

The Influence of Internal Audit and Internal Control System on Financial Performance: The Moderating Role of Auditor Independence at KSPPS BMT Usaha Artha Sejahtera Bojonegoro

Qomariyatul Mubarakah^{1✉}, Isnaini Anniswati Rosyida², Webbyani Kartika Sari³

Universitas Islam Darul 'Ulum Laamongan

Corresponding Author e-mail: qomariyatulmubarakah9@gmail.com, isnaini@unisda.ac.id, Webby.rdp@gmail.com

Article History:

Received: 25-07-2026

Revised: 09-08-2026

Accepted: 09-08-2026

Keywords: *Internal Audit; Internal Control System; Auditor Independence; Financial Performance; KSPPS BMT.*

Abstract: *This study examines the effect of internal audit and internal control systems on financial performance, with auditor independence as a moderating variable at KSPPS BMT Usaha Artha Sejahtera Bojonegoro. This study employed a quantitative approach using a survey method. The sample consisted of 51 respondents selected through saturated sampling. Data were collected using questionnaires and analyzed using Partial Least Squares-Structural Equation Modeling (PLS-SEM) with SmartPLS 4.1.0.5. The results indicate that internal audit has a positive and significant effect on financial performance ($\beta = 0.494$; $t = 5.377$; $p < 0.001$), while the internal control system also has a positive and significant effect ($\beta = 0.304$; $t = 3.887$; $p < 0.001$). Auditor independence has a positive and significant direct effect on financial performance ($\beta = 0.340$; $t = 2.533$; $p = 0.011$). Furthermore, auditor independence significantly strengthens the relationship between internal audit and financial performance ($\beta = 0.441$; $t = 3.329$; $p = 0.001$) and strengthens the relationship between the internal control system and financial performance ($\beta = 0.363$; $t = 3.004$; $p = 0.003$). These findings indicate that effective internal audit and internal control systems, supported by auditor independence, can contribute to improved financial performance. The study provides empirical evidence for strengthening governance, accountability, and oversight mechanisms in Islamic microfinance institutions, particularly KSPPS/BMT. The findings also highlight the importance of maintaining auditor independence to enhance the effectiveness of internal oversight mechanisms and support sustainable financial management in Islamic microfinance institutions.*

How to Cite:

Escalate :

. 4(03). pp. 328-341 <https://doi.org/10.61536/escalate.v4i03.593>



Introduction

Financial performance is a crucial indicator in assessing the success of an organization's management, including Islamic microfinance institutions such as the Islamic Savings and Loans and Financing Cooperative (KSPPS). Good financial performance reflects the institution's ability to effectively manage resources, maintain operational continuity, and enhance member and public trust. Achieving optimal financial performance requires good governance through the implementation of effective oversight mechanisms, particularly internal audits and internal control systems (Ahmad Qadri, 2025).

Internal audit and internal control systems are essential mechanisms for achieving good organizational governance. Internal audit functions to evaluate the effectiveness of organizational management through audit activities and provide recommendations for improvement, while the internal control system plays a role in maintaining the reliability of financial reporting, protecting assets, improving operational efficiency, and ensuring compliance with applicable policies. The implementation of both mechanisms is believed to improve an organization's financial performance. Furthermore, auditor independence is seen as a factor that can strengthen the effectiveness of internal audit and internal control systems because independent auditors are able to carry out their oversight functions objectively and free from conflicts of interest (Hanisah & Kundati, 2024).

However, previous research on the influence of internal audit and internal control systems on financial performance has shown inconsistent results, indicating a research gap that requires further study. This research, conducted at KSPPS BMT Usaha Artha Sejahtera Bojonegoro, presents a novel approach in the form of using auditor independence as a moderating variable in the relationship between internal audit and internal control systems on financial performance. This research is expected to provide empirical evidence regarding the role of auditor independence in strengthening the effectiveness of internal oversight mechanisms in Islamic microfinance institutions.

Literature review

Agency Theory

Agency theory explains the relationship between principal and agent, which can potentially lead to conflicts of interest due to information asymmetry. To minimize these conflicts, effective oversight mechanisms are needed through internal audits, internal control systems, and auditor independence to maintain objectivity and improve an organization's financial performance. (Nusa & Muslihah, 2021)

Control Theory

Control theory explains the importance of a monitoring system to ensure that an organization's activities are running according to its objectives. In Islamic financial institutions, this theory supports the implementation of internal audits and internal control systems to increase operational effectiveness, minimize risk, and improve financial performance. (Wardhani et al., 2021)

Internal Audit and Financial Performance



Internal auditing is an independent activity aimed at providing added value by evaluating the effectiveness of risk management, internal control systems, and organizational governance. Effective internal audits can detect irregularities, provide recommendations for improvement, and enhance the quality of financial management. Therefore, the better the internal audit implementation, the better the organization's financial performance.(Erfan Erfiansyah, 2018)

H1:Internal audit has a positive impact on financial performance.

