



Strengthening Internal Auditing for Public Sector Governance

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Abstract

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This study explores the pivotal contribution of internal auditing to strengthening financial governance in the public sector, highlighting the obstacles that often hinder its effectiveness. Internal audit functions play a vital role in fostering accountability, transparency, and the prudent use of public resources. Nevertheless, their potential impact is frequently limited by factors such as inadequate professional guidance, the absence of consistent implementation of audit recommendations, and shortages in human, financial, and technological capacity. The research stresses that audit committees must take an active role in supporting and overseeing internal audits to ensure their effectiveness. Greater collaboration is encouraged, including initiatives like joint awareness campaigns, to promote the significance of quality audit practices and to identify barriers that weaken performance. Enhancing resource allocation, applying best practices, and ensuring systematic follow-up of audit findings are recommended strategies. By reinforcing internal audit capacity, public sector institutions can achieve stronger governance, improved accountability, and greater public confidence.



1. Introduction

Internal audit has an increasingly important role in promoting sound financial governance within the public sector. As an independent appraisal function, it is designed to examine an organization's activities and provide objective assessments that can strengthen accountability and transparency. Internal audit is a fundamental control mechanism that helps mitigate risks of fraud, errors, and misappropriation of resources in government ministries, provided it is effectively carried out (Egbunike & Egbunike, 2017). Conducted by professionals within the organization, internal audits systematically evaluate the efficiency of internal controls, risk management practices, and governance processes. They also focus on the quality of budgeting, financial reporting, and accounting systems to ensure that financial statements meet established objectives and reflect transparency in public sector operations (Al-Hashimi, 2019). According to the International Standard on Auditing 200, the aim of an audit of financial statements is to enable the auditor to express an opinion on whether the financial statements are prepared in line with the applicable financial reporting framework.

The role of internal audit departments in the public sector is particularly crucial in strengthening internal controls. By reviewing and testing policies and practices, auditors prevent noncompliance and mitigate potential financial losses (Egbunike & Egbunike, 2017). As an integral element of corporate governance, effective internal auditing leads to better service delivery in public institutions (Dzomira, 2020). However, the effectiveness of internal auditing depends on the independence and objectivity of auditors. If auditors are free from undue influence,

they can provide credible evaluations and unbiased recommendations that improve accountability and decision-making processes (Al-Hashimi, 2019). This independence is vital to maintaining trust and ensuring that recommendations are implemented for real improvement.

In comparative perspective, lessons can be drawn from Turkish public administration, where a new auditing approach has been introduced to strengthen external auditing and expand its application in public financial management. Given the increasing share of the public economy in the general economy, the significance of auditing in ensuring accountability has become even more critical (Aydın & Taytak, 2020). When internal audits are efficiently organized as part of a broader internal control system, they enhance the effectiveness of public administration. Strengthening internal audits is therefore key to improving governance and resource management.

Equally important is the role of audit committees in consolidating internal control mechanisms. Audit committees, created to strengthen internal controls and financial oversight, are instrumental in ensuring compliance with regulations and addressing risks that organizations face. Their effectiveness is reflected in how systematically they evaluate control measures and oversee corrective actions across different public institutions. An active audit committee identifies risks, evaluates whether they are properly managed, and ensures follow-up on audit recommendations. Furthermore, by understanding the pressures faced by management, audit committees can take proactive measures to mitigate potential

negative impacts (Dlamini et al., 2017). Thus, audit committees are essential for linking the findings of internal audits with broader governance strategies.

The purpose of this study is to examine the role of internal audit in strengthening financial governance within the public sector, particularly its contribution to reducing fraud and misuse of resources. Internal audits are essential for ensuring accountability, transparency, and the quality of budgeting, financial reporting, and accounting information (Fonseca et al., 2020). By evaluating internal controls and governance practices, internal audit functions enhance organizational performance and reliability. Audit committees also play a vital role in reinforcing internal control systems, ensuring compliance, and supporting the implementation of audit recommendations. Without effective collaboration between auditors, management, and audit committees, governance weaknesses are likely to persist.

