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RESEARCH ARTICLE

Auditor Independence and Financial Fraud: Unraveling the Connection

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ABSTRACT

This study explores the critical character of auditor independence in preventing and detecting financial fraud within corporate governance frameworks. By analyzing the connection between auditor independence and instances of financial misconduct, the study highlights the challenges auditors face due to technical limitations, workload pressures, and compromised autonomy. Empirical data, gathered through a survey of 200 Chartered Accountants and Audit Committees, is analyzed using statistical methods to establish correlations between auditor independence, technological advancements, and fraud detection. The findings demonstrate a positive but modest link between auditor independence and financial fraud recognition, while also addressing the impact of automation and AI on auditing practices. The study emphasizes the significance of regulatory frameworks to strengthen auditor independence and offers recommendations for enhancing audit quality and transparency in financial reporting.

Keywords: Auditor independence, Financial fraud, Corporate governance, Fraud detection, Audit quality, Technological advancements

INTRODUCTION

In corporate governance, gatekeepers perform an important role in safeguarding shareholder and investor interests by keeping tabs on corporate insiders and ensuring that the firm's financial performance is reported accurately and impartially, allowing for an objective valuation. Prominent examples of gatekeepers include attorneys, investment bankers, and auditors. These individuals act as intermediaries between investors and management, keeping an eye out for any potential problems and thus lowering the agency costs associated with corporate governance. One may expect reduced market efficiency, a greater cost of capital, and a different corporate governance structure in the absence of efficient gatekeepers. For a long time, auditors have been called gatekeepers in the legal literature. When Reinier Kraakman first introduced the term, he was describing other groups who are able to disrupt misconduct by withholding their cooperation from wrongdoers in the context of corporate law. This description was more broadly used (Raab, 1987). When making an investment choice, shareholders and other consumers of financial statements depend on them, expecting that they will provide a fair depiction of the financial standing of the business.

In the end, it's the top managers' job to compile the company's financial statements, but they often have reasons to make them look good, such as their own pay and how the market and investors judge their

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performance. The most important aspect of the gatekeeper technique is that the auditor or other third party does not possess the same powerful motivations as the one primarily responsible. Potential consequences are more likely to deter an auditor than a manager because, unlike managers, auditors do not have as much to gain from misconduct and more to lose if caught. This is because auditors' salaries and careers are not as dependent on misconduct as managers'. When the relative cost of deterrence is very different for the firm's managers and the auditor, the gatekeeper technique becomes successful (Gelter and Gurrea-Martínez, 2020).

Limitations in auditors' technical expertise contribute to their inability to identify instances of fraud. Due to insufficient knowledge, experience, and independence from auditors, technical competency is limited. Inadequate professional skepticism and an excessive amount of labor also contribute to auditor failure. Being independent means going into an examination with an open mind and not letting oneself be swayed by anyone. An elevated level of auditor independence is correlated with a higher level of auditor capacity to identify fraud (Pratiwi *et al.*, 2019). As a professional, one should constantly be questioning everything, keep an eye out for signs that might point to misstatements (whether due to fraud or mistake), and give careful consideration to the audit data. The degree of professional skepticism shown by an auditing firm directly correlates with its capacity to detect fraud. One aspect that could impact an auditor's capacity to spot fraud is the amount of work they have to do. As auditors gain experience with more assignments, they become more knowledgeable about their audit obligations and are better able to spot fraud. If it's an experienced auditor, it will be easier to spot signs of fraud and get to the bottom of how to handle it. If an auditor has a history of uncovering fraud and a lot of flight hours, they could be better at it than someone with less flight time (La Ode, *et al.*, 2020).

Due to well-publicized fraud at big businesses like Lucent, Xerox, Rite Aid, Cendant, Sunbeam, Waste Management, Enron Corporation, Global Crossing, WorldCom, Adelphia, and Tyco, financial statement fraud (FSF) has garnered substantial interest from the general population, stakeholders, economic society, and authorities. Many of these companies' high-ranking officials were charged and found guilty on charges of accounting fraud. Many investors, workers, and pensions have suffered tremendous losses due to the $70 billion in market value that Enron lost when it collapsed. The largest U.S. bankruptcy occurred during the WorldCom collapse, which was allegedly brought about by financial statement fraud. It is projected that Enron, WorldCom, Qwest, Tyco, and Global Crossing lost over $460 billion in market value due to the financial statement fraud that was allegedly perpetrated by these companies (Rezaee, 2005). Many people put their faith in publicly traded American companies because they are known for their responsible corporate governance, trustworthy financial reporting, strong audit functions, ethical and legal business practices, and commitment to continuously improving the quality and quantity of their earnings.

