



# The Influence Of Key Audit Matters (Kams), Audit Committees, And Internal Control Systems On Audit Quality And Its Implications For Fraud Deterrence (Study Of Healthcare Companies Listed On The Indonesia Stock Exchange (Idx) 2019-2023)

Yohanes C. E. P. S. L. Gaol <sup>1)</sup>, Koenta Adji Koerniawan <sup>2)</sup>;

<sup>1)</sup>Faculty of Economics and Business, Telkom University, Bandung

Email: <sup>1)</sup> [yohaneschristlg@student.telkomuniversity.ac.id](mailto:yohaneschristlg@student.telkomuniversity.ac.id)

## How to Cite :

Gaol, Y, C, E, P, S, L., Koerniawan, K, A. (2026). The Influence Of Key Audit Matters (Kams), Audit Committees, And Internal Control Systems On Audit Quality And Its Implications For Fraud Deterrence (Study Of Healthcare Companies Listed On The Indonesia Stock Exchange (Idx) 2019-2023). EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi Dan Bisnis, 14(2). DOI: <https://doi.org/10.37676/ekombis.v14i2>

## ARTICLE HISTORY

Received [14 July 2025]

Revised [05 April 2026]

Accepted [14 April 2026]

## KEYWORDS

Key Audit Matters, Audit Committee, Internal Control System, Fraud Deterrence, and Audit Quality.

*This is an open access article under the [CC-BY-SA](https://creativecommons.org/licenses/by-sa/4.0/) license*



## ABSTRACT

Every listed company on the Indonesia Stock Exchange (IDX) is required to submit and publish periodic financial reports to the OJK and the public. The fact that financial reports include trustworthy data for decision-making makes them significant. The quality of information can be improved by improving audit quality. Several factors affect audit quality including key audit matters, audit committees, internal control systems, and fraud deterrence. The purpose of this research is to examine how audit quality in health firms is affected by significant audit topics, audit committees, internal control systems, and fraud deterrent within the 2019–2023 timeframe. In this study, a cross-sectional sample of 90 organizations was selected using purposive selection, using a quantitative approach. The SEM-PLS analysis is then used to process the data.

## INTRODUCTION

Healthcare businesses are those that provide medical supplies and services. These businesses include pharmaceutical companies, healthcare providers, manufacturers of medical supplies and equipment, and health research services (Indonesia Stock Exchange, 2024).

Healthcare companies are businesses that provide healthcare services. Compared to the previous year, when the economy grew negatively by minus 2.07 percent, the national economy grew positively in 2021 by 3.69 percent, a significant development. The success of several industries, including the healthcare sector, supported the economic recovery. Although its contribution to the national Gross Domestic Product (GDP) is relatively small, this industry has experienced impressive growth. The healthcare and social activities sector was the most prominent of the 17 sectors that make up GDP, with growth of 10.46 percent. Considering that

the healthcare industry's growth rate had never exceeded 10 percent before, this expansion represents a historic achievement. With an increase of 9.25 percent, the previous record high was reached in 2011 when the Central Statistics Agency (BPS) first reported statistics for this industry. However, the sector's growth rate stalled at around 7% in subsequent years. It wasn't until 2019 that the healthcare industry's growth rate increased to 8.66 percent. The healthcare industry continues to outperform a number of other leading industries, although the 2021 growth rate has yet to reach its peak of 11.56 percent in 2020. This sector is a key pillar of Indonesia's post-pandemic economic recovery (Kompas Indonesia, 2022) as its growth significantly outpaced the industrial sector (3.39 percent), agriculture (1.84 percent), and trade (4.65 percent). Using the IDX-IC categorization, healthcare companies listed on the Indonesia Stock Exchange (IDX) between 2019 and 2023 were the subjects of the study, as explained above.

Based on this regulation, every issuer or public company that has been effectively registered is required to submit periodic financial reports to the Financial Services Authority and announce these periodic financial reports to the public. Therefore, all public companies listed on the Indonesia Stock Exchange (IDX) are required to fulfill this obligation. Because of the data they provide, financial reports are crucial. To be useful in the decision-making process, this information must be of consistent quality. By improving audit quality, higher-quality information can be produced (Permana, 2012 in Andriani et al., 2020).

Audit quality is defined by DeAngelo (1981) as the market's estimate of the likelihood that an auditor will (a) discover violations in a client's accounting system and (b) disclose those violations. According to Triani et al. (2020), public accountants play a crucial role in improving the quality and reliability of financial data to support a resilient and effective economy. According to Astika et al. (2017), a qualified auditor is someone who is able to discover and publicly disclose errors or misstatements in financial reporting.

Audit quality is crucial for identifying fraud in financial reporting. This is clearly evident in the case of PT Indonesia Farma Tbk (INAF), a state-owned enterprise operating in the pharmaceutical and medical device industries.

From 2020 to 2022, INAF's financial statements were audited by KAP Hendrawinata Hanny Erwin & Sumargo (Kreston HHES). In 2020, the KAP issued an unmodified opinion. In 2021, INAF's financial statements again received an unqualified opinion. For 2022, the Public Accounting Firm (KAP) continued to issue an unqualified opinion, but with additional explanations of key audit issues in the auditor's report (CNBC, 2024).

However, the Audit Result Report (LHP) from the Supreme Audit Agency (BPK) contained unexpected findings. The BPK found evidence of serious anomalies resulting in state losses of IDR 371.8 billion. After conducting a compliance audit of INAF's revenue, expenditure, and investment management from 2020 to the first semester of 2023, the BPK reached this conclusion. Public Accounting Firm Kreston HHES also identified several significant issues during its audit that had previously been overlooked or concealed (Kompasiana, 2020). This demonstrates the soundness of Kreston HHES's audit.

Although INAF has received an unmodified opinion (WTP) for three consecutive years, the Attorney General's Office is currently investigating allegations of management fraud in the company's financial statements. This raises doubts about the efficiency of audit views in detecting potential fraud. A striking insight can be gained by comparing the disclosure of critical audit matters in the 2021 and 2022 financial statements. According to Li et al. (2019), disclosure of critical audit matters has a positive and significant impact on audit quality. By increasing auditor transparency, accountability, and professional skepticism, disclosure of critical audit matters is expected to improve communication between supervisors and auditors.

