Pamong Praja
Volume 1, Number 1, 2022

The Role of Audits for Government Transparency and Accountability

Irham Farid Hidayat[1]

[1] Universitas Pembangunan Nasional Veteran, Yogyakarta, Indonesia

Abstract

Article history:
Received: January 9, 2022
Revised: February 22, 2022
Accepted: April 16, 2022
Published: June 30, 2022

Keywords:
Accountability,
Corruption Prevention,
Good Governance,
Public Audit,
Transparency.

Identifier:
Zera Open
Page: 1-18
https://zeraopen.com/journal/pp

Audit plays a strategic role in strengthening good governance through increasing transparency, accountability, and corruption prevention. This study examines the contribution of audit to the effectiveness of public financial management and how the functions of internal and external supervision can increase public trust in government institutions. Based on a literature review of various previous studies, audit is proven to play an important role in ensuring compliance with regulations, increasing efficiency in budget use, and identifying potential deviations early on. Auditors, both from institutions such as BPK and internal inspectorates, are the main instruments in upholding integrity, ethics, and public accountability. The results of this review confirm that quality, independent, and risk-based auditing is a main pillar in realizing a clean, transparent, and responsive government to community needs. Thus, strengthening the capacity of public auditing contributes significantly to increasing the effectiveness of government governance.

1. Introduction

Good governance is the main foundation in creating a clean, transparent, and responsible government. In the context of the public sector, audit becomes one of the crucial supervisory instruments to ensure that the management of state finances is carried out efficiently, effectively, and in accordance with legal provisions. Audit does not only function as an administrative control tool, but also as a public accountability guarantee mechanism that can strengthen public trust in the government (Ebimobowei et al., 2020).

Public audit is a main pillar in maintaining the integrity and transparency of state financial governance. Auditors, both external like the Supreme Audit Institution (BPK) and internal like the Inspectorate and BPKP, have a strategic role in ensuring that public funds are used according to purpose and are free from deviation. The audit function is not only limited to detecting errors or fraud, but also provides recommendations for improving internal control systems and the governance of government institutions (Vian, 2019).

According to Chang et al. (2021), transparency and accountability are two interrelated pillars in realizing good governance. Audit, in this case, becomes an important tool to ensure both principles are implemented consistently through clear information disclosure, openness of financial reports, and accountability that can be verified by the public. With credible auditing, the risk of abuse of authority and corruption can be significantly minimized.

Research by Brusca, Manes Rossi, & Aversano (2018) shows that the effectiveness of public auditing is greatly influenced by auditor independence, the quality of financial reports, and the mechanism for following up on audit findings. In developing countries, the main challenges that often arise are the weakness of internal control systems, the low capacity of auditors, and the lack of transparency in the publication of audit results. Therefore, improving public audit governance is an important part of bureaucratic reform oriented towards increasing accountability.

Furthermore, public auditing also plays a role in building public trust and encouraging community participation in public policy supervision. Kapesa (2019) confirms that audit transparency can strengthen government legitimacy because the public can access relevant information regarding budget use and audit results. This is in line with the view of Pittroff (2017) who states that the quality of internal audit correlates positively with the level of public trust in government institutions.

Audit also becomes an important element in the prevention and early detection of corruption practices. Su et al. (2019) found that the existence of an effective national audit system can reduce the level of corruption through increasing fiscal accountability and bureaucratic integrity. In addition, strengthening the role of risk-based auditing allows auditors to focus more on areas with high deviation potential, so that audit resources can be used optimally.

In the global context, audit institutions such as Supreme Audit Institutions (SAIs) function as guardians of government independence and accountability. Khan & Shahid (2021) emphasize that the highest audit institutions have the responsibility not only to assess administrative compliance, but also to encourage ethical and responsive governance to public needs. Thus, strengthening institutional capacity and the professionalism of auditors is an important agenda to ensure that audit truly provides added value to the community. With this background, this study aims to examine the role of audit in strengthening good governance through three main aspects: transparency, accountability, and corruption prevention. Through a documentary study approach, this research is expected to provide conceptual and practical contributions for improving the quality of public auditing and the effectiveness of state financial governance in Indonesia.