Internal Control System and Financial Performance

An internal control system is a set of policies and procedures designed to provide reasonable assurance that an organization's objectives will be achieved. Effective internal controls maintain the reliability of financial reporting, protect organizational assets, improve operational efficiency, and ensure regulatory compliance. Therefore, implementing a sound internal control system will drive improved financial performance.(Adriati, IGAW, & Damayanti, 2023)

H2:The internal control system has a positive impact on financial performance.

Auditor Independence and Financial Performance

Auditor independence demonstrates the ability of the party performing the oversight function to act objectively, free from pressure, and uninfluenced by vested interests. High levels of independence result in a more credible oversight process, enabling recommendations to improve the quality of organizational management and impact financial performance.(Dan et al., nd)

H3:Auditor independence has a positive effect on financial performance.

The Moderating Role of Auditor Independence

Auditor independence not only directly impacts financial performance but also has the potential to strengthen the effectiveness of internal audit and internal control systems. Independent auditors are able to conduct objective evaluations, resulting in higher-quality audit results and more effective recommendations for improving organizational management. Therefore, auditor independence is expected to strengthen the relationship between internal audit and internal control systems and financial performance.(Kristianto & Pangaribuan, 2022)

H4:Auditor independence strengthens the influence of internal audit on financial performance.

H5:Auditor independence strengthens the influence of the internal control system on financial performance.

Research methodology

This study uses a quantitative approach with an associative research design to analyze the influence of internal audit and internal control systems on financial performance with auditor independence as a moderating variable. The study was conducted at KSPPS BMT Usaha Artha Sejahtera Bojonegoro. The study population was all managers of KSPPS BMT Usaha Artha Sejahtera Bojonegoro. The sampling technique used saturated sampling, so that the entire population became respondents with a total of 51 people. Primary data were obtained through the distribution of questionnaires using a five-point Likert scale.

Data analysis was conducted using the Partial Least Squares–Structural Equation Modeling (PLS-SEM) method with the help of SmartPLS. The analysis included evaluation of the measurement model (*outer model*) through validity and reliability tests, as well as evaluation of the structural model (*inner model*) through testing the R-Square (R^2), Effect Size (f^2),

Predictive Relevance (Q^2), Model Fit (SRMR and NFI) values, and hypothesis testing using bootstrapping techniques. The hypothesis is declared accepted if the t-statistic value is > 1.96 and the p-value is < 0.05 .

Table 1. Sample

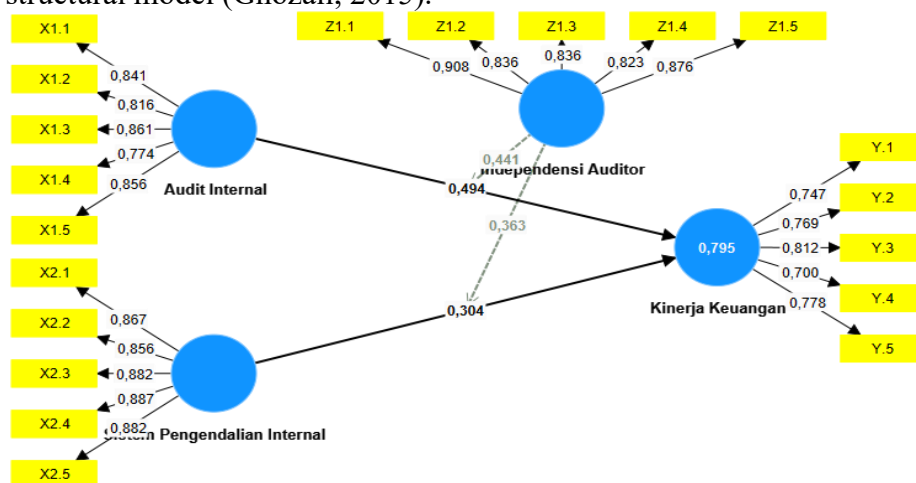
No.	Agency	Amount	Presentation
1.	Bojonegoro	10	23.1%
2.	Purwosari	11	21.2%
3.	Kalitidu	11	21.2%
4.	Sugihwaras	5	9.6%
5.	Sumberrejo	5	9.6%
6.	Baureno	9	15.4%
	Amount	51	100%

Source: processed by the author, 2026

Results and Discussion

Measurement Model Test Results (Outer Model)

Data analysis was conducted using the Partial Least Squares–Structural Equation Modeling (PLS-SEM) method with the assistance of SmartPLS 4.1.0.5 software. Model evaluation included an outer model and an inner model to test the quality of the measurement model and structural model (Ghozali, 2015).



