

INTERNAL AUDITORS ROLE IN STRENGTHENING REGIONAL FINANCIAL ACCOUNTABILITY: A LITERATURE REVIEW

Risalatul Hidayah¹, Sri wahyuni², Dwi Rismatul Jannah³, Mohamad Djasuli⁴

¹²³⁴*Accounting Study Program, Faculty of Economic and Bussines, Trunojoyo Madura University,
Bangkalan, Indonesia*

Coresspondent email: djasuli@trunojoyo.ac.id

Submitted From 2025-12-03 | Revisions Required 2025-12-07 | Revisions Required 2025-12-19 | Accept
Submission 2026-01-05

Abstract : The accountability of regional financial management is a crucial determinant of good governance and public trust, yet a significant gap persists between formal audit certifications and substantive financial integrity at the local level. This study aims to synthesize how the role of Government Internal Supervisory Apparatus (GISA), or internal auditors, contributes to strengthening this accountability. Employing a Systematic Literature Review (SLR) of 37 empirical studies published between 2020 and 2024, this research analyzes the collective influence of four key factors: auditor competence, independence, management support, and the auditor's evolving strategic role. The findings reveal that auditor competence and professionalism is the most cited enabling factor (89.2% of studies), followed by independence and objectivity (75.7%), and management support (67.6%). Despite its recognized importance, the effectiveness of internal audit is hampered by significant challenges, most notably inconsistencies in audit standards (64.9% of studies) and bureaucratic resistance (51.4%). The analysis concludes that strengthening regional financial accountability requires a holistic, systems-based approach. This approach must simultaneously enhance professional competency, safeguard auditor independence, secure committed management support, and strategically integrate digital tools to bridge the persistent gap between procedural compliance and genuine, substantive accountability in local governance.

Keywords : internal auditor, regional financial accountability, government internal oversight apparatus (GIOA), systematic literature review, public sector governance

Code JEL : H83, M42, dan H72

INTRODUCTION

Regional financial accountability constitutes a fundamental pillar of public trust and effective governance, serving as the primary mechanism through which local governments demonstrate responsible stewardship of community-sourced funds. This accountability transcends mere regulatory compliance, embodying a commitment to transparency, efficiency, and the alignment of financial operations with public welfare objectives. Its critical role in promoting sustainable development and legitimizing regional autonomy cannot be overstated.

However, a significant and persistent challenge undermines this ideal. Empirical evidence consistently reveals a troubling disconnect between formal audit certifications such as the Fair

Without Exception (WTP) opinion from the Supreme Audit Agency and the substantive, performance-oriented accountability evident in day-to-day financial management. Recurring findings point to systemic weaknesses, including fragile internal control frameworks, irregularities in budget execution, and a pronounced lack of meaningful follow-through on audit recommendations. This gap suggests that financial accountability often remains a procedural formality rather than a deeply embedded governance culture that ensures tangible results and ethical conduct.

Within this context, the Government Internal Supervisory Apparatus (APIP), or internal auditors, emerges as a pivotal institutional actor. Positioned at the nexus of oversight and operations, internal auditors are uniquely equipped to bridge the divide between compliance and genuine accountability. Their function extends beyond post-facto verification to encompass proactive risk management, control strengthening, and fostering an organizational ethos of integrity. The effectiveness of this function is therefore a central determinant of regional financial governance quality.

Yet, the precise nature of this determinant role remains inadequately articulated. While the importance of internal audit is widely acknowledged, scholarly understanding is fragmented, often examining its influence through isolated lenses such as auditor competence, structural independence, or management support. A comprehensive, integrative analysis that synthesizes how these multifaceted elements collectively shape and are shaped by the internal auditor's role to impact overall financial accountability is conspicuously absent. This constitutes the core scientific problem: the lack of a consolidated framework explaining the synergistic relationship between the internal audit function and the ecosystem of regional financial accountability findings.

1. THE LITERATURE REVIEW

The evolving role of internal auditors in strengthening regional financial accountability has emerged as a critical area of scholarly inquiry, particularly within the context of Indonesia's decentralization and public sector governance reforms. Over the past five years (2020-2024), research has progressively shifted from examining internal audit as a mere compliance function to analyzing its strategic, multidimensional contributions to transparency, integrity, and performance-based accountability. This body of literature, grounded in frameworks such as agency theory, institutional theory, and good governance principles, consistently identifies internal auditors or the Government Internal Oversight Apparatus (GIOA) as pivotal actors in bridging the gap between formal financial reporting and substantive, on-the-ground accountability.