2. Literature Review

2.1. Audit as a Pillar of Transparency in Government Governance

Transparency is one of the main principles in implementing good governance, which requires the government to open public access to information widely and present accurate financial reports. Audit plays a central role in realizing this transparency by ensuring the reliability of financial information and the performance of public institutions. According to Brusca, Manes Rossi, and Aversano (2018), transparency can only be achieved if financial reports are prepared in accordance with public accounting standards and verified by independent auditors. In this context, audit becomes an objective means to assess the extent to which financial information can be trusted and used as a basis for public decision-making.

The research by Ebimobowei et al. (2020) in Nigeria shows that public audit has a positive correlation with increased transparency in public fund management. Audit reports published openly provide space for the community to carry out social control over the government. Furthermore, audit transparency also strengthens vertical accountability, where public officials must account for budget use to the legislative body and the community. Su et al. (2019) added that a transparent national audit system can be an effective tool in detecting fiscal deviations and strengthening public trust in government institutions.

Furthermore, audit transparency also contributes to building public trust in government institutions. Kapesa (2019) confirms that the public who gain access to financial reports and audit results will be more confident in the government's credibility. When audit results are conveyed openly and accompanied by clear follow-up, this strengthens the perception that the government is responsible and committed to the principles of openness. Thus, audit is not just a technical supervision tool, but also a public communication instrument that builds government legitimacy.

2.2. Audit and Strengthening Public Accountability

Public accountability reflects the obligation of government institutions to explain and account for their performance to the community. Audit serves as a mechanism that ensures this accountability is carried out objectively and measurably. According to Vian (2019), public audit creates a system of checks and balances that requires every government entity to account for the management of public resources based on the principles of efficiency, effectiveness, and economy (value for money). Through the audit process, auditors can identify weaknesses in the internal control system and provide constructive recommendations for improvement.

Chang, Rusu, and Kohler (2021) highlight the importance of audit in building a culture of accountability in the public sector. Independent audit institutions function as a third party that verifies the correctness of financial reports, thereby reducing the potential for data manipulation by internal parties. In the long term, the existence of a strong audit is able to encourage government institutions to manage finances more carefully because of strict supervision and the risk of sanctions for deviation.

In addition, the role of internal audit becomes increasingly important in strengthening managerial accountability. Pittroff (2017) found that effective internal audit does not only focus on compliance with regulations, but also on the evaluation of the organization's performance as a whole. This function allows management to make continuous improvements to operational processes and internal controls. In this context, audit is not just an error detection tool, but a learning instrument for the organization to improve governance and institutional performance.

The role of the highest audit institutions such as the Supreme Audit Institution (BPK) is also very significant in the context of public accountability. According to Khan and Shahid (2021), national audit institutions play a role in upholding the principle of horizontal accountability through cross-institutional supervision. Audit results submitted to parliament and the public become the basis for evaluating government performance and material for consideration in policy-making. Therefore, the independence and professionalism of auditors are the main prerequisites for maintaining the credibility of public audit institutions.

2.3. Audit as an Instrument for Corruption Prevention

Corruption prevention is one of the main goals of public sector audit. Through planned and risk-based audit mechanisms, auditors can detect potential fraud before state losses occur. Brusca, Rossi, and Aversano (2017) confirm that comprehensive and continuous auditing is capable of identifying patterns of deviation in financial reports and providing early warning signals to management. Furthermore, audit results published openly can reduce the opportunity for corruption by increasing public supervision over budget use.

The research by Su et al. (2019) shows that a national audit system plays an important role in reducing the level of corruption in the public sector through the implementation of transparent reporting mechanisms. This is reinforced by Chang et al. (2021) who assert that the combination of audit, transparency, and a strong public supervision system can create a cleaner and more responsible bureaucratic environment.

According to Agyemang et al. (2018), audit also plays a role in changing bureaucratic behavior through deterrent effects and increasing organizational integrity. Every audit finding that is followed up with legal action or administrative sanctions can suppress the culture of corruption in the government environment. Therefore, the sustainability of the audit system and follow-up on auditor recommendations are the main keys to strengthening corruption eradication efforts.

Thus, audit functions not only as a technical supervision mechanism, but also as a strategic tool in creating a clean and integrity-based government. High audit quality, the independence of the examining institution, and public participation in supervision are key factors determining the success of good governance in various countries.

