is an influence. The p-value obtained is 0.000 with significance testing p-value $0.000 \leq 0.05$ which means there is an influence significant. These results can be concluded: there is a direct positive influence and Audit Quality has a significant impact on the Quality of Financial Reporting in BUMN Banks Banten Province is acceptable and the hypothesis is tested empirically.

Based on the results of the path coefficient, a value of 0.435 was obtained. Results this influence in a positive direction shows the quality of audits at the Bank BUMN is the auditor's ability to detect and report misstatements material through inspection and evaluation of company operations carried out methodically using audit standards supported by the process technical audit (technical audit process), precision risk (Pertinence risk), auditor competency, degree of individual responsibility (level of responsibility) which can support the quality of financial reporting. This fact is from the results Descriptive data shows that only auditor competency is the dominant factor in shaping audit quality it influences the quality of reporting finance.

The definition published by GAO (2003) states that Audit quality is carried out based on conformity with audit standards generally accepted standards (GAAS) to provide reasonable assurance that the audited financial statements and related disclosures are presented by generally accepted accounting principles (GAAP). In research, De Fond and Zhang (2014) argue that audit quality will only be achieved if supported by a financial reporting system and the characteristics of auditors because both often hinder the achievement of quality financial statements. Thus, audit quality is followed by management intentions with a high commitment to following up on audit findings and recommendations that will improve the quality of financial reporting so that opinions are reasonable without exceptions.

Descriptive results show that there are weaknesses in auditor competence because below the average score from the results of the respondent's response assessment. This is because Auditor competency is an auditor's qualifications for carrying out audits by audit standards. This is the result of research descriptively that the auditor's qualifications to carry out the audit are appropriate with audit standards formed from Auditing Expertise and Expertise in Compiling Reports.

Indirect Effect of Independence on Reporting Quality Finance Mediated by Audit Quality

The results of testing the sixth hypothesis were empirically proven to be independent and indirectly have a positive and significant effect on quality financial reporting mediated by audit quality. Based on test results the hypothesis is known to be t-value $34.011 > t\text{-statistic } 1.96$ indicating there is an influence indirect. The p-value result was 0.000 by testing the significance of p-value $0.000 \leq 0.05$ which means there is a significant influence. Test results hypothesis can be concluded: there is a positive indirect effect and significant independence on the quality of financial reporting in state-owned banks in Banten Province, which was mediated by audit quality, was acceptable and the hypothesis was tested empirically.

Based on the results of the indirect path coefficient, a value of 0.347 was obtained. Results this influence in a positive direction shows the auditor's independence BUMN Bank internal is an auditor's mental attitude that is free from pressure in forming opinions by professional responsibilities through the use of audit standard rules and prioritizing a code of ethics to

maintain integrity and objectivity supported by audit quality in creating reporting quality finance.

This is based on Arens, Elder, Beasley, & Hogan (2020) stated an attempt to compile a report from a collection of information and evidence evaluation of various transaction events to determine and report the conformity between the transaction evidence information prepared by audit standards through the competence and independence of the auditor. This shows independence and competence can support the report quality finance due to the suitability of transaction-proof information that occurs in carrying out banking operations.

This influence shows that audit quality can mediate independence and affect the quality of financial reporting because it exists the auditor's independent efforts to examine the presentation of financial statements have followed banking accounting standards. This shows quality audits carried out by auditors in examining financial reports to adapt to financial reporting standards. This relationship is expressed by Halim, Dahlan, and Budiwahyono (2020) that audit quality can mediate (increase) the influence of competence and independence on reliable financial statements. Based on this description, it is predicted that audit quality will mediate the influence of auditor independence on the quality of financial reporting.

Indirect Effect of Auditor Ethics on Reporting Quality Finance Mediated by Audit Quality

The results of testing the seventh hypothesis empirically proven by auditor ethics indirectly have a positive and significant effect on quality financial reporting mediated by audit quality. Based on test results the hypothesis is known to be $t\text{-value } 6.531 > t\text{-statistic } 1.96$ indicating there is an indirect influence. The $p\text{-value}$ result was 0.000 by testing the significance of the $p\text{-value } 0.000 \leq 0.05$ which means there is a significant influence. Hypothesis test results It can be concluded: that there is a positive and significant indirect effect of Ethics Auditor on the Quality of Financial Reporting at State-Owned Banks in Banten Province mediated audit quality is acceptable and the hypothesis is tested empirically.