Source: Primary Data Processed by SEM-PLS, 2026

Figure 1. Partial Least Square (PLS) Model Scheme

1. Validity Test

Convergent validity This is a test of the outer model that aims to assess the ability of each indicator to measure the construct it represents through its outer loading value. An indicator is considered to meet convergent validity if its outer loading value is greater than 0.70.

A. Outer Loading Test

Table 2. Outer Loading Results of Convergent Validity Test

Indicator	Internal Audit	Auditor Independence	Financial performance	Internal Control System	Auditor Independence x Internal Audit	Internal Control System	Note
X1.1	0.841						Valid
X1.2	0.816						Valid

X1.3	0.861		Valid
X1.4	0.774		Valid
X1.5	0.858		Valid
X2.1		0.867	Valid
X2.2		0.856	Valid
X2.3		0.882	Valid
X2.4		0.887	Valid
X2.5		0.882	Valid
Y.1	0.747		Valid
Y.2	0.769		Valid
Y.3	0.812		Valid
Y.4	0.700		Valid
Y.5	0.778		Valid
Z1.1		0.908	Valid
Z1.2		0.836	Valid
Z1.3		0.836	Valid
Z1.4		0.823	Valid
Z1.5		0.876	Valid
Z x X1			1,000 Valid
Z x X2		1,000	Valid

Source: Primary Data Processed by SEM-PLS, 2026 (Appendix 3)

Based on the Table2. The results of the convergent validity test indicate that all indicators in the variables of Internal Audit, Internal Control System, Financial Performance, Auditor Independence, and the moderating variable have outer loading values above 0.70. These results indicate that all indicators have met the convergent validity criteria and are declared valid, thus suitable for use in structural model analysis (inner model).

B. Average Variance Extracted(AVE)

Average Variance Extracted(AVE) is a measure used in SEM-PLS analysis to determine the amount of indicator variance that can be explained by a latent construct compared to the variance caused by measurement error. The AVE value indicates the level of convergent validity of a construct, so the higher the AVE value, the better the construct's ability to explain its constituent indicators.

According to Hair et al. (2022), a construct is considered to meet convergent validity if its Average Variance Extracted (AVE) value is ≥ 0.50 . This value indicates that the construct is able to explain more than 50% of the variance in its constituent indicators. The results of the Average Variance Extracted (AVE) test in this study are presented in Table 3.

Table 3. AVE Results of Convergent Validity Test

Variables	Average Variance Extracted (AVE)	Information
Internal Audit	0.689	Valid
Internal Control System	0.733	Valid
Financial performance	0.581	Valid
Auditor Independence	0.765	Valid

Source: Primary Data Processed by SEM-PLS, 2026 (Appendix 4)

Based on the Table3, it is known that the Average Variance Extracted (AVE) value for the Internal Audit variable is 0.689, Internal Control System is 0.733, Financial Performance is 0.581, and Auditor Independence is 0.765. All research variables have an AVE value above 0.50, so all constructs are declared to meet the convergent validity criteria.

These results indicate that each construct is able to explain more than 50% of the variance in its constituent indicators. Therefore, the indicators used in this study have a good level of convergent validity and are suitable for measuring each research variable. Therefore,

the measurement model (outer model) has met one of the requirements for construct validity and can be continued in subsequent testing.

c. Discriminant Validity

Discriminant validity is a test that aims to ensure that each construct has a clear distinction from other constructs in a research model. This test is conducted to determine whether each indicator is more capable of explaining the construct being measured compared to other constructs. One method used in SEM-PLS to test discriminant validity is through cross-loading values.

The discriminant validity test uses cross-loading factor measurements, which are used to determine whether a variable has adequate discriminant power. This can be determined by comparing the loading value of the target variable, which must be greater than the loading value of the other variables. The following are the cross-loading values for each indicator:

Table 4. Cross Loading Results of Discriminant Validity Test

Indicator	X1	X2	Y	Z1	Note
X1.1	0.841	-0.112	0.387	0.039	Valid
X1.2	0.816	-0.067	0.452	0.141	Valid
X1.3	0.861	-0.001	0.540	0.047	Valid
X1.4	0.774	-0.126	0.393	0.003	Valid
X1.5	0.856	0.026	0.476	-0.007	Valid
X2.1	-0.027	0.867	0.345	-0.184	Valid
X2.2	-0.005	0.856	0.278	-0.152	Valid
X2.3	-0.048	0.882	0.288	-0.215	Valid
X2.4	-0.049	0.887	0.229	-0.112	Valid
X2.5	-0.133	0.882	0.292	-0.178	Valid
Y.1	0.396	0.252	0.747	0.180	Valid
Y.2	0.404	0.209	0.769	0.304	Valid
Y.3	0.470	0.250	0.812	0.149	Valid
Y.4	0.361	0.239	0.700	0.167	Valid
Y.5	0.452	0.316	0.778	0.094	Valid
Z1.1	0.072	-0.136	0.275	0.908	Valid
Z1.2	0.065	-0.259	0.177	0.836	Valid
Z1.3	0.063	-0.156	0.176	0.836	Valid
Z1.4	-0.081	-0.045	0.157	0.823	Valid
Z1.5	0.089	-0.253	0.176	0.876	Valid
Z1. x X1	0.040	0.111	0.407	-0.131	Valid
Z1. x X2	0.100	0.206	0.456	-0.049	Valid

Source: Primary Data Processed by SEM-PLS, 2026

Based on the test results *discriminant validity* Using cross-loading values, all indicators had the highest loading values on the constructs they measured compared to other constructs. These results indicate that each indicator accurately represents its latent variable, thus all constructs in the study met the criteria for discriminant validity.

2. Reliability Test

Construct Reliability Reliability testing is a test conducted to determine the level of internal consistency of indicators in measuring a construct or latent variable in the SEM-PLS model. Reliability testing aims to ensure that the indicators used are able to measure the

construct consistently so that the research results can be trusted. Construct reliability testing in this study was conducted using two measures: Cronbach's Alpha and Composite Reliability.

A. Cronbach's Alpha Test

Cronbach's Alpha is an important indicator in testing the reliability of variables in the PLS-SEM model. The value *Cronbach's Alpha* A high Cronbach's Alpha value indicates that the construct/variable is measured well and consistently for measurement validity in PLS analysis. Conversely, if the Cronbach's Alpha value is low, this may indicate that the indicator used is not reliable enough and needs to be improved or replaced.

Table 5. Cronbach's Alpha value

Variables	Cronbach's Alpha	Information
Internal Audit	0.887	Reliable
Internal Control System	0.910	Reliable
Financial performance	0.819	Reliable
Auditor Independence	0.924	Reliable

Source: Primary Data Processed by SEM-PLS, 2026

Based on the results of the reliability test using *Cronbach's Alpha*, the Cronbach's Alpha value for the Internal Audit variable was 0.887, Auditor Independence was 0.924, Financial Performance was 0.819, and Internal Control System was 0.910. All Cronbach's Alpha values were greater than 0.70, so it can be concluded that all constructs in this study have met the reliable criteria.

These results indicate that each indicator within each variable has a good level of internal consistency in measuring the construct under study. Thus, the research instrument meets reliability criteria and is suitable for further analysis.

B. Composite Reliability

Composite Reliability Composite Reliability is one of the measures used in PLS-SEM to test the reliability or internal consistency of a construct. Composite Reliability indicates the extent to which the indicators in a variable are able to consistently measure the construct. A construct is said to have good reliability if the Composite Reliability value is > 0.70 . The results of the Composite Reliability test in this study are presented in Table 6.

Table 6. Composite Reliability Values

Variables	Composite Reliability	Information
Internal Audit	0.917	Reliable
Internal Control System	0.932	Reliable
Financial performance	0.874	Reliable
Auditor Independence	0.942	Reliable

Source: Primary Data Processed by SEM-PLS, 2026

Based on the Table 6. It is known that all research variables have Composite Reliability values above the minimum limit of 0.70. The Internal Audit variable obtained a value of 0.917, Internal Control System of 0.932, Financial Performance of 0.874, and Auditor Independence of 0.942. All of these values have met the reliability criteria, so that each construct is declared reliable and has a good level of internal consistency. Thus, all indicators used in this study are able to measure the constructs studied consistently and are suitable for further analysis in the structural model (inner model).

3. Structural Model Analysis of Inner Model

The Inner Model in PLS SEM describes the relationship between latent variables and is evaluated to see the strength and significance of the relationship.

A. R-Square Determination Coefficient Test (R²)

Coefficient of Determination (*R-Square*) in PLS-SEM is used to measure the ability of

independent variables to explain the variation of dependent variables in the structural model. The R-Square value indicates how much of the variation of the dependent variable can be explained by the independent variables in the research model. The higher the R-Square value, the better the model's ability to explain the dependent variable. An R^2 value of 0.75 indicates a strong (substantial) category, 0.50 indicates a moderate category, and 0.25 indicates a weak category. The results of the determination coefficient (R-Square) test in this study are presented in Table .