A similar incident occurred at PT Kimia Farma Tbk, a pioneer in the Indonesian pharmaceutical industry that has grown into a business offering comprehensive healthcare services from upstream to downstream. Kimia Farma's core business areas include clinical laboratories, health clinics, marketing, distribution and trading, research and development, and

pharmaceutical retail, all supporting pharmaceutical manufacturing (Kimia Farma, 2024). The following six subsidiaries assist PT Kimia Farma Tbk in running its business operations: Kimia Farma Apotek (KFA), Kimia Farma Dawaa, PT Phapros Tbk, PT Kimia Farma Trading & Distribution (KFTD), PT Kimia Farma Sungwun Pharmacopia (KFSP), PT Sinkona Indonesia Lestari (PT SIL), and Kimia Farma Dawaa (Kimia Farma, 2024). A similar phenomenon occurred at PT Kimia Farma Tbk's subsidiary, PT Kimia Farma Apotek (KFA), where alleged violations of the integrity of financial reporting data provided in KAEF's consolidated management financial statements were discovered. This impacted sales, COGS, and operational costs, which further increased the deficit in 2023. "Following up on this, KAEF together with the Ministry of State-Owned Enterprises and PT Bio Farma (Persero) are making improvements at KFA." In 2023, operational spending at KFA also increased drastically, a marked increase that has never occurred in previous years. KAEF management is currently conducting an independent investigative audit to further investigate these claims.

Shareholders and capital market regulators will receive the findings of the company's investigation into these claims (CNBC, 2024). The alleged integrity violations in the financial reporting data provided demonstrate the company's lack of internal oversight. The audit committee is responsible for monitoring internal controls and financial reporting, according to Vanasco (1998). The likelihood of fraud can increase if the audit committee does not operate effectively or does not fully understand the risks associated with fraud. A key component of contemporary corporate governance is fraud prevention, particularly in the highly complex healthcare industry. The healthcare industry experiences an average loss of \$150,000 per fraud case, with fraud taking an average of 14 months to identify, according to the Association of Certified Fraud Examiners (ACFE) in its 2022 Report to the Nation.

The proactive detection and elimination of the sources and enablers of fraud is known as fraud prevention, according to Cendrowski et al. (2007). Fraud prevention targets the root causes and enablers of fraud; While the research concept is that the greatest defense against fraud is improving organizational procedures to prevent or eliminate the causes of fraud, it can also identify potential opportunities for fraud within these processes.

The cases involving PT Indonesia Farma Tbk and PT Kimia Farma Tbk highlight the importance of fraud prevention. Both examples illustrate the importance of a comprehensive fraud prevention strategy, encompassing several oversight components such as an efficient audit committee, a robust internal control system, and transparent disclosure of significant audit matters. Consistent with Sulkiah's (2020) study, an effective internal control system can prevent any form of financial fraud within a government or organization.

Audit quality acts as a catalyst in strengthening fraud deterrence. Qualified auditors are not only capable of detecting fraud that has already occurred but also contribute to creating a deterrent effect through professional skepticism and comprehensive audit procedures. This is supported by findings (Power, 2013), which show that high audit quality is positively correlated with the success rate of fraud deterrence within an organization. Fraud deterrence has become increasingly crucial in the digital age, where transaction complexity and the risk of fraud are increasing. According to PwC's Global Economic Crime and Fraud Survey 2022, 46% of companies in the global healthcare sector reported experiencing fraud in the past two years, with significant losses not only financially but also reputationally.

## LITERATURE REVIEW

### Agency Theory

The contractual relationship between company owners (principals) and management (agents) is explained by Jensen & Meckling (1976). In this case, managers are given the authority to make decisions and oversee company assets by the owners. Managers may not always act in the best interests of the owners due to conflicts of interest arising from the two parties having

different goals. Because owners are not directly involved in running the business, they have limited access to information, which creates information asymmetry and allows agents to provide misleading information to the owners (Rustiarini, 2012). According to Purba Rahima (2023), agency burdens such as monitoring costs, audits, and agent remuneration systems result from conflicts of interest between investors and management. To reduce information asymmetry, independent auditors are considered capable of bridging the interests of creditors and investors with management in managing company finances (Tandiontong, 2016, as cited in Saepudin et al., 2018). Furthermore, maintaining the integrity of financial reporting and controlling and monitoring management performance are highly dependent on the existence of an audit committee.

### **Audit Quality**

DeAngelo (1981) defines audit quality as the market's evaluation of the combined probability of an auditor discovering and reporting violations in a client's accounting system. The auditor's technical expertise, the audit process used in a particular audit, the sampling rate, and other relevant variables all influence their likelihood of discovering violations. The auditor's perceived quality toward the client is reflected in their likelihood of disclosing any violations they discover. According to Sukarno (2016), well-known auditors or those with knowledge in a particular sector are often associated with high-quality audits. Therefore, reliable financial reports that serve as a basis for decision-making can be produced through quality audits (Farida & Sugesti, 2023).

The network of public accounting firms known as the Big Four Public Accounting Firms (KAP) is renowned both domestically and internationally for its reputation and high audit quality. The term "Big Four" describes four international professional networks that provide accounting and other services, such as tax and auditing. PricewaterhouseCoopers (PwC), Deloitte Touche Tohmatsu Limited (Deloitte), Ernst & Young (EY), and KPMG are the firms within this network that generate the largest revenues.

The network of public accounting firms known as the Big Four Public Accounting Firms (KAP) is renowned both domestically and internationally for its reputation and high audit quality. The term "Big Four" describes four international professional networks that provide accounting and other services, such as tax and auditing. PricewaterhouseCoopers (PwC), Deloitte Touche Tohmatsu Limited (Deloitte), Ernst & Young (EY), and KPMG are the firms within this network that generate the largest revenues.

### **Key Audit Matters (Kam)**

SA 701 defines critical audit matters as matters that, in the auditor's professional opinion, are most important during the audit of the financial statements for the current period. Key audit matters are selected from among issues related to governance responsibilities. The purpose of addressing critical audit matters is to enhance the communication value of the report by increasing the transparency of the audit performed. To help potential users of the financial statements understand the matters the auditor's professional judgment considered most important in the audit of the current period's financial statements, this report provides additional information. In addition, communicating significant audit issues can help intended users understand the entity and the significant areas of management's judgment in the audited financial statements (ISA 701 IAPI, 2025).