However, public trust in corporations has been steadily declining due to the frequency of claims of financial statement fraud brought on by bookkeeping fraud and related alleged audit errors. Financial reporting allows investors to make informed judgments since it is reliable, transparent, and standardized. Investors and creditors benefit from audited financial statements that show the real financial performance and not a rosy image with inflated and false earnings. Many corporate scandals, including Enron and WorldCom, as well as earnings restatements and controlled and tailored pro forma results, have caused investors to lose faith in the financial system (Cotton, 2002). Investors, creditors, and analysts are all members of the capital markets that use financial information that firms provide to make investment decisions. Therefore, for the economy to allocate resources efficiently, audited financial accounts that are issued must be of high quality, dependability, and transparency. Financial statement information is more likely to be believed when an auditor has reduced the possibility that it is significantly misstated. Commissioners of the Securities and Exchange Commission (SEC) have often stressed in public remarks the critical role that financial data plays in maintaining order in the securities markets (Prechel and Morris, 2010).

One important part of the regulatory structure that helps capital markets function is the requirement for independent auditors to review the financial accounts of companies. After a company fails or there are significant revisions to audited statements that were previously cleared, regulators and other observers sometimes question whether auditors are sufficiently independent and competent. The disastrous impact of losing faith in an audit firm's honesty is demonstrated by the restatement of the Enron accounts and the firm's collapse after the obstruction of justice verdict against Andersen. Even if there is a dearth of actual information on independence, Enron has drastically watered it down in appearance. The economic value of audits is diminished when auditors fail to detect and disclose deceptive financial information, which ultimately harms all organizations. Aggressive profit management strategies have also drawn criticism. On the other hand, authorities are particularly worried that audit failures would cause users to lose trust in the audit process, which would further threaten the stability of the financial markets (Cooper and Neu, 2006).

If the issuer of the fake financial report goes bankrupt or comes close to failing, the owners and creditors of that company risk losing all or a portion of their capital, which is a direct effect of financial statement dishonesty. The faith of the public in the mechanism of financial reporting can be severely damaged by fraudulent financial reporting. Financial statement issuers are all impacted when the public has less faith in the truth of financial reports, as creditors and investors may demand higher rates of return when they aren't sure the reports are accurate. However, the number of lawsuits that claim fraud in financial statements is just a rough indicator of how often the fraud occurs. Because it does not account for cases of false financial reporting that have not yet been contested, this metric is inherently incomplete (Abdel-Meguid *et al.*, 2013). Additionally, it encompasses too much, as accusations of financial statement fraud do not prove the existence of such fraud. Some claim that the real amount of fraud is reaching crisis proportions; however, the number of reported frauds is tiny compared to the hundreds of financial statements released each year. The issuer's creditors and investors, as well as public trust in financial reporting, might be impacted by even a little quantity of this type of fraud. Both the real and perceived rates of financial statement fraud are important factors influencing public trust. That is why it's important to take steps to boost investor trust in the reporting system, even if the actual incidence of financial statement fraud is minimal (Noch *et al.*, 2022).

Importantly, statutory auditors must be independent for maintaining the reliability and accuracy of a company's financial accounts. Recent corporate accounting scandals, however, have shown that statutory auditors were unwise and biased when auditing such corporations. It was later discovered via investigations that statutory auditors in certain audit engagements were not entirely unbiased from management. Distinguished scholars from throughout the globe are quite worried about this scenario. A great deal of study has gone into this matter, pinpointing the reasons statutory auditors aren't independent and offering remedies to these problems so that stakeholders' interests may be protected (Aderibigbe, 2005). When validating an auditor, a financial statement is essential. The value of the financial statement is affected by the independence, impartiality, and honesty of the statutory auditor.

