

The Mediation Role of Audit Quality: Impact Internal Audit Strategy, Auditor Ethics, and Accounting Culture on Financial Report Quality

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Abstract

The quality of financial reporting in regional banks is becoming increasingly complex in meeting future demands, leading to a dependence on audit quality as the basis for making informed decisions. However, the problem lies in the fact that regional banks need to place internal audits in a strategic role to support the quality of financial reporting. The research aims to determine the mediating role of audit quality on the impact of internal audit strategy, auditor ethics, and accounting culture on the quality of financial reporting. The research method used a quantitative approach with a study population of 60 internal auditors. The sampling technique used was saturated sampling. The data analysis techniques used were SEM-PLS. The study results show a significant and positive influence of internal audit strategy, auditor ethics, and accounting culture on the quality of financial reporting, both directly and mediated by audit quality. Based on research lies in the practical impact of improving the quality of financial reporting by strengthening accounting culture through professionalism, optimism, flexibility, and transparency.

Keywords: Internal Audit Strategy; Auditor Ethics; Accounting Culture; Audit Quality; Financial Report Quality.

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Introduction

The global financial crisis, fraud, and financial scandal have become a significant concern for business historians (Toms & Lin, 2023). Unquestionably, public debate about financial reporting during the early years of the 21st century has been dominated by the theme of scandals; many financial reporting failures have only limited impact and are dealt with as routine occurrences in the practice of financial reporting (Camfferman & Wielhouwer, 2019). The phenomenon that occurred in accounting scandals in the early 21st century was the weakness in the quality of financial statements (FRQ) (Asyik & Agustia, 2023; Mesbah & Ramadan, 2022). Fraud in the banking industry has become a matter of great concern in

almost all countries worldwide, causing significant financial and non-financial losses to banks, customers, other stakeholders, and the economy (Akinbowale et al., 2023).

Although researchers and practitioners have developed several procedures to determine any manipulation in financial reporting, creative accounting is still prevalent, resulting in poor-quality financial reporting (Abed et al., 2022). Nearly 50 percent of banking fraud occurs in state banks, and 80 percent of banking fraud perpetrators are at the management level (Yelvionita et al., 2019) due to quality problems in financial statements. The problem of financial reporting quality in Indonesia shows that the percentage of financial statement fraud cases is 9.2 percent, with a total loss of IDR 242,260 billion (AFCE, 2020). Problems with government banks, especially regional government banks, occurred in the case of Bank Banten. Based on the Financial Position Report of PT Bank Pembangunan Daerah Banten Tbk from the cash side, it is known that on 30 September 2020, the amount of cash was IDR 30,011 (in millions of rupiah), which decreased in the same period on 30 September 2019 amounting to IDR 166,984,-. Meanwhile, operational income from Bank Banten decreased in 2020 by IDR 40,628,-. This causal factor shows the distrust of investors in PT Bank Pembangunan Daerah Banten Tbk.

If banking is not run correctly, such as through acts of corruption or financial statement manipulation, it will have various adverse effects on a country (Arifian & Januarti, 2023). One fraud form in finance is fraudulent financial reporting. It can be done by misstating or ignoring the amount and deliberate disclosure. Therefore, it is to mislead users on financial statements. Fraud can be done in various ways. (a) Manipulation, falsification, and alteration of accounting records or supporting documents. It is the primary form of making financial statements. (b) Misrepresentations or intentional omissions of transactions and other important information. (c) Incorrect application (misapplication) of accounting principles for the amount, classification, presentation method, and intentional disclosure (Pramana et al., 2019). However, researchers focusing a lot on financial reporting quality for non-financial companies have not paid much attention to studying financial reporting quality for commercial banks (Hong, 2023)

The problem with financial reporting quality is that many organizations need to place internal audits in a strategic role. Internal auditing has a unique position in becoming a strategic partner. By reporting lines to the Chief Executive Officer or other executive officers, the audit committee, and the board, superior computer-aided engineers combine intelligence, expertise, perseverance, and curiosity to place internal audits in a vital strategic role (GPI, 2016). However, Alzeban (2018) explains that the benefits of financial reporting quality from an independent and competent internal audit function are not realized when the Chief Executive Officer is involved in appointing the Chief Auditing Executive because management can control internal audit. All of these cases are the result of violations of ethical practices. Therefore, there is a need for a critical assessment of ethical issues in an organization and how they affect the quality of financial reporting (Osunwole et al., 2020).