## **METHODS**

A quantitative approach was used in this study. Research based on a positivist worldview is known as a quantitative approach. By using research tools to collect data, this approach seeks to investigate a specific community or sample. The collected data are then analyzed statistically or

quantitatively to challenge existing assumptions (Sugiyono, 2021b). This study employed a case study methodology. According to Assyakurrohim et al. (2022), a case study is a type of research methodology in which researchers investigate a specific phenomenon (case) within a specific timeframe and activity (program, event, process, institution, or social group) and gather comprehensive and in-depth information using various data collection procedures over a specific period.

The unit of analysis in this study is a group because the data comes from more than one company, where the group in question is healthcare sector companies listed on the Indonesia Stock Exchange from 2019 to 2023. The researcher's involvement in this study was minimal, as the researcher only collected data for observation. This research was based on the researcher's non-intervention in the data and lacked any relationship with the company data source.

The timing of this study places it within the scope of panel data research, which combines cross-sectional and time-series data and aggregates data from multiple companies over a period of more than one year (2019–2023). Secondary data from the financial statements of companies operating in the healthcare industry at that time was used for data collection. The research sample was selected using a purposive sampling strategy in a non-probability sampling design, which does not give every element or individual in the population an equal opportunity to be selected as a sample (Sugiyono, 2021). This study used Structural Equation Modeling-Partial Least Squares (SEM-PLS) for data analysis.

## RESULTS

### Analysis Statistics Descriptive

To examine data, descriptive statistics describe or depict the collected data in its current state without attempting to make generalizations or conclusions that apply to the wider population (Sugiyono, 2021a). The authors of this study used information from the 2019–2023 financial reports of healthcare companies listed on the Indonesia Stock Exchange. Only 19 of the 33 businesses in the healthcare sector met the requirements for inclusion in the study sample. As a result, 95 businesses were included in the observational data examined over a five-year period.

**Table 1 Descriptive statistics of variables Scale Nominal**

Measurement Items	Indicator Measurement	Total	Percentage (%)	
<b>System Control Internal</b>				
SPI	Company Which own internal control system	1	72	76%
	Company Which No own internal control system	0	23	24%
Total		95	100%	
<b>Audit Quality</b>				
KA	Company Which audited by HOOD Big 4	1	39	41%
	Company Which audited by HOOD besides the Big 4	0	56	59%
Total		95	100%	

Source: processed by author (2025)

**Table 2 Analysis Descriptive Statistics Of Variables Scale Ratio**

	Key Audit Matters (X1)		Audit Committee (X2)	Fraud Deterrence (Z)
	THURS DAY 1	THURS DAY 2	KA	FD
<b>Mean</b>	0.7158	3,7158	1,7974	32,8511
<b>Minimum</b>	0	0	0	24.87
<b>Maximum</b>	6	37	8.5	39.64
<b>Std. Deviation</b>	1,30191	7,29276	1.33304	4.09912
<b>Observation</b>	95	95	95	95

**Test Indicator Loadings****Table 3 Results Test Indicator loadings**

	Outer Loading	Information
<b>FD</b>	1,000	Legitimate
<b>KA</b>	1,000	Legitimate
<b>THURSDAY 1</b>	0.985	Legitimate
<b>THURSDAY 2</b>	0.982	Legitimate
<b>Office of Religious Affairs</b>	1,000	Legitimate
<b>SPI</b>	1,000	Legitimate

Source: processed by author (2025)

The results of the convergent validity test show that all indicators have excellent outer loading values. The Fraud Deterrence (FD), Audit Committee (KA), Audit Quality (KUA), and Internal Control System (SPI) variables have perfect outer loading values of 1.000, indicating that these indicators are a very strong reflection of their latent constructs. Meanwhile, Key Audit Matters (KAM) has two indicators with very high outer loading values of 0.985 and 0.982, indicating that both indicators are able to explain the KAM construct very well. All outer loading values are above the minimum limit of 0.7, so it can be stated that all indicators have excellent convergent validity.

**Test Internal Consistency Reliability****Table 4 Results Test Internal Consistency Reliability**

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
<b>FD</b>	1,000	1,000	1,000	1,000
<b>KA</b>		1,000		
<b>THURSDAY</b>	0.967	0.974	0.984	0.968
<b>Office of Religious Affairs</b>		1,000		
<b>SPI</b>		1,000		

**Table 5 Results Test Internal Consistency Reliability**

	FD	KA	THURSDAY	Office of Religious Affairs	SPI
FD					
KA	0.305				
THURSDAY	0.219	0.213			
Office of Religious Affairs	0.306	0.086	0.180		
SPI	0.013	0.142	0.118	0.272	

Source: processed by author (2025)

**Table 6 Results Test Goodness of fit**

	Saturated Model	Estimated Model
SRMR	0.009	0.009
NFI	0.876	0.876

Source: processed by author (2025)

The goodness of fit test shows that the model has a good level of fit. The Standardized Root Mean Square Residual (SRMR) value of 0.009 for both models (saturated and estimated) indicates a very good level of fit, as this value is well below the critical limit of 0.08. The low SRMR value indicates that the difference between the observed and predicted covariance matrices by the model is very small.

**Table 7 Results Testing Hypothesis Influence Direct**

	Original Sample (O)	T	P Values
KA -> FD	0.288	3,183	0.001
KA -> KUA	-0.020	0.232	0.408
THURSDAY -> FD	0.220	2,186	0.015
THURSDAY -> Office of Religious Affairs	-0.144	1,886	0.030
Office of Religious Affairs -> FD	0.376	4,248	0.000
SPI -> FD	-0.023	0.215	0.415
SPI -> Office of Religious Affairs	0.252	2,726	0.003

Source: processed by writer (2025)

The results of the direct influence analysis revealed several important findings. The Audit Committee (AC) had a significant positive effect on Fraud Deterrence (FD) with a coefficient of 0.288 and a p-value of 0.001 (<0.05), indicating that increasing audit committee effectiveness would significantly improve fraud prevention capabilities. Key Audit Matters (KAM) also had a significant positive effect on Fraud Deterrence with a coefficient of 0.288 and a p-value of 0.001 (<0.05).

0.220 and p-value 0.015 (<0.05), indicating that better KAM disclosure will increase fraud deterrence. Audit Quality (KUA) has a positive and very significant influence on Fraud Deterrence with the highest coefficient of 0.376 and p-value 0.000 (<0.01), indicating that improving audit quality is the strongest factor in preventing fraud.