The audit committee is an additional layer of protection for the independence of statutory auditors beyond regulatory procedures. The majority of its members are independent directors, making it a crucial board committee charged with managing matters that substantially impact the autonomy of statutory auditors. Hence, the audit group's autonomy from management can greatly contribute to the successful execution of the independence needs of statutory auditors. Statutory auditors' independence is further protected by having their work reviewed by an outside party. The independence duty of a statutory auditor is better upheld with the help of an impartial third party. The Indian equivalent is called the peer review method. Research has also contrasted external review processes in India with those in other nations (Roy and Saha, 2016).

Being independent indicates that the auditor possesses objectivity and is truthful in his evaluation of the observations considered while forming and giving his opinion; it also means that he is not influenced, controlled, or dependent on other people. Identifying fraudulent activity is related to auditor independence. There are a number of indicators of independence that point to this, one of which is the auditor's candor in evaluating the data gathered during the audit. The auditor is obligated to reveal, based on the available evidence, whether or not the conclusions or data derived from the company's financial reports include mistakes. The auditor's duty to identify fraudsters is favorably affected by their autonomy. If the auditor discovers fraud, their conclusion will not favor any of the interested parties, even though it may affect one, since they maintain an attitude of impartiality. Relationship duration, client pressure, peer review, and non-audit services are the four pillars upon which an auditor's independence rests (Tepalagul and Lin, 2015).

LITERATURE REVIEW

Financial fraud, a pervasive threat in today's corporate world, undermines trust, distorts market dynamics, and erodes investor confidence, necessitating vigilant oversight and stringent regulatory measures. Egiyi and Chindengwike (2023) explored the mental underpinnings of financial fraud and were highlighted, with a focus on cognitive flaws, character quirks, and methods of moral disengagement. Ethical ramifications, warning signals, and requests for cooperation between the fields of psychology and finance were discussed. Ilaboya and Lodikero (2017) examined the correlation between independent boards and fraudulent financial statements, with gender diversity among board members acting as a moderator. Independent female board members did not always enhance financial reporting quality, as the results indicate a negative correlation between these factors. Agustina *et al.* (2021) investigated how a number of variables affected internal auditors' capacity to spot fraud, such as confidence, autonomy, experience, and the time allotted for audits. The outcomes indicated that the audit time constraint had an adverse impact on dishonesty recognition, while capability, independence, experience, and professional skepticism all had positive effects. Sunardi and Amin (2018) analyzed that between 2012 and 2015, a diamond managed to deceive twelve Indonesian manufacturing enterprises. Factors such as financial stability, external pressure, industry type, poor monitoring, auditor turnover, and ability had an adverse impact on indicators of financial statement fraud. Haqq and Budiwitjaksono (2019) stated that the fraud pentagon hypothesis was used to identify instances of financial reporting fraud in Indonesian businesses. Financial goals, outside pressure, inefficient monitoring, the character of the sector, changes in auditors and directors, and political ties were unable to identify fraud. However, financial stability and the frequency of CEO photos could. In support, Apriliana and Agustina (2017) analyzed that the Pentagon fraud hypothesis was used to forecast financial reporting fraud, with a focus on 157 manufacturing businesses cataloged on the Indonesia Stock Exchange (ISE).