Table 7. R-Square Test Results (R2)

Dependent Variable	R-Square	Information
Financial performance	0.795	Strong

Source: Primary Data Processed by SEM-PLS, 2026

The R-Square (R^2) test results show that the dependent variable, Financial Performance, has an R-Square value of 0.795. This value indicates that the variables of Internal Audit, Internal Control System, and the interaction between Auditor Independence and Internal Audit and Auditor Independence and Internal Control System as moderating variables, are able to explain variations in the Financial Performance variable by 79.5%. Meanwhile, the remaining 20.5% is influenced by other factors outside the research model that were not examined in this study. Thus, the research model has a high ability to explain the relationship between the variables studied. The R^2 value of 0.75 is included in the strong (substantial) category, while 0.50 is included in the moderate category and 0.25 is included in the weak category. Therefore, the R^2 value of 0.795 indicates that the structural model in this study has a strong level of predictive ability, so it can be concluded that the model built has been able to explain the Financial Performance variable well.

B. F-Square Effect Size Test (F2)

The effect size (f^2) test in PLS-SEM measures the magnitude of the influence of each exogenous variable on the endogenous variable in a structural model. The f^2 value is used to determine the extent to which an independent variable contributes to the change in the coefficient of determination (R-Square) value of the dependent variable when that variable is included in the model. Thus, the f^2 test not only indicates the presence or absence of an effect but also illustrates the magnitude of the influence exerted by each independent variable on the dependent variable.

Table 8. Effect Size (F2) Test Results

	F-Square	Note
Internal Audit -> Financial Performance	1,162	Big
Auditor Independence -> Financial Performance	0.533	Big
Internal Control System -> Financial Performance	0.408	Big
Auditor Independence x Internal Audit -> Financial Performance	0.822	Big
Auditor Independence x Internal Control System -> Financial Performance	0.668	Big

Source: Primary Data Processed by SEM-PLS, 2026

Based on Table 8, the Effect Size (f^2) test results indicate the magnitude of each exogenous variable's influence on the endogenous variable, namely Financial Performance. According to Hair et al. (2022), an f^2 value of 0.02 indicates a small effect, 0.15 indicates a medium effect, and 0.35 indicates a large effect.

The Internal Audit variable obtained an f^2 value of 1.162, thus categorizing it as having a significant influence on Financial Performance. The Auditor Independence variable obtained a value of 0.533, while the Internal Control System obtained a value of 0.408. Both values were also above the 0.35 threshold, thus categorizing it as having a significant influence.

In addition, the moderating variable Auditor Independence $\times$ Internal Audit has an f^2 value of 0.822, while Auditor Independence $\times$ Internal Control System obtained a value of 0.668. Both values are also included in the large effect category. These results indicate that both the independent variables and the moderating effect formed by Auditor Independence make a significant contribution to increasing the model's ability to explain variations in Financial Performance.

Thus, it can be concluded that all exogenous variables along with moderating variables in this study have a large effect size on the Financial Performance variable.

C. Predictive Relevance Q-Square Test (Q^2)

The Predictive Relevance (Q^2) test in PLS-SEM is used to measure the predictive ability of a model in explaining endogenous variables. The Q^2 value indicates how well the research model is able to predict observational data through the relationships between variables built in the structural model. Thus, the Q^2 test aims to determine whether the model has good predictive ability for the dependent variable. A Q^2 value greater than 0 ($Q^2 > 0$) indicates that the model has good predictive relevance or predictive ability. Conversely, if the Q^2 value ≤ 0 , then the model is declared to have no predictive ability for the endogenous variable. Therefore, the greater the Q^2 value, the better the model's ability to predict the dependent variable. The results of the Predictive Relevance (Q^2) test in this study are presented in Table 8 below.

Table 9. Q-Square Test Results

Variables	Q^2 Predict	Note
Financial performance	0.704	Relevant (Large)

Source: Primary Data Processed by SEM-PLS, 2026

Based on the Table9 shows that the Financial Performance variable has a Q^2 Predict value of 0.704. This value is greater than 0 ($Q^2 > 0$), indicating that the research model has good predictive relevance or predictive ability for endogenous variables.

The Q^2 value of 0.704 indicates that the model has high predictive ability in explaining the Financial Performance variable. Thus, the structural model developed in this study has good predictive quality. These results also indicate that the variables of Internal Audit, Internal Control System, and the interaction between Auditor Independence and Internal Audit and Auditor Independence and Internal Control System are able to contribute significantly to predicting Financial Performance.