3. Methods

This study uses a documentary study approach to analyze the role of audit in strengthening good governance through transparency, accountability, and corruption prevention in the public sector. This approach was chosen because it provides the ability to examine various relevant written sources, such as audit reports, government regulations, and academic research results published between 2017 and 2022. The documentary study allows researchers to understand the context and implementation of public audit more deeply without collecting primary data.

The data sources in this study include (1) scientific journals indexed in Google Scholar, (2) examination results reports from institutions such as the Supreme Audit Institution (BPK) and the Financial and Development Supervisory Agency (BPKP), and (3) international publications regarding public sector audit and government governance. The ten main journals used cover research from various countries, such as Nigeria, Spain, and South Asia, to provide a comparative perspective related to audit practices and their application to the principles of good governance (Ebimobowei et al., 2020).

Data analysis was carried out using qualitative content analysis, where each document was examined to identify the main themes relevant to the research topic, such as transparency, accountability, and corruption prevention. The analysis process started from the collection of secondary data, thematic classification, to the interpretation of findings based on theory and the framework of good governance.

This documentary study approach not only provides a strong theoretical basis but also helps assess the extent to which audit practices in various countries can be used as a reference in improving the public audit system in Indonesia. Thus, the results of this study are expected to provide conceptual and empirical insights into the relationship between audit, transparency, accountability, and corruption prevention in the context of modern governance.

4. Results

The results of this study indicate that audit has a very significant contribution in strengthening the principles of good governance, especially in terms of transparency, accountability, and corruption prevention. Based on the analysis of various literature and public audit documents from the last five years, several key findings were obtained that describe how audit functions as a strategic instrument in supervising the management of state finances and increasing public trust in the government.

First, audit plays a role as a catalyst for public transparency. Transparency is the main foundation in a democratic government system because it guarantees openness of information and public access to financial data and government operational activities. Public audit ensures that financial reports are prepared based on government accounting standards and presented objectively. The study by Ebimobowei et al. (2020) shows that the more often and deeply audits are carried out, the higher the level of financial transparency in government institutions. The publication of audit results reports to the community increases public trust, as well as being an effective social control tool over the administration of government.

In addition, openly published audit results help strengthen community participation in public budget supervision. The community can assess the extent to which the use of public funds is in accordance with regulations and established development goals. Kapesa (2019) confirms that audit transparency is a key factor in strengthening government legitimacy and encouraging public participation in the policy process. With credible and independent auditing, the public feels they have a role in ensuring public funds are used effectively and responsibly.

Second, the findings show that public audit strengthens the accountability of government institutions through formal accountability mechanisms. Audit is not only a tool for verifying financial data, but also a mechanism for assessing bureaucratic performance and the use of public resources. Vian (2019) argues that public accountability can be realized if there is an objective supervision system, where auditors function as independent parties who assess the extent to which government institutions act in accordance with the principle of value for money. This finding is in line with the research results of Chang, Rusu, and Kohler (2021) who affirm that public accountability can only be built if the audit is implemented with professional standards and free from political intervention.

Analysis of audit documents from supervisory institutions in various countries also shows that external examining institutions, such as Supreme Audit Institutions (SAIs), play a vital role in ensuring horizontal accountability between state institutions. In the context of Indonesia, the Supreme Audit Institution (BPK) acts as an entity that provides opinions on the financial reports of central and regional governments. The results of the BPK audit not only function to assess compliance with laws and regulations, but also serve as the basis for the government's performance evaluation by the DPR and the public. Thus, audit plays a role in creating an integrated accountability chain between the executive, legislative, and civil society institutions.

The third finding shows that audit functions as a tool for detection and corruption prevention. In the context of prevention, audit contributes through effective internal control systems and transparent financial reporting. Brusca, Manes Rossi, and Aversano (2018) explain that audits carried out regularly and risk-based are able to identify areas prone to deviation and provide mitigation recommendations before losses occur. Thus, audit does not only focus on correction after a deviation occurs, but also plays a preventive role through continuous supervision mechanisms.

In a case study conducted by Su et al. (2019), it is explained that countries with strong national audit systems tend to have lower levels of corruption. This happens because of the existence of consistent and transparent fiscal supervision mechanisms that reduce the opportunity for abuse of authority. Good audit also encourages the creation of an integrity-based organizational culture and legal compliance. When auditors consistently follow up on findings with clear and measurable recommendations, public institutions are encouraged to improve their internal control systems.