The findings suggest that CEO hubris, financial stability, and the competence of external examiners all had a significant impact on dishonest reporting. While neglecting the previous theory, Sunaryo *et al.* (2019) examined the identification of fraud in the Indonesian banking industry, which was not significantly impacted by business organizational characteristics and independent auditor views. This research did not consider auditor opinion or the involvement of internal auditors. Kassem (2019) reported that an investigation was conducted on financial reporting fraud in Egypt, with a specific focus on the nature, extent, and concealment of the crime. Insights from this study could have helped auditors, regulators, and investors in developing more efficient audit tests and fraud prevention strategies. Auditor independence plays a pivotal role in safeguarding against financial fraud, serving as a critical pillar of trust and accountability within the corporate landscape. In regard to this, Files and Liu (2022) revealed that companies that were governed by autonomous teams were more prone to using outside counsel, experiencing greater CEO turnover, and encountering less SEC enforcement action. This indicates that corporations were protected by independent investigations, but CEOs may have been subjected to increased scrutiny. Additionally, Zamzami *et al.* (2017) investigated the effect on audit excellence in Indonesian public accounting firms, taking into account auditor independence, experience, client financial health, and audit fee. The study revealed both minor and major impacts. Contrary to this, Maulidi *et al.* (2024) examined religion, fraud awareness, whistleblower methods, and organizational control that played significant roles in Indonesia's efforts to combat fraud. It contributed to the literature on fraud prevention by discovering that organizational control was more important than other preventative strategies. Also, Noch *et al.* (2022) observed that the impacts of auditor competency on dishonesty recognition varied based on auditor independence and professional skepticism. There are various factors that influence the auditor's independence, as Hamilah (2019) examined the ability of internal auditors in the drug business to identify fraudulent activity in firms in Jadebotabek, Central Jakarta, which was influenced by their professionalism, experience, independence, and expertise. The findings showed that the identification of fraud was significantly impacted by autonomy, audit skill, and expertise. Although Lee and Ha (2021) investigated that in response to findings of corporate wrongdoing, the rates of auditors increased in line with the number of audit hours worked, and the rates charged by newly hired auditors were significantly higher. Pricing and client acceptance choices were impacted by auditor designations and regulatory action, which, in turn, affected the response to increasing audit risks. In addition, Lamba *et al.* (2020) assessed the consequence of auditor ethics and neutrality on the quality of examinations in Indonesia and discovered it had a direct impact on professional skepticism, while the latter had a favorable effect on it, albeit weakly. Patterson *et al.* (2019) explored that the duration of auditors' experience in the field has had an impact on the value of audits and the likelihood of managers engaging in dishonest conduct. The results indicate that better audit quality and lower rates of undiscovered fraud are linked to a longer tenure. On the other hand, Albaqali and Kukreja (2017) examined the dynamics between Bahraini auditors, AI-influencing elements, and audit laws with an eye on improving AI and objectivity. The results indicated the need for collaborative auditing procedures and the establishment of an impartial audit quality board for publicly traded corporations. To gather more conceptual information, Kurnia (2021) examined the capacity of auditors to identify fraudulent activity in publicly traded companies in Tangerang and Jakarta and that was influenced by their level of expertise, degree of autonomy, level of professional skepticism, workload, and time constraints. DeZoort and Harrison

(2018) also evaluated the degree to which auditors believed they were responsible for detecting fraud using the triangle model. Findings indicated that responsible auditors took greater pride in their detection abilities, showing a strong correlation between responsibility and both professional duty and personal control. The number of potential detection procedures was positively influenced by the perceived responsibility. Meanwhile, Tuan *et al.* (2020) evaluated the intent of external auditors from Malaysia to blow their whistle using a standardized questionnaire. Whistleblowing intention was positively affected by professional dedication and independent commitment, according to the data. Furthermore, the intention to blow the whistle was positively correlated with perceived behavioral control. There was no indication that one's attitude or subjective standards affected their intention to blow the whistle. While Castillo-Merino *et al.* (2020) stated that the combined audit and non-audit services (NAS) were prohibited under the European Union's Regulation No. 537/2014, which raised concerns about auditor independence and audit quality. In contrast, the study indicated that audit quality was negatively correlated with future NAS fees.

OBJECTIVES

- To investigate the extent to which auditor independence influences the occurrence and detection of financial fraud.
- To examine the relationship between technological advancements (automation and AI) and auditor independence.
- To provide recommendations for enhancing auditor independence and reducing the risk of financial fraud in auditing practices.

Hypothesis of the Study

H1: Auditor independence significantly influences the occurrence and detection of financial fraud.

H2: Technological advancements (automation and AI) are significantly related to auditor independence.

RESEARCH METHODOLOGY

The study used a mixture of primary and secondary data-gathering techniques to ascertain the nature of the relationship between auditor independence and financial fraud. To gather the primary data, a well-organized questionnaire that employs the purposive sampling technique was utilized. The questionnaire is directed primarily toward Chartered Accountants (CAs) and Audit Committees. To create the questionnaire, demographic parameters and the factors of the study, which include auditor experience, financial fraud, regulatory environment, and corporate governance, were taken into consideration. A total of 385 individuals responded to the questionnaires. One hundred of the respondents did not supply the necessary information, and eighty-five of the responses were either missing information or were not filled out correctly. In the end, the research considered the information provided by a total of two hundred respondents. For this study, secondary data was collected from a wide range of reliable sources, such as websites, newspapers, publications, and various types of online media. A strategy that employed a purposive sampling technique was adopted for the investigation. Excel and SPSS were utilized to assess the information. Statistical methods such as correlation, regression, standard deviation (SD), and mean were utilized to assess the hypothesis that was developed after conducting the study.