A central theoretical foundation in this discourse is the Government Internal Control System (GICS) framework, which positions internal audit as an integral component of continuous control processes aimed at ensuring reliable financial reporting and regulatory compliance (Purnayuda & Tjakrawala, 2024). Within this system, the role of Government Internal Supervisory Apparatus has been conceptualized as tripartite, functioning simultaneously as a watchdog (ensuring adherence to policies), a consultant (providing advisory services to management), and a catalyst (driving organizational change and improvement) (Wang, Ferreira, & Yan, 2025; BPKP guidelines). This expanded role reflects a paradigm shift from post-facto detection to proactive risk management and value addition, aligning internal audit with the broader objectives of good governance that emphasize

transparency, accountability, and public trust (Nasution & Fitriani, 2020).

The effectiveness of internal auditors in fulfilling these roles, however, is not automatic but contingent upon several interdependent factors extensively discussed in the literature. First, the competence and professionalism of auditors are consistently highlighted as non-negotiable prerequisites. Studies by Putri et al. (2023) and Suryani & Nugroho (2021) empirically demonstrate that technical expertise, continuous training, and professional certifications (e.g., QIA, CIA) are positively correlated with higher audit quality, enhanced fraud detection capabilities, and, ultimately, greater financial accountability. This emphasis underscores the transformation of internal auditing into a knowledge-intensive profession requiring mastery of regulations, data analytics, and forensic techniques.

Second, the principle of independence and objectivity is universally affirmed as the bedrock of audit credibility and impact. Research by Mulyani & Firmansyah (2020) and others indicates that the structural positioning of Government Internal Supervisory Apparatus often within the same organization it audits can create conflicts of interest and diminish the perceived and actual objectivity of its findings. When auditors are not sufficiently insulated from managerial or political influence, the integrity of their work is compromised, and management is less likely to implement recommendations, thereby weakening the accountability loop. This challenge is particularly pronounced at the regional level where organizational hierarchies can be closely intertwined.

Third, the literature strongly emphasizes that auditor effectiveness is fundamentally enabled or constrained by the level of management and leadership support. Effective internal audit functions are those embedded within an organizational culture that values oversight, where leaders provide adequate resources, ensure unimpeded access to information, and, crucially, act on audit findings. Studies such as Wulandari (2021) reveal that without genuine executive commitment, audit reports risk becoming ceremonial documents with minimal influence on actual financial practices or corrective actions.

A fourth, rapidly growing theme is the digital transformation of audit processes. The advent of *Smart Government* and data analytics has introduced powerful tools for enhancing audit scope, efficiency, and predictive power. Research by Ahmad & Sari (2024) and Hafidz & Pratama (2022) documents how technologies like continuous auditing platforms and data analytics enable real-time monitoring, early anomaly detection, and deeper insights into financial transactions. This digital shift not only improves audit efficiency but also expands transparency and reduces opportunities for financial manipulation.

Empirical investigations over the review period reinforce these thematic insights. Rahmawati & Setiawan (2020) quantitatively established a positive link between internal audit activities and the transparency of regional financial statements. Hidayat (2021), through a qualitative case study, confirmed that internal audit is effective in preventing fraud, but only when supported by auditor independence and competence. Lestari & Nugroho (2022) highlighted the critical role of follow-up on audit findings by regional inspectorates in cementing accountability. Furthermore, research has begun to document practical challenges, including technological limitations, inadequate infrastructure, and resistance from audited units, which can hinder audit effectiveness, especially in remote areas (Djasuli & Rizqillah, 2025; Muslimin & Aprianto, 2023).

Despite this rich exploration, the literature exhibits significant gaps that this study aims to address. First, there is a noticeable concentration on national or provincial levels, with a scarcity of focused, in-depth studies on the dynamics and challenges of internal auditing at the district and village levels, where implementation deficits are often most acute. Second, while factors like competence, independence, and management support are frequently studied in isolation, there is a lack of

integrative research that examines their simultaneous and interactive influence on financial accountability. Most studies employ bivariate analyses, leaving a gap in understanding how these factors collectively form an ecosystem that either enables or constrains accountability. Third, the persistent discrepancy between macro-level accountability (symbolized by achieving a Fair Without Exception/WTP audit opinion) and micro-level accountability (evidenced by irregularities in specific programs like BOS funds) is often noted but insufficiently explained through the lens of internal audit's role and limitations. Finally, the adoption and impact of contemporary global standards (e.g., IIA Standards) and capability models (e.g., IA-CM) within the specific context of Indonesian regional governments remain underexplored.