Based on the results of the indirect path coefficient, a value of 0.548 was obtained. Results this influence in a positive direction shows the ethics of state-owned bank auditors is the attitude and behavior of auditors who are ethical in complying with the provisions of professional ethical and technical standards supported by audit quality meet auditing standards to support assessment and assessment of financial reporting entities have met accounting standards resulting in the creation quality financial reports. This indicates an auditor must apply and comply with the basic principles of professional ethics, namely principles of integrity, the principle of objectivity, the principle of competence, attitude of accuracy and professional care, the principle of confidentiality, and the principle of professional conduct (SPAP, 2011;100).

Supporting low audit quality is an audit carried out by an auditor, where the auditor makes a mistake or does not intentionally do so by established examination standards or professional ethics. Matter This can harm parties with an interest in the financial statements audited (Agus & Ghozali, 2019). This shows that the auditor always implements a professional code of ethics, and audit results will be by the actual conditions of financial statements. In line with this, Ogbonna & Ebimobowei (2011) stated that accountants adhere to professional ethics, namely integrity, objectivity, honesty, Compliance, and accountability will improve the quality of financial reports. However, in terms of measuring auditor ethics, this has no effect

on the quality of financial reporting which is mediated by audit quality no one has carried it out so that the research can be stated to exist novelty or novelty of research. The results of this research show that improving the quality of banking financial reporting can prioritize ethics auditors formed from Confidentiality with support Audit quality is formed from the auditor's competency so that it influences the quality of banking financial reporting is formed from relevance so that this dominant factor is the result of research on improving the quality of reporting banking finance.

4. Conclusion

Independence has a positive and significant effect on audit quality in State-owned banks. It can be interpreted as if independence is improved or increased then causally it will improve the quality of audits at BUMN Banks. Research results: audit quality carried out by banking internal auditors can prioritize independence which is formed from independence in appearance with the support of the attitude of checking internal financial reports supporting audit quality, attitudes towards assessing risk management in support of audit quality, and attitudes towards assessing financial reports in support of quality auditing.

Auditor ethics have a direct positive and significant effect on quality audits at state-owned banks. The existence of this direct influence is meaningful if the auditor's ethics are improved or improved, then causally it will improve audit quality at state-owned banks. Research results: audit quality carried out by banking internal auditors can prioritize auditor ethics formed from Confidentiality with the support of prudential actions in supporting audit quality and protecting information in supporting audit quality.

Independence has a direct positive and significant effect on quality financial reporting at state-owned banks. There is a direct influence means that if independence is improved or increased then causality will improve the quality of financial reporting at state-owned banks. Research results: quality of financial reporting carried out by auditors Internal banking can prioritize independence that is formed from independence in appearance supported by an attitude of checking reports finance in supporting the quality of financial reporting, attitudes towards assessing risk management in supporting the quality of financial reporting, and attitudes assess financial reports to support the quality of financial reporting.

Auditor ethics have a direct positive and significant effect on quality financial reporting at state-owned banks. There is a direct influence means that if the auditor's ethics are improved or increased then causality will improve the quality of financial reporting at state-owned banks. Research results: quality of financial reporting carried out by auditors Internal banking can prioritize auditor ethics which are formed from Confidentiality (Confidentiality) with the support of internal precautionary measures to support the quality of financial reporting and protect inside information supports the quality of financial reporting.

Audit quality has a direct positive and significant effect on quality financial reporting at state-owned banks. The existence of this influence is significant If the quality of the audit is improved or improved then causally it will improve the quality of financial reporting at state-owned banks. Research results: quality of financial reporting carried out by auditors Internal banking can prioritize audit quality which is formed from auditor competency with the support of auditing expertise and proficiency in preparing financial statements.

Independence has a positive and significant effect on reporting quality finances that through audit quality can be seen to have greater influence independence directly on audit quality. This result is meaningful if independence through audit quality is improved or improved accordingly causality will improve the quality of financial reporting at state-owned banks. Research results: quality of banking financial reporting carried out Banking internal auditors can prioritize established independence from independence in appearance with the support of good audit quality formed from the auditor's competence to create relevance to the quality of financial reporting.

Auditor ethics has a positive and significant effect on reporting quality finances that through quality can be seen to be greater than influence auditor ethics directly affect audit quality. This result is that if the auditor's ethics through audit quality is improved or increased then it will be causal and will improve the quality of financial reporting at state-owned banks. Research results: quality of banking financial reporting carried out Banking internal auditors can prioritize established auditor ethics from Confidentiality with the support of audit quality formed from the auditor's competence to create relevance to the quality of financial reporting.

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