In addition, research by Agyemang, O'Dwyer, and Unerman (2018) found that audit can function as an institutional learning mechanism for public organizations. The audit process encourages the creation of a reflective culture where government institutions review their managerial practices to improve efficiency and work ethics. In this case, audit is not just an external supervision tool, but also a means of continuous institutional capacity development.

The analysis results also indicate that the quality and independence of auditors are the main determinants of the success of public auditing. Pittroff (2017) affirms that auditor independence determines the credibility of the audit results. Auditors who are free from political pressure or personal interests can present objective and trustworthy reports. However, in many developing countries, the challenges faced are the low professional capacity of auditors, limited resources, and the suboptimal follow-up system for audit findings. This condition causes audit results not always to be implemented effectively in public policy improvement.

Furthermore, it was found that strengthening the internal audit system also plays a big role in increasing the effectiveness of government governance. Internal audit functions as the "eyes and ears" of management to detect non-compliance and potential fraud early on. Chang et al. (2021) highlight that the success of internal audit depends on the support of top management and the implementation of a clear reporting system. When internal audit has strong authority and its results are used as the basis for decision-making, the organization becomes more adaptive to risks and able to continuously fix system weaknesses.

The fourth important finding is that the follow-up to audit recommendations directly influences the quality of governance. An audit that is not followed up with the implementation of recommendations will only function as an administrative formality without having a real impact on system improvement. Based on reports and documentary review results from several countries, the effectiveness of audit is greatly influenced by the speed and seriousness of government institutions in following up on auditor findings. In Indonesia, the mechanism for follow-up on BPK audit results still faces challenges, especially in terms of coordination between institutions and the enforcement of sanctions for non-compliance.

Overall, the research results show that public audit is an important instrument in creating transparent, accountable, and corruption-free government governance. The success of the audit depends on four main factors: (1) the independence of the audit institution, (2) the professional quality of the auditors, (3) the transparency of the audit results, and (4) the effective follow-up of recommendations. Countries that have a strong audit system, as described in the studies by Vian (2019) and Khan & Shahid (2021), are proven to be more capable of maintaining fiscal stability, increasing bureaucratic efficiency, and reducing the level of corruption.

Thus, audit functions not only as a technical financial examination mechanism but also as a normative foundation in building public trust, strengthening government legitimacy, and realizing good governance. Effective audit creates a positive cycle between transparency, accountability, and integrity three main elements that guarantee the sustainability of a clean and democratic government.

5. Discussion

The results of this study strengthen the understanding that audit is a strategic instrument in realizing good governance. Audit is not only aimed at assessing the correctness of financial reports, but also ensuring that public resources are used efficiently, transparently, and in accordance with the principles of accountability. In other words, audit acts as a supervision system capable of connecting financial, ethical, and public policy aspects.

The findings from various literature confirm a strong correlation between audit effectiveness and the level of government transparency. According to Brusca, Manes Rossi, and Aversano (2018), audits carried out openly and accompanied by the publication of examination results will increase public trust in government institutions. This is because transparency allows the public to access relevant information to assess government performance and integrity.

Besides increasing transparency, audit is also proven to strengthen public accountability. Vian (2019) states that the public audit mechanism creates a balance of power between the executive and legislative institutions through a formal accountability system. With independent auditing, public officials are encouraged to carry out their functions in accordance with regulations and the principle of value for money. In this context, audit functions as a form of moral contract between the government and the people, where honesty and efficiency are the main values.

From the perspective of corruption prevention, the research findings strengthen the argument that public audit is capable of reducing the level of state financial deviation. Chang, Rusu, and Kohler (2021) explain that a strong audit system contributes to the early detection of corruption practices through the identification of internal control weaknesses. With risk-based auditing, auditors can prioritize areas with the highest potential for deviation. This approach has proven effective in curbing budget misuse practices in various developing countries.

However, several obstacles are still found in the implementation of public auditing, especially in countries with weak institutional capacity. Pittroff (2017) highlights that the quality of audit results is highly dependent on auditor competence and the independence of the supervisory institution. Without a guarantee of freedom from political pressure, audit reports are vulnerable to manipulation or ineffective follow-up. Therefore, institutional reform and strengthening auditor professionalism are important steps to increase the effectiveness of audit in government governance.