RESULTS

Table 1 shows the demographic details of the participants in the study. The chart provides an extensive view of the allocation of participation among different groups. The sample is composed of 42.5% females and 57.5% males in terms of gender. The bulk of participants are in the age bracket of 35–44

Table 1: Demographics Table

Demographic Characteristics	Category	Number	Percentage
Gender	Female	85	42.5%
	Male	115	57.5%
Age group	25 to 34 yrs	40	20.0%
	35 to 44 yrs	42	21.0%
	45 to 54 yrs	56	28.0%
	Over 55 yrs	25	12.5%
	Below 25 yrs	37	18.5%
Education	Bachelor's Degree	63	31.5%
	Doctoral Degree	77	38.5%
	Master's Degree	60	30.0%
Years of Experience	1 to 5 yrs	34	17.0%
	11 to 15 yrs	53	26.5%
	6 to 10 yrs	59	29.5%
	Less than 1 yrs	32	16.0%
	More than 15 yrs	22	11.0%
Employment Status	Full-time	65	32.5%
	Part-time	53	26.5%
	Self-employed	82	41.0%
Professional Certification	Certified Fraud Examiner (CFE)	61	30.5%
	Certified Internal Auditor (CIA)	56	28.0%
	Certified Public Accountant (CPA)	35	17.5%
	Chartered Accountant (CA)	48	24.0%
Industry Sector	Financial Services	30	15.0%
	Healthcare	28	14.0%
	Industry Sector	31	15.5%
	Manufacturing	50	25.0%
	Retail	39	19.5%
	Technology	22	11.0%

years, accounting for 28.0% of the total, followed by those aged 45–54 years, which make up 21.0%. The sample consists of 18.5% participants who are under 25 years old and 12.5% participants who are over 55 years old. The majority of individuals in terms of educational attainment hold a doctoral degree (38.5%), with bachelor's degree holders (31.5%) and master's degree holders (30.0%) following closely behind. The majority of participants (29.5%) have 6–10 years of experience, while 17.0% have 1–5 years of experience. The employment status breakdown indicates that 32.5% of individuals are engaged in full-time employment, 26.5% are involved in part-time work, and 41.0% are self-employed. The sample consists of 30.5% Certified Fraud Examiners (CFEs), 28.0% Certified Internal Auditors (CIAs), 17.5% Certified Public Accountants (CPAs), and 24.0% Chartered Accountants (CAs) in terms of professional certification. The industry sector distribution comprises financial services (15.0%), healthcare (14.0%), manufacturing (25.0%), retail (19.5%), and technology (11.0%). The demographic insights offer a thorough comprehension of the participant profile, which is crucial for placing the study findings in perspective and deriving significant implications.

H1: Auditor independence significantly influences the occurrence and detection of financial fraud.

The model summary Table 2 is a concise description of the regression analysis performed to investigate the association between the predictor variable, auditor independence, and the outcome variable. Here, the R-squared value is 0.022, which means that around 2.2% of the variability in the result variable can be accounted for by the predictor variable, auditor independence. The corrected R-squared value, which incorporates the number of predictors in the model, is 0.017. The revised number indicates that auditor independence accounts for a limited degree of variation, which is marginally reduced when taking into account the model's complexity. The standard error of the estimate, which measures the typical deviation of the observed data from the regression line, is 2.20148. This number is the measure of precision of the regression model in forecasting the result variable using the predictor variable. In summary, the model indicates a tenuous correlation between auditor independence and the outcome variable, as indicated by the low R-squared value. Additional variables should be analyzed and considered to deliver a broader understanding of the factors that impact the outcome variable.

The ANOVA Table in Table 3 investigates the correlation between auditor independence and the incidence and identification of financial fraud. The table is partitioned into three primary sections: regression, residual, and total. Within the regression section, the sum of squares is 21.185, accompanied by a single degree of freedom, leading to a mean square value of 21.185. The F-statistic, which quantifies the ratio of the variation explained by the regression model to the residual variance, has a value

Table 2: Model Summary

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.147[a]	.022	.017	2.20148

a. Predictors: (Constant), Auditor independence

Table 3: ANOVA[a]

ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	21.185	1	21.185	4.371	.038[b]
	Residual	959.610	198	4.847		
	Total	980.795	199			

a. Dependent Variable: occurrence and detection of financial fraud
b. Predictors: (Constant), Auditor independence

of 4.371. The p-value, shown as Sig., is 0.038, suggesting that the observed correlation between auditor independence and the occurrence and detection of financial fraud is statistically significant at the 0.05 significance level. This implies that there is empirical support for the concept that the independence of auditors has an impact on the prevalence and identification of financial fraud.