However, some relationships show insignificant results. The Audit Committee does not have a significant effect on Audit Quality (coefficient -0.020, p-value 0.408 > 0.05), and the

Internal Control System (ISC) does not have a significant effect on Fraud Deterrence (coefficient -0.023, p-value 0.415 > 0.05). Interestingly, Key Audit Matters has a significant negative effect on Audit Quality (coefficient -0.144, p-value 0.030 < 0.05), which may indicate that more extensive KAM disclosure occurs when there are complex audit matters. Conversely, the Internal Control System has a significant positive effect on Audit Quality (coefficient 0.252, p-value 0.003 < 0.05).

**Table 8 Results Testing Hypothesis Influence No Direct**

	Original Sample (O)	T	P Values
KA -> Office of Religious Affairs -> FD	-0.008	0,2 34	0.407
THURSDAY -> Office of Religious Affairs -> FD	-0.054	1,7 60	0.039
SPI -> Office of Religious Affairs -> FD	0.095	2,0 99	0.018

Source: processed by writer (2025)

**Table 9 Results Total Effects**

	Original Sample (O)	T	P Values
KA -> FD	0.280	2,957	0.002
KA -> KUA	-0.020	0.232	0.408
THURSDAY -> FD	0.166	1,512	0.065
THURSDAY -> Office of Religious Affairs	-0.144	1,886	0.030
Office of Religious Affairs -> FD	0.376	4,248	0.000
SPI -> FD	0.071	0.714	0.238
SPI -> Office of Religious Affairs	0.252	2,726	0.003

Source: processed by author (2025)

The total effect, which is a combination of direct and indirect effects, provides a more comprehensive picture. The Audit Committee has a significant positive total effect on Fraud Deterrence (coefficient 0.280, p-value 0.002 < 0.05), although slightly lower than its direct effect. Key Audit Matters has a positive total effect on Fraud Deterrence (coefficient 0.166), but becomes insignificant (p-value 0.065 > 0.05) when the indirect effect is taken into account. This shows that the negative effect of KAM on Audit Quality reduces its positive direct effect on Fraud Deterrence. Audit Quality still has the strongest total effect on Fraud Deterrence (coefficient 0.376, p-value 0.000 < 0.01). The Internal Control System, although not directly influencing Fraud Deterrence, has a positive total effect through the mediation of Audit Quality, but remains insignificant (coefficient 0.071, p-value 0.238 > 0.05). Other relationships show that the Audit Committee does not have a significant effect on Audit Quality (p-value 0.408 > 0.05), Key Audit Matters has a negative and significant effect on Audit Quality (p-value 0.030 < 0.05), and the Internal Control System has a positive and significant effect on Audit Quality (p-value 0.003 < 0.05).

## DISCUSSION

### The Impact of Key Audit Matters on Audit Quality

SA 701 stipulates that Key Audit Matters are the issues that, in the auditor's professional judgment, are most crucial to the audit of the current period's financial statements. These issues are selected based on the matters communicated to those charged with corporate governance. Based on the results of the direct effect test, the coefficient value for key audit matters is -0.144,

with a p-value of  $0.030 < 0.05$ . Based on the SA 701 framework, Key Audit Matters (KAMs) should serve as a primary instrument for enhancing transparency and audit quality by disclosing the most salient issues in the auditor's professional judgment. Several previous studies, such as Suttipun (2021), which found a positive relationship between the breadth of KAM reporting and perceived audit quality; Shamsuddin et al. (2020), which emphasized the role of KAMs in highlighting material risks; and Azizah et al. (2024), which highlighted the auditor's ability to demonstrate expertise through disclosure of crucial matters, all support the expectation of a positive effect of KAMs.

However, empirical testing on a sample of healthcare companies in the IDX (2019–2023) showed a KAM coefficient of  $-0.144$  with a p-value of  $0.030 (<0.05)$ , indicating that a higher number of KAM issues disclosed is associated with lower audit quality scores. This finding can be interpreted as a negative signal to stakeholders: the high number of KAM issues may be perceived as a "red flag" for the complexity and vulnerability of financial reporting, rather than simply transparency.

Furthermore, companies with weak internal controls tend to raise more KAM issues (reverse causality), so the direction of this negative relationship reflects more on the characteristics of the client's audit environment than the effectiveness of KAM itself. The healthcare industry context, characterized by clinical risks and strict regulations, may also exacerbate stakeholder perceptions of the number of critical issues disclosed. Therefore, while theory supports a positive effect of KAM, this study emphasizes the need for auditors to balance the depth of KAM disclosure with stakeholder education efforts to ensure the signal conveyed is not counterproductive to perceptions of audit quality.

### **The Effect Of Key Audit Matters On Fraud Deterrence**

Based on the direct effect test, the coefficient value for key audit matter was  $0.220$ , with a p-value of  $0.015 < 0.05$ . This indicates that KAM disclosure in audit reports contributes significantly to fraud deterrence in healthcare sector companies on the IDX during the 2019–2023 period. This finding aligns with Gutierrez et al. (2018), who demonstrated that the more explicit auditors are in disclosing material audit matters, the more effective they are in reducing information asymmetry between management and stakeholders, thereby reducing the opportunity for financial reporting manipulation. Furthermore, Chen et al. (2024) demonstrated that the quality of KAM disclosure is negatively correlated with earnings management practices, indicating that detailed descriptions of audit findings encourage companies to maintain reporting integrity.

### **The Influence Of The Audit Committee On Audit Quality**

Referring to Financial Services Authority Regulation No. 55/PJOK.04/2015 concerning the Establishment and Guidelines for the Work Implementation of the Audit Committee, the Audit Committee is an organ established and directly responsible to the Board of Commissioners to support the implementation of its duties and authorities. This committee must consist of at least three members, whose composition must include at least an Independent Commissioner and a representative from an external party of the issuer or public company.

Based on the results of the direct effect test, the audit committee coefficient is  $-0.020$  with a p-value of  $0.408 > 0.05$ . Based on Financial Services Authority Regulation No. 55/PJOK.04/2015, the audit committee is required to hold a meeting at least once every quarter to strengthen the Board of Commissioners' oversight function and ensure the company's compliance with good governance principles. Several studies by Sukarno (2016), for example, have shown that increasing the frequency of audit committee meetings is positively correlated with the effectiveness of task implementation and, in turn, optimal audit quality. Lailatul et al. (2021) added that frequent committee meetings also minimize information asymmetry by providing a regular forum for the presentation of important issues, while Saepudin et al. (2018) emphasized

that meeting frequency is directly proportional to the depth of discussion and follow-up on audit recommendations. However, empirical testing on a sample of healthcare companies listed on the Indonesian Stock Exchange (IDX) in 2019–2023 showed a coefficient of  $-0.020$  with a p-value of  $0.408$  ( $>0.05$ ), indicating that the frequency of audit committee meetings has no significant impact on audit quality.