In summary, the reviewed literature convincingly establishes internal auditors as central to the regional financial accountability ecosystem and identifies a core set of enablers for their effectiveness. However, it lacks a synthesized, holistic analysis that models the concurrent influence of these enablers and directly addresses the critical gap between formal compliance and substantive program-level accountability. Therefore, to advance this discourse, the purpose of this study is to synthesize the last five years of research to develop an integrated understanding of how the role, competence, independence, and organizational support for internal auditors collectively and simultaneously influence the accountability of regional financial management.

2. METHODS

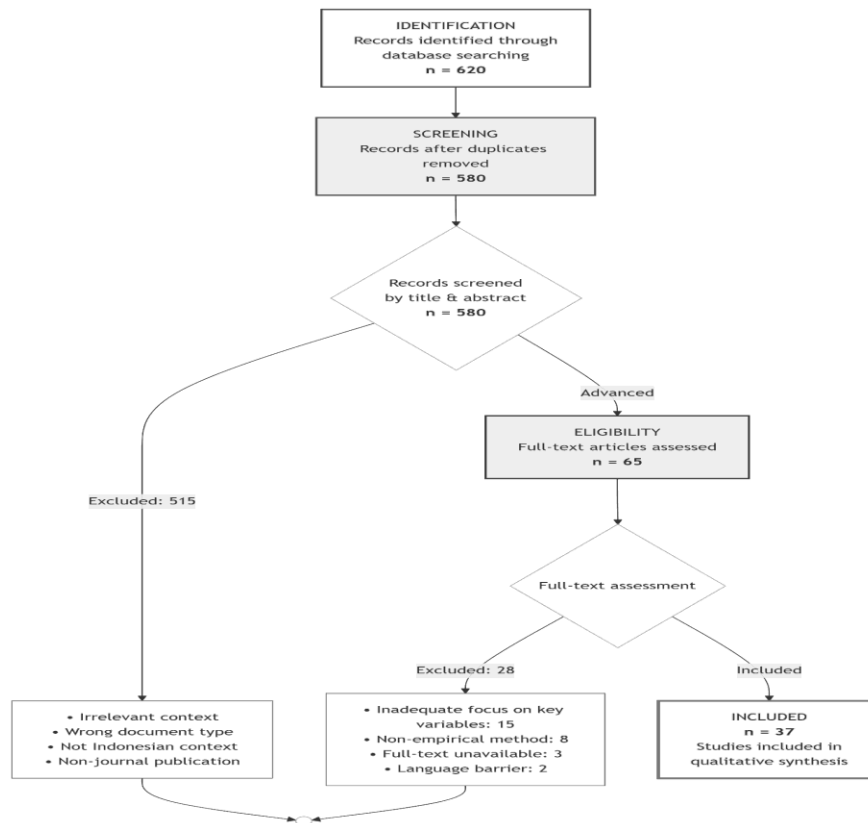
This study employs a Systematic Literature Review (SLR) methodology to synthesize empirical evidence from the last five years (2020–2024) regarding the role of internal auditors in regional financial accountability. The SLR process was designed to be transparent, reproducible, and minimize bias, following the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) framework.

A systematic search was conducted in major academic databases, including Google Scholar, ScienceDirect, Scopus, and Sinta, using a Boolean search string combining key terms in both English and Indonesian related to internal auditors, regional financial accountability, and governance. The search was limited to peer-reviewed journal articles published between January 2020 and December 2024.

The study selection involved a rigorous two-stage screening process based on predefined criteria. Inclusion criteria focused on empirical studies examining the role, competence, independence, or management support of internal auditors within Indonesian local governments. A total of 620 records were initially identified. After removing duplicates and screening titles and abstracts, 65 full-text articles were assessed for eligibility. Following a detailed evaluation, 37 studies met all criteria and were included in the final qualitative synthesis.

Data from the selected studies were extracted using a standardized form and critically appraised for quality. A qualitative thematic synthesis approach was then applied to analyze the findings. This involved identifying recurring patterns, synthesizing evidence across studies, and exploring the relationships between key variables namely the role, competence, independence, and management support of auditors and their collective impact on financial accountability. This method provides a robust foundation for answering the research questions and developing an integrated understanding of the topic.