D. Model Fit Test (SRMR and NFI)

The Model Fit Test in SEM-PLS is used to evaluate the level of fit between the research model and the empirical data. This test aims to determine whether the constructed structural model is able to adequately represent the relationships between variables. In this study, the model fit evaluation was conducted using two indicators, namely the Standardized Root Mean Square Residual (SRMR) and the Normed Fit Index (NFI). The SRMR value indicates the average difference between the observed correlation matrix and the correlation matrix predicted by the model, where the model is declared to have a good fit if the SRMR value is < 0.08 . Meanwhile, the NFI is used to measure the level of model fit by comparing the constructed model with the baseline model (null model). The NFI value ranges from 0 to 1, and the closer it is to 1, the better the model fit. The results of the model fit test are

presented in Table 10:

Table 10. Model Fit Test Results

Indicator	Mark	Note
SRMR	0.072	Fit Model
NFI	0.769	Quite Fit

Source: Primary Data Processed by SEM-PLS, 2026

Based on the Table 10, the Standardized Root Mean Square Residual (SRMR) value is 0.072. This value is below the maximum limit of 0.08, indicating that the research model has a good level of fit (model fit). This indicates that the difference between the observed correlation matrix and the correlation matrix predicted by the model is relatively small, so the constructed model is in good agreement with the empirical data.

Furthermore, the Normed Fit Index (NFI) value was 0.769. This value indicates a fairly good fit for the model, as the closer the number is to 1, the better the model's fit. Although not yet a very high value, an NFI of 0.769 still indicates that the model is suitable for use in SEM-PLS analysis.

Based on the test results using the SRMR and NFI indicators, it can be concluded that the structural model in this study meets the model fit criteria. Therefore, the constructed model is deemed appropriate to the research data and suitable for use in hypothesis testing and analyzing the relationships between variables in the study.

4. Hypothesis Testing

Hypothesis testing in SEM-PLS research aims to determine whether the relationship between variables proposed in the research model is empirically proven or not. Hypothesis testing is conducted using the bootstrapping procedure in SmartPLS. Hypothesis decisions are based on the Original Sample (O) value indicating the direction of influence, the T-statistic indicating statistical significance, and the P-value. The hypothesis is declared accepted if the T-statistic value is > 1.96 and the P-value is < 0.05 at a 5% significance level. The results of the hypothesis testing are presented in Table 10.

Table 11. Hypothesis Test Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T statistics (O /STDEV)	P Value	Note
Internal Audit -> Financial Performance	0.494	0.492	0.092	5,377	0.000	Significant
Auditor Independence -> Financial Performance	0.340	0.316	0.134	2,533	0.011	Significant
Internal Control System -> Financial	0.304	0.308	0.078	3,887	0.000	Significant

Performance						
Auditor Independence x Internal Audit -> Financial Performance	0.441	0.391	0.132	3,329	0.001	Significant
Auditor Independence x Internal Control System -> Financial Performance	0.363	0.314	0.121	3,004	0.003	Significant

Source: Primary Data Processed by SEM-PLS, 2026

Based on the results of the hypothesis test in Table 11, the following results were obtained:

A. The Impact of Internal Audit on Financial Performance

The test results show that the Internal Audit variable has an Original Sample (O) value of 0.494, a T-statistics value of 5.377, and P-values of 0.000. A positive path coefficient value indicates that Internal Audit has a positive relationship with Financial Performance. In addition, the T-statistics value is greater than 1.96 and the P-values are less than 0.05 so that H1 is accepted. Thus, Internal Audit has a positive and significant effect on Financial Performance.

B. The Influence of Internal Control Systems on Financial Performance

The test results show that the Internal Control System variable has an Original Sample (O) value of 0.304, a T-statistics value of 3.887, and P-values of 0.000. These values indicate a positive relationship between the Internal Control System and Financial Performance. Since the T-statistics value is greater than 1.96 and the P-values are less than 0.05, H3 is accepted. Thus, the Internal Control System has a positive and significant effect on Financial Performance.

C. The Influence of Auditor Independence on Financial Performance

The test results show that the Auditor Independence variable has an Original Sample (O) value of 0.340, a T-statistics value of 2.533, and P-values of 0.011. A positive path coefficient value indicates a positive relationship between Auditor Independence and Financial Performance. Since the T-statistics value is > 1.96 and P-values < 0.05 , H2 is accepted. Thus, Auditor Independence has a positive and significant effect on Financial Performance.