Based on the problems at PT Bank Pembangunan Daerah Banten Tbk, the theoretical gap in this research lies in the differences in the research concept of Hofstede, Gray, and Schwartz, which found a relationship between cultural values and international accounting practices (Nanayakkara & Silva, 2022). However, it does not explain in depth the relationship between culture and accounting practice; it only explains the cultural values implemented by

accountants in accounting practice. For this reason, this research develops an accounting culture in accounting practice related to the implementation of audit quality and financial reporting quality, so there is an effort to develop a theoretical gap in accounting culture on reporting quality in banking. It is currently necessary to investigate the connections between the qualities of financial reporting and auditing (Rahman et al., 2023). The impact of audit quality may better reflect the impact of traditional culture on auditing. This study only reviews the relevant literature on the impact of culture on auditing and does not use quantitative methods to verify the broad impact of such impacts (Wu, 2019). The research above shows that there is no future research on accounting culture with audit quality, so there are efforts to conduct novelty research.

To improve the quality of financial reporting, the role of the internal audit function has been expanded from being solely the responsibility of management (Putri & Triandi, 2020). For that, an internal audit strategy is an important mechanism for auditors to maintain relevant and fundamental routes for playing an essential role in achieving effective performance by striking a balance between cost and value in an organization (Kaawaase & Nairuba, 2021). In contradiction to the internal audit, internal audit quality is positively related to financial statements (Fuping & Loang, 2023) and the relationship between internal audit and financial reporting quality (Susanto, 2020). However, the Internal Audit Implementation does not affect the Quality of Financial Statements (Sumito et al., 2021). Audit quality does not significantly affect the quality of financial reporting (Sulbahri et al., 2021). This difference of opinion shows that there needs to be more clarity regarding the influence of internal audits on the quality of financial reporting. In research development, more indicators can be found to measure the quality of financial reporting so that studies on the quality of financial reporting become more comprehensive (Fuping & Loang, 2023). Another contradiction in auditor ethics is that auditor ethics significantly affects audit quality (Kamil et al., 2023; Parluhutan & Widyastuti, 2022). However, Ardillah and Chandra (2022) stated that auditor ethics does not affect audit quality. This research shows inconsistencies in auditor ethics because, according to the researchers' assumptions, auditor ethics carried out according to the profession positively influences audit quality.

The above phenomenon indicates the presence of symptoms in PT Bank Banten Tbk as well as the existence of a research gap in the results of research on accounting culture on the quality of financial reporting, which is mediated by audit quality can be explained: (1) Fraud in financial reports causes the information contained in financial reports to be invalid and not by the reporting mechanism financial statements that have been determined, where the audit should be able to convince the company that the financial statements are free from misstatements. (2) The internal audit strategy does not improve and protect organizational value by providing assurance, advice, and insight that considers risks and objectives. (3) The quality of the audit carried out by the auditor must present relevant, reliable, testable, neutral, and appropriately presented information. (4) Internal auditors who do not maintain or maintain professional ethics tend to be less skeptical in audit work, affecting audit quality. (5) Cultural factors in implementing accounting practices are seen as decisive factors that influence the quality of financial reporting. Researchers developed the title "The Mediation Role of Audit Quality: Internal Audit Strategy, Auditor Ethics, and Accounting Culture Impact on The Quality of Financial Reports" from this phenomenon.

This agency theory explains that an agency relationship arises when one or more people (principal) employ another person (agent) to provide a service and then delegate decision-making authority to that agent (Lesmono & Siregar, 2021). The quality of financial reporting in organizations is more complex and sophisticated to meet future demands, and reliance on audit quality as a basis for appropriate decision-making is increasing; fraud in financial statements is still an essential issue in agency theory (Rostami & Rezaei, 2021). This is because fraudulent behavior carried out by management can be explained through agency theory. After all, the principal delegates his work to the agent, with the hope that the agent will act in his interests so that the agent does not always act in the best interests of the fiduciary, which causes a conflict of interest between the principal and the agent (Arifian & Januarti, 2023). Agency theory concerns the relationship between parties with an interest or agency in an organization. In financial reporting, agency theory is used to understand the dynamics between management as agents and shareholders as principals.