### **The Influence Of The Audit Committee On Fraud Deterrence**

Based on the results of the direct effect test, the coefficient value of the audit committee is  $0.288$  with a p-value of  $0.001 < 0.05$ . According to OJK Regulation No. 55/PJOK.04/2015, the audit committee is required to hold meetings at least once a quarter to ensure the Board of Commissioners receives the latest information on the company's financial condition and the effectiveness of its internal control system. Previous literature, such as that of Mardani et al. (2020), found that the more frequent the audit committee meets, the higher the level of transparency in disclosing fraud cases.

### **The Effect Of The Internal Control System On Audit Quality**

According to Hadi and Afriyenti (2022), internal control is a series of mechanisms developed and implemented by the Board of Commissioners, the Board of Directors, along with all levels of management and employees. This process is designed to ensure operational efficiency and effectiveness, strengthen the reliability of financial reports, ensure compliance with applicable regulations, and optimize the implementation of the principle of checks and balances.

Based on the results of the direct effect test, the internal control system coefficient was  $0.252$  with a p-value of  $0.003 < 0.05$ . This finding aligns with the theoretical framework outlined by Tandilangi et al. (2022), which emphasizes that internal control mechanisms, ranging from the division of authority and transaction authorization procedures to ongoing monitoring by the Inspectorate, are designed to ensure operational efficiency and effectiveness, improve the reliability of financial reports, and ensure regulatory compliance. Similarly, Dewi's (2018) study showed that organizations with robust control structures tend to produce higher-quality audit results because auditors are able to design appropriate testing programs, determine the focus of risk testing, and enrich the data sampling process.

### **The Effect Of The Internal Control System On Fraud Deterrence**

Based on the results of the direct effect test, the coefficient value of the internal control system is  $-0.023$  with a p-value of  $0.415 > 0.05$ . Based on Koerniawan's (2022) conceptual framework, an effective internal control system involves five key components: the control environment, risk assessment, control activities, information and communication, and monitoring, which together are designed to provide reasonable assurance regarding the achievement of organizational objectives and prevent fraud. Research by Firmansyah (2020) and Gloria & Arisman (2022) even confirms that when these five elements are comprehensively implemented, supported by top management commitment, clear policy documentation, and independent internal audits, the company's ability to detect potential irregularities early on significantly improves, thereby preventing fraudulent intent before it has a significant impact. This approach also aligns with agency theory, where strengthening internal control mechanisms minimizes information asymmetry between principals and agents and encourages management to act in line with the interests of the company's owners. However, empirical testing on a sample of 95 healthcare companies listed on the IDX for the 2019–2023 period revealed an internal control system coefficient of  $-0.023$  with a p-value of  $0.415$  ( $>0.05$ ), indicating an insignificant effect on fraud deterrence.

### **The Effect Of Audit Quality On Fraud Deterrence**

Based on the results of the direct effect test, the internal control system coefficient was 0.376 with a p-value of 0.000 <0.05. This indicates that improving audit quality is the strongest factor in preventing fraud. Based on the test results, which show an audit quality coefficient of 0.376 with a p-value of 0.000 (<0.05), it can be concluded that improving audit quality is the strongest factor in fraud deterrence in healthcare sector companies listed on the IDX for the 2019–2023 period. This finding confirms the agency theory framework, where auditors act as "eyes of the principal," reducing information asymmetry and mitigating managerial incentives to manipulate financial statements. Audit quality itself includes the application of procedures in accordance with auditing standards (SAs), conducting thorough risk assessments, applying professional skepticism, and using adequate samples and substantive testing techniques. When auditors consistently and effectively perform these procedures, they not only increase the detection of potential misstatements but also enforce expectations of social and regulatory sanctions, making management less likely to take the risk of committing fraud.

Several previous studies support this. DeAngelo (1981) argued that auditors with strong reputations and strong technical competence tend to implement higher audit quality because they risk greater reputational damage if they fail to detect fraud. Carcello and Nagy (2004) added that the presence of high-quality auditors also creates a deterrent effect on management due to the perception of strict independent oversight. In the context of the Indonesian capital market, this means that comprehensive audits, from internal control checks and transaction document verification to technology-assisted financial data analysis, play a central role in reducing the opportunities and motivations for fraud.

Practically, these empirical results have several important implications. First, companies need to view high-quality audits as a strategic investment: not merely to fulfill regulatory obligations, but rather as a mechanism to protect the company's value from potential significant losses due to fraud. Second, regulators and capital market authorities need to tighten oversight of the implementation of audit standards, for example, by conducting random audit quality inspections and imposing strict sanctions on public accounting firms found to be disregarding the principle of professional skepticism. Third, audit committees and boards of commissioners should be more proactive in selecting audit firms and audit partners with a track record of superior quality, as well as overseeing the implementation of audit recommendations to reduce management's opportunity for manipulation.

Thus, the high and significant positive coefficient in this study confirms that improving audit quality is a key pillar of a fraud deterrence strategy: the higher the quality and thoroughness of audits, the lower the incentives and opportunities for fraud, and the stronger stakeholder trust in the integrity of the company's financial statements.

### **The Effect Of Key Audit Matters On Fraud Deterrence Through Audit Quality**

Based on the results of the indirect effect test, the coefficient value of KAM on fraud deterrence through audit quality is -0.054 with a p-value of 0.039 <0.05. The findings of the mediation analysis in this study revealed that Key Audit Matters (KAM) have a significant indirect effect on fraud deterrence through audit quality, with a coefficient value of -0.054 and a p-value of 0.039 (<0.05). This means that although the disclosure of KAM directly strengthens fraud prevention mechanisms (direct effect = 0.220,  $p < 0.05$ ), the impact of KAM on audit quality is negative (direct effect KAM → Audit Quality = -0.144,  $p < 0.05$ ), and this decline in audit quality subsequently reduces overall fraud detection and prevention capabilities.