D. The Moderating Role of Auditor Independence on the Influence of Internal Audit on Financial Performance

The test results show that the interaction variable Auditor Independence $\times$ Internal Audit has an Original Sample (O) value of 0.441, a T-statistics value of 3.329, and P-values of 0.001. A positive coefficient value indicates that Auditor Independence strengthens the influence of Internal Audit on Financial Performance. Since the T-statistics value is > 1.96 and the P-values are < 0.05 , H4 is accepted. Thus, Auditor Independence is proven to be able to positively and significantly moderate the influence of Internal Audit on Financial Performance.

E. The Moderating Role of Auditor Independence on the Influence of Internal Control Systems on Financial Performance

The test results show that the interaction variable Auditor Independence $\times$ Internal Control System has an Original Sample (O) value of 0.363, a T-statistics value of 3.004, and P-values of 0.003. A positive coefficient value indicates that Auditor Independence strengthens the influence of the Internal Control System on Financial Performance. Because the T-statistics value is > 1.96 and the P-value is < 0.05 , then H5 is accepted. Thus, Auditor Independence is proven to be able to positively and significantly moderate the influence of the Internal Control System on Financial Performance.

- a. Internal Audit has a positive and significant effect on Financial Performance at KSPPS BMT Usaha Artha Sejahtera in the Bojonegoro Region. Internal Audit has a positive and significant effect on Financial Performance. This is evidenced by the Original Sample (O) value of 0.494, T-Statistics of 5.377, and P-Values of 0.000 (< 0.05). These results indicate that the better the implementation of internal audits, the better the financial performance of the institution. Internal audits that are implemented effectively can improve supervision, reduce the risk of irregularities, improve operational processes, and support the creation of more efficient and accountable financial management.
- b. The Internal Control System has a positive and significant effect on Financial Performance at KSPPS BMT Usaha Artha Sejahtera in the Bojonegoro Region. The Internal Control System has a positive and significant effect on Financial Performance at KSPPS BMT Usaha Artha Sejahtera in the Bojonegoro Region. This is evidenced by the Original Sample (O) value of 0.304, T-Statistics of 3.887, and P-Values of 0.000 (< 0.05). These results indicate that the implementation of an effective internal control system can improve operational efficiency, maintain the reliability of financial reports, minimize the risk of errors and fraud, and support the achievement of organizational goals, thereby impacting on improving financial performance.
- c. Auditor independence has a positive and significant effect on financial performance at KSPPS BMT Usaha Artha Sejahtera in the Bojonegoro region. This is indicated by the Original Sample (O) value of 0.340, T-Statistics of 2.533, and P-Values of 0.011 (< 0.05). This indicates that auditors who have an independent, objective, and professional attitude are able to produce a quality audit process that provides recommendations that can be used by management to improve the effectiveness of organizational management and encourage improved financial performance.
- d. Auditor independence can positively and significantly moderate the influence of Internal Audit on Financial Performance at KSPPS BMT Usaha Artha Sejahtera in the Bojonegoro Region. This is evidenced by the Original Sample (O) value of 0.441, T-Statistics of 3.329, and P-Values of 0.001 (< 0.05). This indicates that the higher the level of auditor independence, the stronger the influence of internal audit on improving financial performance. Auditor independence makes the audit implementation more objective so that audit results can be optimally utilized as a basis for management decision-making.
- e. Auditor independence can positively and significantly moderate the influence of the Internal Control System on Financial Performance at KSPPS BMT Usaha Artha Sejahtera in the Bojonegoro Region. This is indicated by the Original Sample (O) value of 0.363, T-Statistics of 3.004, and P-Values of 0.003 (< 0.05). These results

indicate that auditor independence strengthens the effectiveness of the internal control system in improving financial performance. Independent auditors are able to objectively evaluate the implementation of the internal control system so that the recommendations provided can improve control effectiveness and support the creation of better financial performance.

CONCLUSION

This study shows that internal audit, internal control system, and auditor independence have a positive and significant effect on the financial performance of KSPPS BMT Usaha Artha Sejahtera Bojonegoro. Internal audit is the variable with the strongest influence in improving financial performance, followed by auditor independence and internal control system. In addition, auditor independence is proven to be able to positively moderate the relationship between internal audit and internal control system on financial performance, so that the higher the level of auditor independence, the stronger the effectiveness of both oversight mechanisms in improving the organization's financial performance. These results confirm that the implementation of governance supported by effective internal audit, adequate internal control system, and independent auditors are important factors in creating transparent, accountable, and sustainable financial management in Islamic microfinance institutions.