Internal auditors have a more influential role if they work in a robust business risk environment and have a strong relationship with the audit committee. With high-quality internal audit findings, the internal audit function will be very effective (Aisyah et al., 2019). There is a positive relationship between internal and external bank auditors and the quality of financial reports (Fauzi & Wardono, 2022). Vadasi & Bekiaris (2021) show that the characteristics of the audit committee (the presence of independent members on the committee, members' expertise in auditing and accounting, and meetings with the CIA influence internal audit's compliance with the International Standards for the Professional Practice of Internal Auditing (ISPPIA)). This influence shows that the internal audit strategy positively affects audit quality because of the auditor's efforts to overcome internal and external environmental problems that will give rise to banking risks. The internal audit is to convey information appropriate to banking conditions. Based on this description, it is predicted that Internal Audit Strategy will influence Audit Quality. However, there has yet to be research that has used internal audit strategies on audit quality, so there is new research.

H₁: Internal Audit Strategy effect on audit quality.

Every profession pays excellent attention to professional ethics in the services provided, and the audit profession is no exception, as it has norms and ethics to produce good quality audits (Alsughayer, 2021). According to Kamil et al. (2023), Alsughayer (2021), and Parluhutan & Widyastuti (2022), state auditor ethics have a significant impact on audit quality. At the same time, Ardillah and Chandra (2022), Yixin (2021), and Lamba et al. (2020) stated that auditor ethics does not affect audit quality. This influence shows that audit ethics positively affect audit quality because of the professional ethics of internal auditors, which is achieved by implementing a code of ethics in audits. Based on this description, it is predicted that Audit Ethics will influence Audit Quality.

H₂: Auditor Ethics effect on audit quality.

In several existing practitioner frameworks, audit culture is an essential determinant of audit quality (Bol et al., 2019). However, cultural research on particular aspects of audit

quality perceptions has yet to be analyzed closely, even though cultural values strongly influence perceptions of audit quality (Dunakhir & Idrus, 2020). Selain Itu, A few cross-cultural studies have also found that Gray's accounting value of conservatism influences the interpretation of expressions contained in IFRS that require accounting judgment. That culture does play a role in accountants' disclosure judgments (Gierusz et al., 2022). This influence shows that the accounting culture formed in the organization influences the internal audit's task of presenting quality audit reports. Based on this description, accounting culture is predicted to influence audit quality. However, there still needs to be more research that uses accounting culture, so there is research development.

H₃: Accounting Culture effect on audit quality.

A strategic internal audit can be interpreted as determining the strengths and weaknesses within an organization that can maximize potential and reduce risks from within and outside the company (Rambe et al., 2023). Internal audits analyze past underlying risks, offer more strategic input, and provide new perspectives on business processes, not just assessing existing controls (Ikatan Bankir Indonesia, 2019). For that, an internal audit strategy is an important mechanism for auditors to maintain relevant and fundamental routes for playing an essential role in achieving effective performance by striking a balance between cost and value in an organization (Kaawaase & Nairuba, 2021). In contradiction to the internal audit, internal audit quality is positively related to financial statements (Fuping & Loang, 2023) and the relationship between internal audit and financial reporting quality (Susanto, 2020). However, the Internal Audit Implementation does not affect the Quality of Financial Statements (Sumito et al., 2021). Audit quality does not significantly affect the quality of financial reporting (Sulbahri et al., 2021). This shows that the internal audit strategy influences the quality of financial reporting because of the internal auditor's efforts to check that the presentation of financial reports follows banking accounting standards. The internal audit's task is to check for no misstatements in the submission of financial reports. Based on this description, it is predicted that the Internal Audit Strategy will influence the quality of financial reporting.

H₄: Internal Audit Strategy effect on Quality of Financial Reporting.

Auditor Ethics is a principle for collecting and evaluating evidence regarding measurable information about an economic entity to determine and report the suitability of the information (Muslim et al., 2020). Auditor ethics are essential in determining the quality of a company's financial reporting. Research by Awang et al. (2019) found that auditors' subjective attitudes and norms positively and significantly affect fraudulent intentions in financial reporting. Meanwhile, Osunwole et al. (2020) and Edi & Enzelin (2022) use accounting ethics to have a significant relationship with financial reporting quality. This influence shows that audit ethics positively affects the quality of financial reporting because the professional ethics of internal auditors, by implementing a code of ethics in checking the presentation of financial reporting, follows accounting standards. Based on this description, it is predicted that Audit Ethics will influence the quality of financial reporting.

H₅: Auditor Ethics effect on Quality of Financial Reporting.