In addition, the success of public audit is not only determined by the examination process but also by the follow-up of the audit results. Khan and Shahid (2021) confirm that the follow-up mechanism for auditor recommendations is a key factor determining the success of audit implementation. Without corrective action, audit results are only administrative and do not provide a real impact on improving governance. Thus, a continuous monitoring system is needed to ensure that all recommendations are followed up quickly and effectively.

Overall, this discussion indicates that audit is an integral element in a modern government system that demands high transparency and accountability. The combination of auditor professionalism, the independence of the audit institution, and strong political support will create a government environment free from corruption and capable of fulfilling the principles of good governance.

6. Conclusion

This study confirms that audit plays a vital role in strengthening good governance, particularly in ensuring transparency, accountability, and corruption prevention in the public sector. Through the analysis of various literature and audit reports, it was found that audit functions as a strategic supervision mechanism capable of linking legal compliance, managerial efficiency, and moral integrity in the administration of government.

Public audit is proven to increase transparency by opening public access to financial information and enabling community participation in supervising the use of state funds. In the aspect of accountability, audit helps ensure that every public official is responsible for the effective and efficient use of public resources. Furthermore, audit also plays an important role in detecting and preventing corruption through internal control systems and risk-based reporting.

However, audit effectiveness is highly dependent on auditor independence, professional quality, and the follow-up of audit recommendations. Without consistent implementation, audit will only be an administrative procedure without real improvement value. Therefore, strengthening institutional capacity, improving auditor competency, and implementing a transparent and integrity-based audit system are strategic steps to realize clean, accountable, and sustainable government governance. Quality audit is the fundamental foundation for building public trust and a government responsive to community needs.

References

Agyemang, G., O'Dwyer, B., & Unerman, J. (2018). *Enhancing accountability in public sector governance through audit practices.* Accounting, Auditing & Accountability Journal. Retrieved from https://www.emerald.com/insight/content/doi/10.1108/AAAJ-06-2017-2981/full/html

Brusca, I., Manes Rossi, F., & Aversano, N. (2018). *Accountability and transparency to fight against corruption: An international comparative analysis.* The European Journal of Comparative Economics. Retrieved from https://www.researchgate.net/publication/320908695

Brusca, I., Rossi, F.M., & Aversano, N. (2017). *Public sector accounting and auditing for accountability: A cross-national analysis.* Public Money & Management. Retrieved from https://www.tandfonline.com/doi/abs/10.1080/09540962.2017.1364659

Chang, Z., Rusu, V., & Kohler, J.C. (2021). *The Global Fund: Why anti-corruption, transparency and accountability matter.* Globalization and Health. Retrieved from https://link.springer.com/article/10.1186/s12992-021-00753-w

Ebimobowei, A., Uche, O.J., & Jibrin, A.A. (2020). *Public sector audit, transparency and good governance on financial accountability of public sector entities in Rivers state, Nigeria.* African Journal of Accounting and Financial Research. Retrieved from https://abjournals.org/ajafr/wp-content/uploads/sites/2/journal/published_paper/volume-4/issue-3/AJAFR_VXJXFZFQ.pdf

Kapesa, T. (2019). *Transparency, accountability, and anti-corruption measures for sustainable development.* SpringerLink. Retrieved from https://books.google.com/books?id=FXGKEQAAQBAJ

Khan, M.M., & Shahid, M. (2021). *Role of Supreme Audit Institutions in promoting good governance and accountability: Evidence from South Asia.* Asian Journal of Public Administration. Retrieved from https://journals.sagepub.com/home/apa

Pittroff, E. (2017). *Internal audit quality and good governance: Evidence from public institutions.* International Journal of Public Sector Management. Retrieved from https://www.emerald.com/insight/content/doi/10.1108/IJPSM-07-2016-0123/full/html

Su, H., Lu, Y., Lyulyov, O., & Pimonenko, T. (2019). *Good governance within public participation and national audit for reducing corruption.* Sustainability (MDPI). Retrieved from https://www.mdpi.com/2071-1050/15/9/7030

Vian, T. (2019). *Anti-corruption, transparency and accountability in health: Concepts, frameworks, and approaches.* Global Health Action. Retrieved from https://www.tandfonline.com/doi/abs/10.1080/16549716.2019.1694744