The Table 4 displays the coefficients obtained from a regression study that investigates the correlation between auditor independence and the incidence and identification of financial fraud. The unstandardized coefficients indicate the impact on the dependent variable (incidence and detection of financial fraud) when the independent variable (auditor independence) changes by one unit. The constant term represents the expected value of the dependent variable in the event that each separate variable is equal to zero. The auditor independence coefficient is 0.138, meaning that a one-unit increase in auditor independence leads to a 0.138 unit increase in the occurrence and detection of financial fraud while keeping other factors equal. The Beta value of 0.147 indicates that auditor independence has a moderate and favorable influence on the likelihood and identification of financial fraud. The t-value of 2.091 signifies that the coefficient for auditor independence is statistically significant at the 0.05 level. This implies that there is a substantial correlation between auditor autonomy and the incidence and identification of financial misconduct. Based on the findings, it can be inferred that auditor independence has an impact on the occurrence and detection of financial fraud. Greater independence is linked to heightened vigilance and effectiveness in identifying fraudulent activities in financial systems.

H2: Technological advancements (automation and AI) significantly related to auditor independence.

The descriptive data for two important variables, auditor independence and technological developments, are shown in Table 5. The average score for auditor independence is 11.0350, suggesting that the respondents perceive a significantly high level of independence. The standard deviation of 2.35617 indicates that there is variety in the replies. This demonstrates that although most people perceive a high level of auditor independence, there are still some variations in opinion among the respondents. Conversely, in terms of technological developments,

Table 4: Coefficients[a]

Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	9.617	.747		12.869	.000
	Auditor independence	.138	.066	.147	2.091	.038

a. Dependent Variable: occurrence and detection of financial fraud

Table 5: Descriptive Statistics

Descriptive Statistics			
	Mean	**Std. Deviation**	**N**
Auditor independence	11.0350	2.35617	200
Technological advancements	7.2950	1.82335	200

the average score is 7.2950, indicating a low level of perceived significance or influence of technological breakthroughs. The standard deviation of 1.82335 indicates that there is less variety in replies compared to auditor independence. This implies a more consistent attitude among the respondents about the relevance of technology improvements. Overall, these descriptive data provide insightful information into the perceived degrees of auditor independence and the significance of technology improvements among the respondents (Sahasrabuddhe, 2022).

The correlation study in Table 6 investigates the association among auditor independence and technical improvements. The Pearson correlation value between auditor independence and technical improvements is 0.145, suggesting a positive but rather modest association between the two factors. This correlation's p-value is 0.041, which is less than the standard cut off of 0.05. This suggests that, at the 0.05 level, the observed relationship is statistically significant. This discovery suggests that when auditor independence is enhanced, there is a proportional, albeit small, improvement in technical progress within the specific context being examined. Likewise, a rise in technological progress is linked to a small enhancement in auditor autonomy. Although there is a statistically significant association, the size of the correlation coefficient indicates that variables other than auditor independence and technological improvements may also have an impact on their relationship. Additional inquiry is necessary to further understand these characteristics and their influence on the variables being studied.

DISCUSSION AND FINDINGS

There is a complex correlation between auditor independence and the frequency of financial wrongdoing that influences the integrity and responsibility of organizations. Files and Liu (2022) revealed that companies governed by autonomous groups were more likely to have used outside counsel, experienced increased turnover rates for administrative officers, and faced fewer regulatory actions from the SEC. This indicates that corporations were protected by independent investigations, but CEOs may have been subject to more scrutiny. However, the present study provides a thorough examination of the link between auditor independence and the presence and identification of financial fraud, as well as the correlation between technical improvements and auditor independence. Khaksar *et al.* (2022) examined the link between auditor traits and their ability to detect fraudulent activity in businesses listed on the Tehran Stock Exchange. The results indicate a positive