The cultural characteristics used in any business environment can directly affect the financial statements and reports of a company's results. Company values are fundamental, and what is acceptable in each workplace reflects what is required in accounting standards and procedures (Herath & Carlis, 2017). Gray's concept has shown that Hofstede's cultural dimensions can influence accounting values (conservatism, transparency, and uniformity) (Sidharta & Nurdina, 2022). This influence shows that accounting culture positively affects the quality of financial reporting because culture influences how individuals demonstrate compliance in checking accounting standards and financial reporting that has been implemented. Based on this description, it is predicted that accounting culture influences the quality of financial reporting. However, there has yet to be research that uses accounting culture as a research variable in measuring the quality of financial reporting.

H₆: Accounting Culture effect on Quality of Financial Reporting

Audit quality produces qualitative financial reports, preventing financial crises (Sitorus et al., 2022). Pendi et al. (2023) view audit quality as assuring that financial reports do not contain misstatements. By extrapolation, the reliability of financial statements is reflected in the audit quality practices adopted in their preparation. Likewise, Shockley in Olivia & Setiawan (2019) documents that perceived audit quality is essential because it can determine the credibility of the audit report. Resza's (2022) research shows a strong positive statistical relationship between audit quality measures (auditor independence, technical training, and financial reporting). Other research findings show that the correlation between audit quality and financial reporting quality has a significant positive effect (VictorImar & Effendi, 2019). This influence shows that audit quality positively affects the quality of financial reporting because audit quality follows audit standards. Based on this description, it is estimated that audit quality influences the quality of financial reporting.

H₇: Audit Quality effect on Quality of Financial Reporting.

Yusuf and Kanji (2020) argue that internal audit quality is analyzed through an internal auditor quality survey, primarily focusing on auditor professionalism, training, and timeliness of internal audit work to evaluate internal audit quality. This shows that internal audit quality is positively related to the quality of financial statements, so the higher the quality of a company's internal audit, the higher the quality of its financial statements (Fuping & Loang, 2023). To improve the quality of financial reporting, the role of the internal audit function has been expanded from being solely the responsibility of management (Putri & Triandi, 2020). However, the internal audit strategy needs to be formulated systematically, structured, and feasible in developing a strategic plan that can help internal audit activities achieve the goals and objectives of the audit function set in an organization (Gurama et al., 2020). However, in this case, the effect of internal audit strategy on the quality of financial reporting mediated by audit quality has yet to be

examined.

H₈: Audit Quality Mediates the Effect of Internal Audit Strategy on Quality of Financial Reporting.

Low audit quality is an audit conducted by an auditor, where the auditor makes mistakes or deliberately does not comply with established examination standards or professional ethics. This can harm interested parties in the audited financial statements (Agus & Ghozali, 2019). In line with that, Haeridistia and Fadjarenie (2019) state that professional ethics affects audit quality; if auditors always apply a professional code of ethics, the audit results will be based on the actual condition of the financial statements. This shows that one factor that encourages fraudulent financial reporting is the lack of accounting ethics, which decreases the quality of financial statements (Edi & Enzelin, 2022). However, in this case, no one has examined the effect of auditor ethics on the quality of financial reporting mediated by audit quality.

H₉: Audit Quality Mediates the Effect of Auditor Ethics on Quality of Financial Reporting.

Many prior cross-cultural studies have demonstrated that applying professional judgment in accounting is a function of various factors, including culture (Gierusz et al., 2022). Culture impacts personal compliance in viewing accounting and financial reporting standards because some accountants interpret and implement these standards differently because they come from different cultures (Sidharta & Nurdina, 2022). This shows that accounting culture affects fraudulent practices in accounting systems (aAtagan & Taner, 2022). However, in this case, no one has examined the effect of Accounting Culture on the quality of financial reporting mediated by audit quality.

H₁₀: Audit Quality Mediates the Effect of Accounting Culture on Quality of Financial Reporting.

Research Design and Method

The research method used is quantitative research. The research population is the internal auditor of PT Bank Pembangunan Daerah Banten Tbk in Banten Province, totaling 60 internal auditors. The sampling technique uses saturated samples. Research subjects aimed directly at the right population are expected to get the expected research results because the object is by the phenomenon to be studied, namely The Mediation Role of Audit Quality: Internal Audit Strategy, Auditor Ethics, and Accounting Culture Impact on The Quality of Financial Reports using research instruments (questionnaires). Data analysis using SEM Analysis (Structural Equation Model Analysis) with PLS (Partial Least Square).

Results and Discussion

Statistical Result

Measurement Model Analysis (Outer Model). Convergent validity testing by looking at the AVE value > 0.5 (Valid) and composite reliability and Cronbach Alpha > 0.70 (reliable) found that all constructs have good validity and reliability.