### **The Influence Of The Audit Committee On Fraud Deterrence Through Audit Quality**

Based on the results of the mediation test, the coefficient value for the indirect effect of the audit committee on fraud deterrence through audit quality showed -0.008 with a p-value of 0.407 ( $p > 0.05$ ), indicating that audit quality does not significantly mediate the relationship

between the audit committee and fraud prevention. Theoretically, the existence of an audit committee, as regulated by POJK No. 55/PJOK.04/2015, is expected to improve the quality of the audit process through its oversight function, risk evaluation, and follow-up on auditor recommendations, thereby strengthening fraud deterrence mechanisms at the company level. However, empirical findings on a sample of listed companies in the healthcare sector of the Indonesia Stock Exchange (IDX) from 2019–2023 indicate that while audit committees may contribute directly to audit quality and fraud deterrence, the supposed "intermediary" effect that audit quality acts as a bridge was not evident. This can be explained by several factors: first, the quality of audit committee meetings or agendas may be suboptimal, thus their impact on improving audit quality is insufficient to produce a tangible fraud prevention effect. Second, auditors may view audit committee issues and recommendations as input, but the implementation of substantive procedures and detailed tests remains dominated by other factors, such as the level of audit partner independence or the complexity of healthcare industry transactions, making it difficult to trace the audit committee's contribution to improving audit quality. Third, although audit committees are directed to support the Board of Commissioners in internal monitoring, the implementation of audit recommendations, such as improvements to controls and governance, is often delayed or poorly documented, resulting in internal audit quality reruns in the external auditor's annual report not reflecting substantial improvement. The practical implication is that regulators and issuer management need to reevaluate the role and working procedures of audit committees. In addition to ensuring the frequency of quarterly meetings, key performance indicators (KPIs) for committee members should be established to measure the effectiveness of recommendations, the timeliness of handling findings, and closer collaboration with internal and external audit teams. Specific training for committee members, particularly in forensic accounting and data analytics-assisted audit technology, is also crucial to strengthen their ability to assess fraud risks.

Furthermore, future research is recommended to include moderating variables such as committee independence, professional background, and the quality of communication between the audit committee and external auditors. This allows for the identification of specific conditions that enable the audit committee to truly mediate the relationship between audit quality and fraud deterrence. Therefore, although the indirect effect is currently insignificant, efforts to improve the audit committee's structure, competency, and work processes remain crucial to achieving effective synergy between oversight, audit quality, and fraud prevention.

### **The Effect Of Internal Control Systems On Fraud Deterrence Through Audit Quality**

Based on the results of the indirect effect test, the coefficient value of the internal control system on fraud deterrence through audit quality is  $-0.095$  with a  $p$ -value of  $0.018 < 0.05$ . Based on Koerniawan's (2022) conceptual framework, an internal control system is formed of five main components: the control environment, risk assessment, control activities, information and communication, and monitoring. When implemented comprehensively, it is believed to reduce information asymmetry, narrow opportunities for manipulation, and suppress management's intention to commit fraud. Firmansyah (2020) and Gloria & Arisman (2022) emphasize that companies that establish robust internal control mechanisms will more easily detect potential deviations early and provide a strong foundation for auditors to carry out substantive testing procedures. However, the results of the mediation test in this study show that the indirect effect of the internal control system on fraud deterrence through audit quality is recorded at  $-0.095$  with a  $p$ -value of  $0.018 (<0.05)$ , meaning that any increase in the quality of the internal control system, if translated only through improvements in audit routines, is actually associated with a decrease in fraud prevention capabilities. This figure contrasts with the findings of direct effects: a positive coefficient of  $0.252$  ( $p < 0.05$ ) on the relationship between internal control systems → audit quality, and a positive coefficient of  $0.376$  ( $p < 0.01$ ) on the relationship between audit quality → fraud deterrence.

## CONCLUSION

Based on the research results and discussion, the following conclusions can be drawn:

### 1. Description Statistics

Based on the descriptive statistical analysis, the average value and distribution of each construct show significant variation. For example, KAM1 (number of KAMs) averaged 0.716 (SD 1.302) and KAM2 (type of KAMs) averaged 3.716 (SD 7.293). The model explained 9.6% of the variance in audit quality and 25.0% of the variance in fraud deterrence. This indicates that many other external factors influence these two dependent variables outside the research model.

### 2. Direct Effect Of Kam, Ka, And Spi

KAM on Audit Quality: A significant negative effect ( $\beta = -0.144$ ;  $p = 0.030$ ), indicating that the more KAM issues disclosed, the more likely auditors are to focus resources on these areas, potentially neglecting other audit procedures. Audit Committee Meeting Frequency on Audit Quality: insignificant ( $\beta = -0.020$ ;  $p = 0.408$ ), indicating that the frequency of audit committee meetings, as a proxy for the effectiveness of the governance function, is not sufficient. Internal Audit Quality on Audit Quality: has a significant positive effect ( $\beta = 0.252$ ;  $p = 0.003$ ), indicating that the implementation of strong internal controls supports auditors in achieving better audit quality. Audit Committee Meeting Frequency (AKM), Audit Committee Meeting Frequency (AKM), and Audit Committee Meeting Frequency (AKS) on Fraud Deterrence: Audit Committee Meeting Frequency (AKM) ( $\beta = 0.220$ ;  $p = 0.015$ ) and Audit Committee Meeting Frequency (AKS) ( $\beta = 0.288$ ;  $p = 0.001$ ) all have significant positive effects, while Audit Committee Meeting Frequency (AKS) is insignificant ( $\beta = -0.023$ ;  $p = 0.415$ ). This confirms that transparency of audit issues and committee oversight mechanisms are more effective in preventing fraud than the mere presence of internal controls.

### 3. The Role Of Audit Quality As A Mediator

Audit quality serves as a significant mediator in the KAM  $\rightarrow$  FD relationship (mediation  $\beta = -0.054$ ;  $p = 0.039$ ), meaning that the clarity of KAM disclosure can reduce the effectiveness of fraud detection if not balanced with adequate audit procedures. Conversely, the SPI  $\rightarrow$  FD mediation is also significantly positive ( $\beta = 0.095$ ;  $p = 0.018$ ), indicating that strong internal controls enhance the auditor's capacity to mitigate fraud opportunities through audit quality checkpoints. The mediator, audit quality, has no effect on the KA  $\rightarrow$  FD path ( $p = 0.407$ ), suggesting that the audit committee plays a more direct role in strengthening fraud deterrence.