This study has limitations because it was only conducted at one KSPPS BMT with a relatively limited number of respondents. Therefore, the results cannot be generalized to all Islamic financial institutions. Furthermore, the study only used internal audit, internal control systems, and auditor independence as variables influencing financial performance, so there are still other factors that could potentially contribute. Future research is recommended to expand the scope of the research object, increase the number of samples, and add variables such as governance quality, human resource competency, risk management, or the use of information technology to produce a more comprehensive model. Practically, the results of this study can be used as considerations for KSPPS BMT management in strengthening the internal audit function, increasing the effectiveness of the internal control system, and maintaining auditor independence in an effort to improve financial performance and strengthen the trust of members and stakeholders.

BIBLIOGRAPHY

- Adriati, I. G. A. W., & Damayanti, I. G. A. R. (2023). JUIMA : Jurnal Ilmu Manajemen JUIMA : Jurnal Ilmu Manajemen. *Gaya Hidup, Work-Life Balance, Internal Locus of Control Terhadap Kinerja Mahasiswa Pekerja Part-Time Di Kota Denpasar*, 13(1), 44–45.
- Ahmad Qadri, D. F. (2025). Impact of Internal Audit on the Financial Performance: A Study of Banking Sector in Saudi Arabia. *Asian Journal of Applied Science and Technology*, 09(01), 29–39. <https://doi.org/10.38177/ajast.2025.9104>
- Dan, K., Daily, B., Pembuktian, S., Dalam, T., Pidana, T., Uang, P., Hukum, A., Pelaku, B., Pidana, T., Pidana, T., Dari, A., Hukum, P., Penyalahgunaan, T., Pribadi, D., Commerce, P. E., Data, P., Kesejahteraan, T., Dtk, S., Kantor, D. I., & Oesapa, K. (n.d.). *Anemia Ha dge hu Ibu le eta ow Peng nti*.
- Erfan Erfiansyah, I. K. (2018). *ABSTRACT This study aims to research the role of internal auditor to the quality of financial reporting. Financial reporting is an important part as consideration to make a decision. Therefore, the quality of financial reporting needs to be observed becau*. 2(2), 144–160.
- Hanisah, H., & Kundati, C. (2024). Peran Audit Internal, Sistem Pengendalian Internal Dan Komitmen Manajemen Dalam Penerapan Good Corporate Governance. *Jurnal Nusa*

- Akuntansi*, 1(2), 477–487. <https://doi.org/10.62237/jna.v1i2.72>
- Hidayat, S. (2013). Penerapan Akuntansi Syariah Pada BMT Lisa Sejahtera Jepara. *Jdeb*, 10(2), 167–179.
- Kristianto, E. J., & Pangaribuan, H. (2022). Pengaruh Pengalaman Kerja, Pendidikan dan Independensi Auditor Terhadap Kualitas Audit. *Balance : Jurnal Akuntansi Dan Manajemen*, 1(2), 209–214. <https://doi.org/10.59086/jam.v1i2.102>
- Mariana, M., & Rahmانيar, R. (2022). Pengaruh Motivasi dan Independensi Auditor Terhadap Kinerja Auditor. *HEI EMA : Jurnal Riset Hukum, Ekonomi Islam, Ekonomi, Manajemen Dan Akuntansi*, 1(2), 76–86. <https://doi.org/10.61393/heiema.v1i2.74>
- Nur Asnawi, & Nina Dwi Setyaningsih. (2021). Meningkatkan Perekonomian Masyarakat Melalui Koperasi Syariah: Pendekatan Participatory Action Research. *Khidmatuna: Jurnal Pengabdian Kepada Masyarakat*, 2(1), 124–143. <https://doi.org/10.51339/khidmatuna.v2i1.199>
- Nusa, N. D., & Muslihah, S. (2021). Pengaruh Serapan Anggaran , Kepemimpinan Etis , Internal pada Hasil Audit LKPD. *Barometer Riset Akuntansi Dan Manajemen*, 10(2), 201–213.
- Rahman, Karlina Ghazalah Said, Siti Nur Reskiyawati Putri, A. N. (2022). Peran Audit Internal dalam Pencegahan Kecurangan pada Pemerintah Daerah. *IMPREST: Jurnal Ilmiah Akuntans*, 1(2), 73–79. <https://ejurnal.nobel.ac.id/index.php/imprest/article/view/3422/1693>
- Wardhani, I. I., Pratami, A., & Pratama, I. (2021). E-Procurement sebagai Upaya Pencegahan Fraud terhadap Pengadaan Barang dan Jasa di Unit Layanan Pengadaan Provinsi Sumatera Utara. *JURNAL AKUNTANSI DAN BISNIS : Jurnal Program Studi Akuntansi*, 7(2), 126–139. <https://doi.org/10.31289/jab.v7i2.5293>