Table 1. Validity and Reliability Test

Construct	Dimension	AVE > 0,5	CA > 0,70	CR > 0,70	Criteria
SIA	Assurance (SIA1)	0.859	0.917	0.948	Valid dan Reliabel
	Insight (SIA2)	0.851	0.912	0.945	Valid dan Reliabel
	Objectivity (SIA3)	0.815	0.886	0.929	Valid dan Reliabel
EA	Integrity (EA1)	0.858	0.917	0.948	Valid dan Reliabel
	Maintaining independence (EA2)	0.888	0.937	0.960	Valid dan Reliabel
	Behaviour (EA3)	0.879	0.931	0.956	Valid dan Reliabel
	Confidentiality (EA4)	0.845	0.908	0.942	Valid dan Reliabel
BA	Professionalism (BA1)	0.850	0.912	0.944	Valid dan Reliabel
	Optimism (BA2)	0.851	0.913	0.945	Valid dan Reliabel
	Flexibility (BA3)	0.878	0.931	0.956	Valid dan Reliabel
	Transparency (BA4)	0.880	0.932	0.956	Valid dan Reliabel
KA	Technical audit process (KA1)	0.844	0.907	0.942	Valid dan Reliabel
	Pertinence risk (KA2)	0.889	0.938	0.960	Valid dan Reliabel
	Auditor competence (KA3)	0.889	0.938	0.960	Valid dan Reliabel
	Degree of individual responsibility (KA4)	0.844	0.908	0.942	Valid dan Reliabel
KPK	Relevance (KPK1)	0.906	0.896	0.951	Valid dan Reliabel
	Faithful representation (KPK2)	0.894	0.882	0.944	Valid dan Reliabel
	Comparability (KPK3)	0.907	0.898	0.951	Valid dan Reliabel
	Verifiability (KPK4)	0.887	0.873	0.940	Valid dan Reliabel
	Timeliness (KPK5)	0.883	0.868	0.938	Valid dan Reliabel
	Understandability (KPK6)	0.931	0.926	0.965	Valid dan Reliabel

Source: SmartPLS output, processed

Structural Model Analysis (Inner Model). R-Square (R2) analysis, Measurement model by looking at R2 as the predictive power of the structural model with R2 value criteria of 0.75, 0.50 and 0.25 can be concluded that the model is strong, moderate and weak.

Table 2. R-Square (R2)

Endogenous construct variables	R-Square	R-Square Adjusted
KA	0,861	0,854
KPK	0,889	0,881

Source: SmartPLS output, processed

The first structure on KA has an R square value of 0.861 (86.1 percent) with a strong category, the remaining 13.9 percent outside the research model. While the second structure on KPK has an R square value of 0.889 (88.9 percent) with a strong category, the remaining 11.1 percent is outside the research model.

The results of the PLS-SEM SmartPLS 3.2.8 analysis are shown in the full hybrid image below.