### 4. Goodness Of Fit

The SRMR index of 0.009 and the NFI of 0.876 (saturated & estimated) indicate that the overall model structure has a good fit with the empirical data.

## LIMITATION

This study has several limitations that should be considered, namely: Limited to the healthcare sector and the 2019–2023 period. This study focused solely on healthcare companies listed on the Indonesia Stock Exchange during the 2019–2023 period. Of the 33 issuers in this sector, only 19 met the sample criteria, resulting in a total of 95 observations. Therefore, the findings of this study cannot be generalized to other industry sectors or different time periods. Failure to consider non-financial factors and moderating variables. All variables were derived from quantitative data from annual reports (Key Audit Matters, Audit Committee Frequency, Internal Control System, Audit Quality, and Fraud Deterrence), without including non-financial factors such as auditor reputation, audit procedure complexity, earnings management practices, or organizational culture, as well as moderating variables (e.g., Audit Committee Independence or Digital Literacy Level). This limits our understanding of the true fraud detection and prevention mechanisms in healthcare companies. Relying on secondary data and dummy

measurements The Internal Control System and Audit Quality variables are measured using a dummy scale (0/1), while other formative variables are calculated from indicator ratios. This approach may oversimplify the complexity of audit and internal control practices in the field and is susceptible to documentation bias in annual reports, which only reflect formal conditions, rather than the effectiveness of implementation at the operational level.

## REFERENCES

- Aji Pamungkas, S., Indri Purnamasari, D., & Widyastuti, W. (2022). The Effect of Audit Tenure, Audit Fee, Audit Committee, and Company Size on Audit Quality. 3(2), 166–175. <https://current.ejournal.unri.ac.id>
- Al Lawati, H., & Hussainey, K. (2022). The Determinants and Impact of Key Audit Matters Disclosure in the Auditor's Report. *International Journal of Financial Studies*, 10(4). <https://doi.org/10.3390/ijfs10040107>
- Andriani, F., Meilani, R., Pardede, C. E., Ginting, W. A., & Prima Indonesia, U. (2020). The Effect of Audit Tenure, KAP Size, Client Company Size on Audit Quality of Company in Indonesia Stock Exchange. 4.
- Assyakurrohim, D., Ikhrum, D., Sirodj, R. A., & Afgani, M. W. (2022). Metode Studi Kasus dalam Penelitian Kualitatif. *Jurnal Pendidikan Sains Dan Komputer*, 3(01), 1–9. <https://doi.org/10.47709/jpsk.v3i01.1951>
- Astika, P. B. I., & Pramaswaradana, I. N. G. I. (2017). Pengaruh Audit Tenure, Audit Fee, Rotasi Auditor, Spesialisasi Auditor, dan Umur Publikasi pada Kualitas Audit. 19.1, 168–194.
- Azizah, N. F., & Mayangsari, S. (2024). Analisis Hubungan Keahlian Audit dan Pengungkapan Key Audit Matters terhadap Kualitas Audit. *Edunomika*, 08.
- Bryan, D. B. (2017). Organized labor, audit quality, and internal control. *Advances in Accounting*, 36, 11–26. <https://doi.org/10.1016/j.adiac.2016.09.005>
- Cendrowski, H., Martin, J. P., Petro, L. W., & Wiley, J. (2007). *The Handbook Of Fraud Deterrence*. <http://www.wiley.com/go/permissions>.
- Chen, T. K., Hung, Y. S., Tseng, Y., & Hsiao, K. Y. (2024). Earnings Management, Key Audit Matters and Audit Report Readability. *Pacific Accounting Review*. <https://doi.org/10.1108/PAR-12-2023-0169>
- DeAngelo, L. E. (1981). Auditor Size and Audit Quality. In *Journal of Accounting and Economics* (Vol. 3). North-Holland Publishing Company.
- Dewi, S. R. K. (2018). Pengaruh Kompetensi Auditor, Profesionalisme, dan Sistem Pengendalian Internal terhadap Kualitas Audit.
- Dinarjito, A., & Yoga, B. S. (2021). The Impact of Key Audit Matters Disclosure on Communicative Value of The Auditor's Report: A Systematic Literature Review. *Jurnal Akuntansi Dan Keuangan Indonesia*, 18(1), 15–32. <https://doi.org/10.21002/jaki.2021.02>
- Dyah Permatasari, M., & Saputra, M. M. (2021). Analisis Faktor-Faktor yang Mempengaruhi Audit Delay (Vol. 6, Issue 1). Muhammad Mahessa Saputra.
- Farida, A. L., & Sugesti, P. F. (2023). Determinant of Earnings Management: Financial Distress, Tax Planning, Audit Quality, and Public Accountant Firm Size. *Journal of Accounting and Strategic Finance*, 6(1), 1–15. <https://doi.org/10.33005/jasf.v6i1.386>
- Firmansyah, I. (2020). Pengaruh Audit Internal dan Pengendalian Internal Terhadap Pencegahan Kecurangan (Fraud) di PT Perkebunan Nusantara VIII.
- Ghozali, I., & Kusumadewi, K. A. (2023). Partial Least Squares Konsep, Teknik, Dan Aplikasi Menggunakan Program SmartPLS 4.0 Untuk Penelitian Empiris Edisi 1. Yoga Pratama.
- Gloria, D., & Arisman, A. (2022). Pengaruh Audit Internal Dan Pengendalian Internal Terhadap Pencegahan Kecurangan (Studi Kasus Pada PT. Pos Indonesia Kota Metro Provinsi Lampung).
- Gutierrez, E., Minutti-Meza, M., Tatum, K. W., & Vulcheva, M. (2018).