Table 6: Correlations

Correlations			
		Auditor independence	**Technological advancements**
Auditor independence	Pearson Correlation	1	.145*
	Sig. (2-tailed)		.041
	N	200	200
Technological advancements	Pearson Correlation	.145*	1
	Sig. (2-tailed)	.041	
	N	200	200

*. Correlation is significant at the 0.05 level (2-tailed).

correlation among audit firm size, auditor rotation, industry specialty, audit market emphasis, independence, and audit report latency. Furthermore, the study investigates the correlation between technical progress and auditor autonomy. The correlation coefficient shows a positive but moderate relationship between the two variables, while the statistically significant p-value implies that increases in auditor independence may be linked to small developments in technology. Nevertheless, the size of the correlation coefficient suggests that there are more elements that affect this connection, which justifies the need for further inquiry. While Noch *et al.* (2022) examined the impacts of auditor competency on fraud detection, these varied depending on auditor independence and professional skepticism. In addition, the descriptive data of the present study give useful insights into how respondents perceive auditor independence and technology improvements. The statistics indicate that there is a generally positive opinion of auditor independence, but a relatively lower perception of the importance of technology improvements. These findings provide insight into the prevailing attitudes and perceptions of respondents regarding these crucial variables in the financial industry. Supportive of the above statements, Mukhlasin (2018) examined two markers of financial reporting fraud in Indonesian companies: auditor experience and industry expertise. The auditors showcased their ability to identify significant misstatements through specialty audits, but longer-term audits compromised their independence. Perpetual to which, the current study offers strong data that emphasizes the need for auditor independence in preventing financial fraud. Although technical developments may have an impact, their influence seems to be more complex and subtle. The results emphasize the necessity for ongoing investigation to gain a deeper understanding of the intricate relationship between auditor independence, technology advancement, and financial integrity.

IMPLICATION, LIMITATION AND RECOMMENDATION FOR FURTHER STUDIES

Implications

The study highlights the necessary importance of auditor independence in strengthening corporate governance systems. It suggests that increasing autonomy can reduce the likelihood of financial misconduct. The findings strongly support the need for regulatory organizations to implement and enforce standards that protect the independence of auditors. This would promote increased openness and trust in financial reporting. The research contributes to restoring investor trust in financial markets by clarifying the connection between auditor autonomy and fraud detection. This might possibly prevent economic downturns caused by fraudulent actions.

Limitations

The study's dependence on a particular population or industry might constrain the results' application to other contexts, requiring carefulness when extending conclusions. Data availability may provide constraints on acquiring complete and longitudinal data about financial fraud occurrences and auditor independence levels. These constraints might limit the depth of research and weaken the study's robustness. Endogeneity concerns arise when unobservable factors or omitted variable bias may distort the observed association between auditor independence and financial fraud. This calls for additional methodological examination to ensure accuracy and reliability.

Suggestions for Future Research

Subsequent studies might employ longitudinal methods to monitor fluctuations in auditor independence levels and incidents of fraud over a period of time, providing valuable insights into the dynamics of this correlation. An analysis across several industries might reveal how auditor independence affects financial fraud in each area, providing insights for targeted regulatory measures. Qualitative investigations, such as interviews or case studies, can complement quantitative analysis by providing detailed insights into the mechanisms through which auditor autonomy affects fraud detection and prevention. By conducting comparative analysis across countries with different regulatory frameworks and cultural settings, we may reveal the variations between nations in terms of how effective their auditor independence systems are in preventing financial fraud.

CONCLUSION

In conclusion, the study has produced useful insights into the correlation between auditor independence and financial fraud by conducting a thorough analysis of both primary and secondary data. Through conducting surveys with Chartered Accountants and Audit Committees and taking into account crucial elements such as auditor experience, the regulatory environment, and company governance, we have acquired a thorough comprehension of the underlying dynamics. The results indicate a strong relationship between auditor independence and the incidence of financial fraud, which is corroborated by statistical analysis employing methods such as correlation and regression. Nevertheless, it is necessary to acknowledge that although auditor independence seems to have a significant impact on financial fraud, other factors such as legislative frameworks and corporate governance procedures may also have pivotal roles. This emphasizes the intricate nature of the problem and underscores the necessity for more investigation and strong regulatory actions to maintain honesty and openness in financial reporting standards.

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