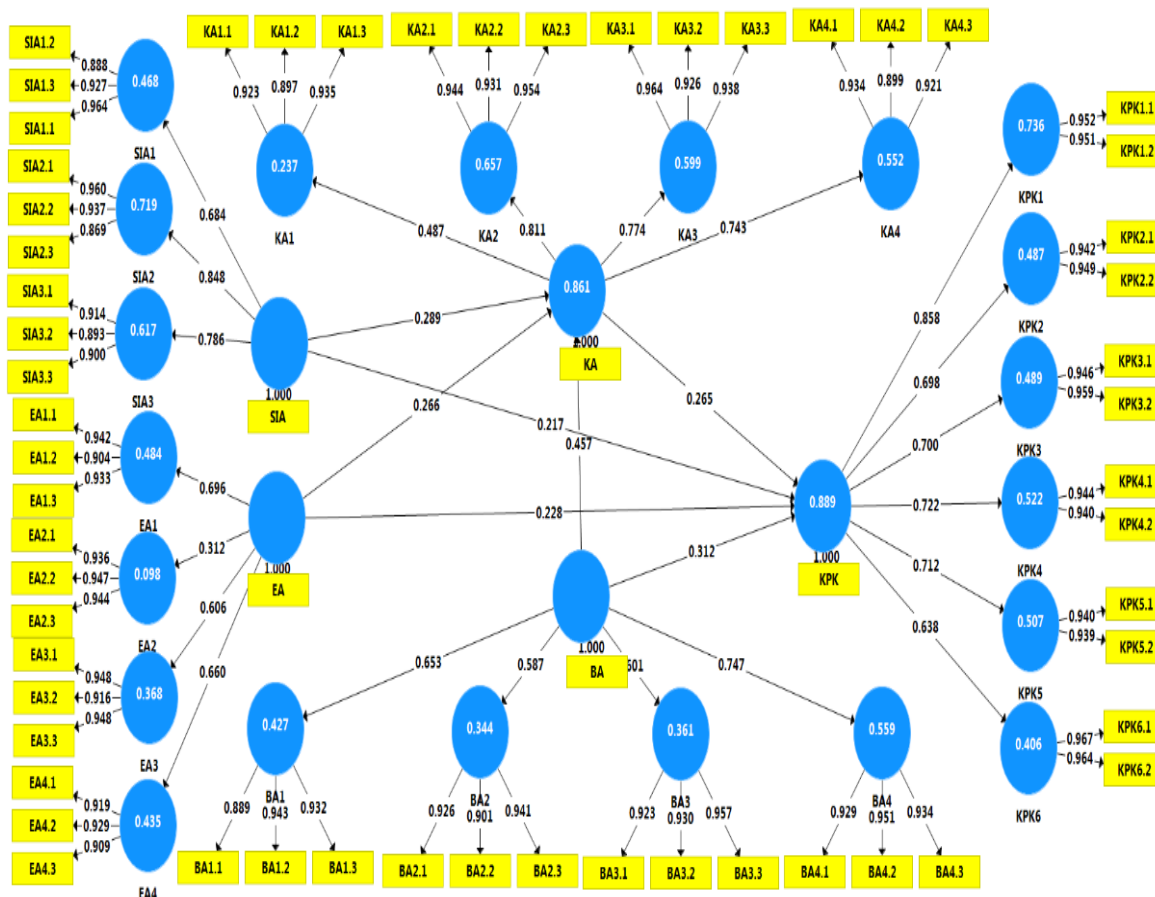


Figure 1. Full Model Results Outer Model Factor Loading Values and Model Inner Path Coefficient Value

Source: SmartPLS Output

Goodness of fit (GoF) analysis, the GoF index is a single measure to validate the combined performance of the measurement model (outer model) and structural model (inner model). The GoF value criteria are 0.10 (GoF small), 0.25 (GoF medium) and 0.36 (GoF large). The GoF calculation uses the Tanenhaus et.al. formula, with the square root of the average AVE value of 0.920 and the average R2 of 0.514 so that the Goodness of Fit (GoF) value of 0.688 is obtained, which states that this model is included in the large criteria.

$$GoF = \sqrt{AVE \times R^2}$$

$$GoF = \sqrt{0.473}$$

$$GoF = \sqrt{0.920 \times 0.514}$$

$$GoF = 0.688$$

Hypothesis Test Results. The results of the significance test using the t-statistic and p-value are compiled in the hypothesis testing table 3.

**Table 3. Hypothesis Testing Results
Coefficients^a**

Research Hypothesis	Prediction Direction	Coefficient Path	t-statistics $\geq 1,96$	p-value $\leq 0,05$	Criteria	Conclusions
H ₁	Positive +	0.457	5.390	0.000	Significant	H ₁ is accepted, there is an influence of SIA on KA
H ₂	Positive +	0.312	3.182	0.002	Significant	H ₂ is accepted, there is an influence of EA on KA
H ₃	Positive +	0.266	3.107	0.002	Significant	H ₃ is accepted, there is an influence of BA on KA
H ₄	Positive +	0.228	2.485	0.013	Significant	H ₄ is accepted, there is an influence of SIA on KPK
H ₅	Positive +	0.289	3.059	0.002	Significant	H ₅ is accepted, there is an influence of EA on KPK
H ₆	Positive +	0.217	2.452	0.015	Significant	H ₆ is accepted, there is an influence of BA on KPK
H ₇	Positive +	0.265	2.536	0.012	Significant	H ₇ is accepted, there is an influence of KA on KPK
H ₈	Positive +	0.457	4.733	0.000	Significant	H ₈ accepted, KA mediates the effect of SIA on KPK
H ₉	Positive +	0.298	3.443	0.001	Significant	H ₉ accepted, KA mediates the effect of EA on KPK
H ₁₀	Positive +	0.293	3449.	0.001	Significant	H ₁₀ accepted, KA mediates the effect of BA on KPK