The study further highlights the challenges and opportunities in implementing effective internal audits. Limitations in human, financial, and technological resources often undermine audit effectiveness. In addition, inadequate follow-up on audit findings reduces the impact of audit recommendations and weakens accountability. To address these challenges, improvements in resource allocation, professional training, and the adoption of best practices are required. Audit committees should take proactive steps, including awareness campaigns, to emphasize the importance of strong internal audit functions and to remove barriers that hinder their performance. Strengthening internal audits and ensuring consistent follow-up not only improve efficiency and effectiveness in public administration but also foster public trust and guarantee the responsible use of resources.

2. Literature Review

Internal auditing, as defined by the Institute of Chartered Accountants of England and Wales, is an independent appraisal function within an organization that is designed to review and evaluate its activities as a service to management. This role is central to ensuring operational efficiency and strengthening control mechanisms, while also playing a key part in governance and risk management processes. Despite its importance, the situation in Nigeria illustrates that public officers often show a limited willingness to report their performance and conduct, creating obstacles to both transparency and accountability within the public sector (Egbunike & Egbunike, 2017). Such challenges underline the significance of internal audit practices in detecting weaknesses, recommending improvements, and cultivating a culture that values accountability.

In line with Auditing Standard ASA 315, the function of the Audit Committee is highlighted as being vital to the process of identifying and mitigating risks. Through an understanding of the organizational environment and the pressures encountered by management, the Audit Committee is better positioned to exercise effective oversight (Cohen et al., 2017). This enables the committee to adopt a proactive stance in risk management, where potential problems are recognized and addressed before they develop into serious issues. By acting in this manner, the Audit Committee avoids a purely reactive role, ensuring governance frameworks remain responsive and resilient to ongoing challenges (Dlamini et al., 2017). The collaboration between internal audit functions and Audit Committees is

fundamental to improving performance, reinforcing governance, and maintaining transparency and accountability in the public sector.

3. Research Method

This research adopts a library research method to examine the role of internal auditing in improving financial governance within the public sector. Unlike quantitative or qualitative empirical designs, the library research approach emphasizes the collection and analysis of information from a variety of secondary sources such as audit reports, government regulations, policy documents, and relevant academic literature. This approach is chosen because it enables a comprehensive understanding of how internal audit functions are structured, the challenges encountered in their application, and the opportunities available for enhancing their effectiveness. The study focuses on synthesizing findings from various government organizations that have been previously documented, particularly in relation to the effectiveness of internal auditing in strengthening financial accountability, reducing the risk of fraud, and ensuring transparency in the use of public funds. Sources such as official reports and academic discussions provide valuable insights into how internal auditing practices influence financial oversight in the public sector.

Data collection in this study relies entirely on secondary materials, which are systematically reviewed to identify relevant themes, patterns, and gaps in the literature. This includes a thorough examination of existing audit documents and policy frameworks that explain the mechanisms of internal auditing. The data are

then analyzed through thematic analysis, enabling the researcher to categorize and interpret recurring issues such as weaknesses in internal control, lack of independent oversight, and the importance of building an ethical culture within organizations. To enhance the reliability and validity of the findings, triangulation is applied by comparing insights across multiple studies and sources. Through this method, the research aims to provide an in-depth, holistic understanding of the role of internal auditing in public sector governance and to propose recommendations for strengthening its implementation.

4. Results and Discussion

This research employs a library research method to analyze the performance of audit committees and internal audit units in the public sector, focusing on their role in promoting transparency, accountability, and good governance. Internal auditing, as an essential component of public financial management, has often faced significant challenges that limit its effectiveness. According to Dzomira (2020), some of the most pressing issues include the absence of adequate professional guidance, the failure to implement audit recommendations, and the insufficiency of human, financial, and technological resources. These challenges reveal substantial gaps in the operational effectiveness of internal audit functions, which are intended not only to meet compliance requirements but also to provide timely and relevant information for decision-making, ensure responsible use of public resources, and enhance public trust in governance systems.

By drawing on existing literature, policy documents, and audit reports, this study identifies how internal audit functions are expected to contribute meaningfully to public governance and the extent to which current practices fall short of this expectation. The analysis emphasizes that the role of internal auditing extends beyond procedural checks; it encompasses the responsibility to guide management, support policy implementation, and ensure that accountability mechanisms are robust. Without addressing the highlighted challenges, internal audit units risk being perceived as symbolic rather than strategic instruments of governance (Palermo et al., 2017).