- Consequences of Adopting an Expanded Auditor's Report in the United Kingdom. *Review of Accounting Studies*, 23(4), 1543–1587. <https://doi.org/10.1007/s11142-018-9464-0>
- Hadi, F., & Afriyenti, M. (2022). Pengaruh Internal Control dan Audit Eksternal terhadap Manajemen Laba Akrua dan Riil. In *Jurnal Eksplorasi Akuntansi (JEA)* (Vol. 4, Issue 1). Online. <http://jea.ppj.unp.ac.id/index.php/jea/index>
- Hair, J. F. ., Hult, G. T. M. ., Ringle, C. M. ., & Sarstedt, Marko. (2017). *A primer on partial least squares structural equation modeling (PLS-SEM)*. Sage.
- Hamid, R. S., & Anwar, S. M. (2019). *STRUCTURAL EQUATION MODELING (SEM) BERBASIS VARIAN Konsep Dasar dan Aplikasi Program Smart PLS 3.2.8 dalam Riset Bisnis*.
- Hosseinniakani, M., Overland, C., & Samani, N. (2024). Do key audit matters matter? Correspondence between auditor and management disclosures and the role of audit committees. *Journal of International Accounting, Auditing and Taxation*, 55. <https://doi.org/10.1016/j.intaccaudtax.2024.100617>
- Kartika, V. N., & Ningsih, S. (2024). The Influence of Internal Control Systems, Implementation of Government Accounting Standards, and Human Resource Competence on Financial Report Quality.
- Kitiwong, W., & Sarapaivanich, N. (2020). Consequences of the implementation of expanded audit reports with key audit matters (KAMs) on audit quality. *Managerial Auditing Journal*, 35(8), 1095–1119. <https://doi.org/10.1108/MAJ-09-2019-2410>
- Koerniawan, K. A. (2024a). *Fraud Theories & Fraud Deterrence Propeller Perkembangan Teori-Teori Fraud dan Konsep Fraud Deterrence Propeller (The Deter-E)*.
- Koerniawan, K. A. (2024b). Penerapan FDP Protocol Untuk Data Sekunder. Koerniawan, K. A., Triyanto, D. N., Wahyuni, D., & Farida, A. L. (2024). *Fraud Deterrence Propellers for Internal Control Quality Improvement. Quality - Access to Success*, 25(203), 69–82. <https://doi.org/10.47750/QAS/25.203.08>
- Lailatul, U., & Yanthi, D. (2021). Pengaruh Fee Audit, Komite Audit, Rotasi Audit terhadap Kualitas Audit (Vol. 10, Issue 1). <http://journal.unesa.ac.id/index.php/akunesa/>
- Li, H., Hay, D., & Lau, D. (2019). Assessing the impact of the new auditor's report. *Pacific Accounting Review*, 31(1), 110–132. <https://doi.org/10.1108/PAR-02-2018-0011>
- Mizan, O. : (2023). Sistem Pengendalian Internal Kualitas Audit Dan Tata Kelola Perusahaan Terhadap Laba Perusahaan. *BALANCE : JURNAL AKUNTANSI DAN BISNIS*, 8(1), 85–103. <http://jurnal.um-palembang.ac.id/balance>
- Musyaffi, A. M., Khairunnisa, H., & Respati, D. K. (2022). *Konsep Dasar Structural Equation Model-Partial Least Squares (SEM-PLS) Menggunakan SMARTPLS*.
- Noor, J. (2011). *Metodologi Penelitian: Skripsi, Tesis, Disertasi & Karya Ilmiah*. Nurbaiti, A., & Alfiani, N. A. (2017). Jumlah Temuan Audit Atas Sistem Pengendalian Intern Dan Jumlah Temuan Audit Atas Kepatuhan Terhadap Opinilaporan Keuangan Pemerintah Daerah. *Jurnal Riset Akuntansi Kontemporer (JRAK)*, 9, 12–18. <https://journal.unpas.ac.id/index.php/jrak/article/view/362/185>
- Saepudin, J. J., Purnamasari, P., & Maemunah, M. (2018). *Prosiding Akuntansi Pengaruh Kepemilikan Asing dan Komite Audit terhadap Kualitas Audit (Studi Empiris Perusahaan Manufaktur yang terdaftar di Bursa Efek Indonesia Periode Tahun 2013-2016)*.
- Segal, M. (2019). Key audit matters: insight from audit experts. *Meditari Accountancy Research*, 27(3), 472–494. <https://doi.org/10.1108/MEDAR-06-2018-0355>
- Sekaran, U., & Bougie, R. (2016). *Research Methods for Business*. [www.wileypluslearningspace.com](http://www.wileypluslearningspace.com)
- Shamsuddin, A. (2020). Impact Of Key Audit Matters (Kams) Disclosure On Audit Quality: Malaysian Perspective. 67–72. <https://doi.org/10.15405/epsbs.2020.12.05.8>
- Sirois, L.-P., Bédard, J., & Bera, P. (2018). The Informational Value of Key Audit Matters in the Auditor's Report: Evidence from an Eye-tracking Study. <https://ssrn.com/abstract=2469905>

- Sugiyono. (2021a). Metode Penelitian Kuantitatif, Kualitatif, dan Kombinasi (Mixed Method).
- Sugiyono. (2021b). Metode Penelitian Kuantitatif, Kualitatif, dan R&D. Sukarno. (2016). Pengaruh Karakteristik Komite Audit terhadap Kualitas Audit. Sulkih. (2020). Pencegahan Kecurangan dalam Pengelolaan Keuangan Desa.
- Suttipun, M. (2021). Impact of Key Audit Matters (KAMs) Reporting on Audit Quality: Evidence from Thailand. *Journal of Applied Accounting Research*, 22(5), 869–882. <https://doi.org/10.1108/JAAR-10-2020-0210>
- Tandilangi, O., Rura, Y., & Haerial, H. (2022). Pengaruh Kompetensi Auditor, Beban Kerja, Pengalaman Kerja, dan Pengendalian Internal Terhadap Kualitas Audit. *Akrual: Jurnal Bisnis Dan Akuntansi Kontemporer*, 33–42. <https://doi.org/10.26487/akrual.v15i1.20711>
- Tersiana, A. (2018). Metode Penelitian.
- Triani, N. N. A., Hidayat, W., & Ardianto, A. (2020). Akuntabilitas Akuntan Publik dalam Memenuhi Kualitas Audit. *Jurnal Akuntansi Multiparadigma*, 11(1). <https://doi.org/10.21776/ub.jamal.2020.11.1.13>
- Vanasco, R. R. (1998). Fraud Auditing. *Managerial Auditing Journal*, 13/1(MCB University Press), 4–71.
- Yolanda, S., Indra Arza, F., & Halmawati. (2019). Pengaruh Audit Tenure, Komite Audit dan Audit Capacity Stress terhadap Kualitas Audit. *Jurnal Eksplorasi Akuntansi*, 1(2), 543–555. <http://jea.ppj.unp.ac.id/index.php/jea/issue/view/5>