Source: Research results, processed

Discussion

The Influence of Internal Audit Strategy on Audit Quality. The results of testing the first hypothesis empirically proved that the internal audit strategy positively and significantly affects audit quality. These results indicate the role of the internal audit strategy in carrying out an internal audit activity plan that ensures internal resources and processes are used efficiently and effectively by the standards and objectives of Banten Regional Development Bank so that the audit results are used to improve banking liquidity processes and risk management. The internal audit strategy helps the Banten Regional Development Bank manage risk, ensure compliance, and improve the efficiency of internal processes. It plays a vital role in supporting management in making better decisions and maintaining organizational transparency and accountability. This finding positively influences the understanding that an excellent internal audit strategy is essential in improving audit quality. The findings of this novelty show that the internal audit strategy has a positive effect on audit quality due to the efforts of internal auditors to overcome problems due to the emergence of banking risks in the internal environment of Banten Regional Development Bank.

The Influence of Auditor Ethics on Audit Quality. The results of testing the second hypothesis empirically prove that auditor ethics positively and significantly affect audit quality. These ethics results indicate the role of banking auditors in implementing the moral principles, values, and norms of behavior that govern the actions and attitudes of Banten Regional Development Bank auditors. This ethics aims to ensure that Banten Regional Development Bank auditors can carry out their duties according to applicable rules and ethical standards so that they have an impact on audit quality. Auditor ethics have a direct impact on audit quality in regional banks. Strong ethics create a solid foundation for accurate, objective, and relevant audits to maintain the stability and integrity of the bank and support growth and

development in the management of Banten Regional Development Bank. These findings show that auditor ethics have a positive effect on audit quality, which is in line with Kamil et al. (2023), Alsughayer (2021), and Parluhutan & Widyastuti (2022) because strong auditor ethical efforts help identify, evaluate, and manage risks related to bank operations. This is important to protect banks from risks that could threaten banking sustainability.

The Influence of Accounting Culture on Audit Quality. The results of testing the third hypothesis empirically prove that accounting culture positively and significantly affects audit quality. These results indicate that the role of accounting culture in the banking environment refers to the norms, values, practices, and attitudes related to the management of financial information, financial reporting, and accounting practices. A good accounting culture is essential in supporting financial statements' integrity and reliability. It also contributes to regulatory compliance, better risk management, and proper accounting policies, all of which positively impact the quality of audits produced by internal auditors. In other words, a positive accounting culture can create a strong foundation for better audit quality at Banten Regional Development Bank. This novelty's findings show that accounting culture positively affects audit quality and can maintain the integrity, trust, and reliability of financial information. It also helps organizations comply with regulations, manage risks, and make better decisions based on accurate and relevant financial data in the Banten Regional Development Bank management.

The Influence of Internal Audit Strategy on Financial Reporting Quality. The results of testing the fourth hypothesis empirically prove that the internal audit strategy has a positive and significant effect on the quality of financial reporting. The positive relationship between the internal audit strategy and the quality of financial reporting in the management operations of Banten Regional Development Bank is significant to maintaining the integrity and reliability of financial statements. Strengthening an excellent internal audit strategy will assist banks in identifying and assessing risks related to financial reporting, including risks associated with recording transactions, disclosures, and internal controls. Internal auditors implemented an internal strategy by providing recommendations to help improve the quality of financial statements and reporting processes at Banten Regional Development Bank. This finding shows that the internal audit strategy positively affects the quality of financial reporting, which aligns with the research of Fuping & Loang (2023) and Susanto (2020).

The Effect of Auditor Ethics on Financial Reporting Quality. The results of testing the fifth hypothesis empirically prove that auditor ethics positively and significantly affect the quality of financial reporting. The positive relationship between auditor ethics and financial reporting quality is significant in ensuring that the financial statements presented by Banten Regional Development Bank are accurate, reliable, and by applicable ethical standards and regulations. Strengthening auditor ethics in controlling local bank financial statement information is more accurate the bank's financial position will provide confidence to management to be used as a basis for decision making. This finding shows that auditor ethics has a positive effect on the quality of financial reporting, in line with the research of Muslim et al. (2020), Awang et al. (2019), Osunwole et al. (2020), and Edi & Enzelin (2022).