Audit committees are recognized as playing a particularly strategic role in strengthening oversight. Abdullah et al. (2018) argue that effective oversight is crucial for ensuring that internal audit units can operate optimally. Strong audit committees not only provide direction but also ensure that recommendations from audits are implemented consistently. Their active involvement encourages internal audit units to enhance the quality of reports, refine procedures, and raise the level of accountability across public organizations. In this way, audit committees serve as a catalyst for ensuring that internal auditing is valued by both management and external stakeholders.

In national ministries and government agencies, internal audit departments are formally tasked with delivering high-quality and cost-effective auditing services that align with professional standards. These services are intended not only to comply with regulatory frameworks but also to support broader organizational objectives. However, the literature consistently points out that despite the formal

establishment of audit units, practical challenges remain prevalent (Dzomira, 2020). This indicates that the mere existence of internal auditing structures does not guarantee their effectiveness. To address this, Sulaiman and Mat Yasin (2022) and Dzomira (2020) recommend that audit committees initiate joint marketing or awareness campaigns aimed at highlighting the strategic value of internal auditing. Such campaigns would serve to promote the benefits of high-quality audit services, address persistent misconceptions, and generate broader support for internal auditing practices.

The use of such campaigns can take multiple forms, including the dissemination of successful case studies that demonstrate the positive impact of audits, organizing training sessions to improve auditors' skills, and ensuring that adequate resources are allocated to internal auditing units. By raising awareness of the contributions of internal audits to governance outcomes, stakeholders are more likely to perceive internal auditing as a driver of accountability and transparency rather than a bureaucratic requirement. Mihret and Grant (2017) emphasize that strengthening internal audit functions requires a combination of oversight, resource allocation, and the adoption of best practices. This integrated approach ensures that internal auditing evolves from a reactive compliance mechanism into a proactive, strategic function that contributes to long-term organizational performance.

The findings from this library-based study underscore the importance of coordinated and sustained efforts in addressing the challenges that undermine the effectiveness of internal audit functions. Improved oversight by audit committees, adequate allocation of financial and technological resources, and continuous

promotion of internal auditing as a strategic governance tool are crucial steps forward. By adopting these measures, internal auditing in the public sector can fulfill its potential as an essential mechanism for ensuring good governance, enhancing accountability, and safeguarding the responsible management of public resources.

In conclusion, the effectiveness of internal auditing in the public sector cannot be separated from the strength of audit committees and the broader institutional environment in which they operate. The study highlights that internal auditing, supported by effective oversight and adequate resources, has the potential to become a transformative force within public administration. Through sustained efforts, internal auditing can move beyond traditional control functions to serve as a strategic driver of improved governance, accountability, and public trust, thereby ensuring that public resources are managed responsibly and in alignment with societal expectations.

5. Conclusion

The conclusion of this library research highlights that while internal auditing is widely recognized as a key mechanism for strengthening financial governance in the public sector, its effectiveness continues to be constrained by persistent challenges. The literature reviewed indicates that several obstacles hinder the optimal performance of internal audit units and audit committees, including inadequate professional advice, the lack of consistent implementation of audit recommendations, and limited human, financial, and technological resources. These

barriers reduce the ability of internal audits to fully achieve their objectives of ensuring accountability, transparency, and sound management of public resources.

The findings further emphasize the need for stronger oversight by audit committees as an essential component for enhancing the quality of internal audit practices. Effective oversight ensures that internal audit units operate according to standards, provide accurate reporting, and influence management decisions. In addition, previous studies suggest that to increase the visibility and perceived value of internal auditing, audit committees should initiate collaborative campaigns directed toward key stakeholders. These campaigns would serve to promote the importance of high-quality internal auditing services and address structural or operational barriers that limit their effectiveness. By adopting best practices, improving resource allocation, and strengthening committee oversight, internal auditing can become a more strategic instrument. This in turn supports the achievement of good governance, reinforces public accountability, and enhances trust in public sector institutions.

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