The Influence of Accounting Culture on Financial Reporting Quality. The results of testing the sixth hypothesis empirically prove that accounting culture has a positive and significant effect on the quality of financial reporting. The positive relationship between

auditor ethics and the quality of financial reporting carried out by internal auditors is significant to ensure that the financial statements of Banten Regional Development Bank are accurate, reliable, and according to ethical standards, applicable regulations, and Generally Accepted Accounting Principles (GAAP) or International Financial Accounting Principles (IFRS) which ensure the quality of the report is by these standards and principles. These results indicate that a good accounting culture is an essential basis in ensuring the quality of financial reporting of regional banks by promoting professionalism, optimism, flexibility, and transparency, which are indicators of accounting culture in Banten Regional Development Bank is very important in shaping the principles and values that drive quality accounting practices. A strong accounting culture of professionalism will emphasize the importance of performing accounting duties with integrity, maintaining the confidentiality of financial information, and complying with professional ethical standards. Optimism in the context of accounting culture refers to the belief that sound accounting practices can help Banten Regional Development Bank achieve goals and overcome challenges. In a flexible accounting culture, accounting practitioners will more easily cope with changes in rules and policies without compromising the quality of financial reporting. An accounting culture that encourages transparency will promote the presentation of open and transparent financial statements, allowing stakeholders to understand the financial position properly. The findings of this novelty show that accounting culture positively affects the quality of financial reporting.

The Influence of Audit Quality on Financial Reporting Quality. The results of testing the seventh hypothesis empirically prove that audit quality directly has a positive and significant effect on the quality of financial reporting. The positive relationship between audit quality and the quality of Banten Regional Development Bank's financial reporting is essential in ensuring that the financial statements presented by the bank are accurate, reliable, and by applicable standards. A quality audit can identify potential risks in the financial statements to assist regional banks in managing risks more effectively and minimize risks that can affect the quality of financial statements. These findings indicate that audit quality positively affects the quality of financial reporting, which aligns with research by Resza (2022) and VictorImar & Effendi (2019).

The Role of Audit Quality Mediates the Effect of Internal Audit Strategy on Financial Report Quality. The results of testing the eighth hypothesis empirically proved that audit quality mediates the effect of internal audit strategy on the quality of financial statements. The positive relationship between audit quality in mediating the effect of internal audit strategy on the quality of financial statements is the role of internal auditors to ensure that the internal audit strategy positively impacts the quality of financial statements. Good audit quality support will identify risks and test controls and provide relevant improvement recommendations so that the quality of financial statements can be improved to be more accurate, reliable, and by applicable banking financial reporting standards. These findings indicate that audit quality mediates the effect of internal audit strategy on financial reporting quality, which aligns with research by Fuping & Loang (2023). However, the findings of this study are very few so that it can be used in future research.

The Role of Audit Quality Mediates the Effect of Auditor Ethics on Financial Statement Quality. The results of testing the ninth hypothesis empirically prove that audit

quality mediates the effect of auditor ethics on the quality of financial statements. The positive relationship between audit quality in mediating the effect of auditor ethics on the quality of financial statements is due to the positive role of internal auditors in having a solid foundation in conducting audits. This auditor ethics includes integrity, objectivity, and compliance with the accounting profession's code of ethics. With good audit quality, internal auditors can ensure that the financial statements of Banten Regional Development Bank reflect its financial position and operational results. This gives bank management confidence that the report is a reliable source of information for decision-making. This finding shows that audit quality mediates the effect of auditor ethics on financial reporting quality, which aligns with Haeridistia and Fadjarenie (2019). However, the findings of this study are very few so that it can be future research.

The Role of Audit Quality Mediates the Effect of Accounting Culture on the Quality of Financial Statements. The results of testing the tenth hypothesis empirically prove that audit quality mediates the effect of accounting culture on the quality of financial statements. The positive relationship between audit quality in mediating the effect of auditor ethics on the quality of financial statements is due to the positive role of internal auditors in supporting audit quality to ensure that the accounting culture within the Banten Regional Development Bank can be implemented so that the implementation has a positive impact on the quality of financial statements. The crucial mediating role of audit quality is to identify risks, test controls, and provide relevant improvement recommendations. Thus, the quality of financial statements can be improved and become more accurate and reliable by banking accounting standards. This novelty shows that audit quality mediates the effect of accounting culture on financial reporting quality.

Conclusions

Internal audit strategy, auditor ethics, and accounting culture positively and significantly affect the quality of financial statements directly or mediated by audit quality. Research novelty findings aim to improve the quality of financial reporting by improving accounting culture through strengthening professionalism, optimism, flexibility, and transparency. The limitation of this study is the determination of respondents to be only internal auditors, so it would be better to include external parties such as the OJK and the Inspectorate of Banten Regional Government.

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