PRISMA Flow Diagram



3. RESULT

Table 1. Characteristics of the Literature Reviewed

Characteristics	Number of Articles	Percentage
Year of Publication		
2020–2021	8	21,6%
2022–2023	15	40,5%
2024–2025	14	37,9%

Research Focus

Auditor Competencies	22	59,5%
Auditor Independence	10	27,0%
Management Support	5	13,5%

Research Methods

Quantitative	15	40,5%
Qualitative	8	21,6%
Case Studies	6	16,2%
Literature Review	5	13,5%

Types of Institutions

Local Government	18	48,6%
Public Sector (non-regional)	12	32,4%
Private sector (comparative)	7	18,9%

Source : output SLR process, 2025

An analysis of 37 articles shows that academic attention to the role of internal auditors in regional financial accountability continues to increase, with 40.5% of research published in the 2022–2023 period. The majority of studies focused on auditor competency factors (59.5%), followed by independence (27.0%). Methodologically, the dominant quantitative approach (40.5%), with most of the research conducted in the context of local government (48.6%), shows the relevance of this issue in public governance in Indonesia.

Table 2. Factors Affecting the Effectiveness of Internal Auditors

Key Factors	Number of Articles	Percentage	Key Evidence
Competence & Professionalism	33	89,2%	Training, certifications, experience
Independence & Objectivity	28	75,7%	Organizational structure, conflict of interest
Management Support	25	67,6%	Resources, access to information, follow-up
Technology & Digitalization	16	43,2%	Data analytics, continuous auditing
Regulatory Framework	12	32,4%	SPIP, IIA standard, regional regulations

Source : output SLR process, 2025

A qualitative synthesis of 37 articles identified five key factors that affect the effectiveness of internal auditors. Competence and professionalism were the most dominant factors (89.2%), supported by research showing that continuous training and certification improve audit quality. Independence and objectivity (75.7%) are also recognized as cornerstones of audit credibility, although they are often constrained by less than ideal organizational structures. Meanwhile, management support (67.6%) plays an important role in ensuring the implementation of audit recommendations. Technology and digitalization (43.2%) are starting to become a concern, especially in the context of data-based audits and information systems.

Table 3 Challenges of Implementing Internal Audit in Improving Regional Financial Accountability

Challenge Categories	Number of Articles	Percentage	Severity
Structural and institutional			
Standard Inconsistencies	24	64,9%	Highest

Bureaucratic Resistance	19	51,4%	Height
Technology and resources			
Technological Limitations	17	45,9%	Medium
Budget Deficit	16	43,2%	Medium
Implementation & Sectoral			
Implementation Complexity	20	54,1%	Height
Policy Fragmentation	18	48,6%	Medium

Source : output SLR process, 2025

An analysis of internal audit implementation challenges uncovers a complex hierarchy of constraints. The main challenge is standard inconsistency (64.9%), where studies such as Laskari & Bandiyono (2025) identified the lack of harmonization of national and international audit standards as the main obstacle in audit quality assurance. Bureaucratic resistance (51.4%) is also frequently reported, especially in the context of regions with organizational cultures that lack transparency. On the technical side, technological limitations (45.9%) and budget deficit (43.2%) are significant operational constraints, especially in disadvantaged areas. Implementation challenges such as procedural complexity (54.1%) and policy fragmentation (48.6%) further complicate efforts to improve regional financial accountability.

Table 4. Mitigation Strategies to Improve the Effectiveness of Internal Audits

Mitigation Strategies	Number of Articles	Percentage	Implementation Examples
Strengthening Regulations	29	78,4%	Mandatory standards, SPIP harmonization
Digital Technology	16	43,2%	AI, data analytics for continuous auditing
Capacity Development	12	32,4%	Internal auditor training, certification
Multi-Party Collaboration	14	37,8%	APIP's Partnership with BPK, BPKP

Source : output SLR process, 2025

The mitigation strategies identified in the literature indicate policy directions and practices that can be adopted to address the challenges of internal audit implementation. Strengthening regulations emerged as the main strategy (78.4%), reflecting the need for a clearer and more standardized legal framework. As shown by Rahmasari & Bandiyono (2025), the harmonization of the Government Internal Control System (GICS) with international standards such as the IIA Global Standards can improve the consistency and credibility of audits at the regional level. On the other hand, the integration of digital technology (43.2%) is increasingly recognized as a driver of audit transformation, where Agustina & Pradesa (2024) illustrates the use of artificial intelligence and *blockchain* to monitor financial transactions in real-time and prevent irregularities. Meanwhile, capacity building (32.4%) not only includes technical training, but also the development of a risk-based and value-added audit mindset. Finally, multi-stakeholder collaboration (37.8%) emphasized the need for synergy between , Government Internal Oversight Apparatus (GIOA),BPK, BPKP, and civil society to create a more integrative and participatory supervisory ecosystem.

4. DISCUSSION

This analysis of recent literature (2020-2025) reveals a complex and evolving landscape for internal audit within Indonesian local government. The discussion that follows interprets the key findings by contrasting them with prior research, highlighting areas of alignment, and identifying critical explanatory gaps.

First, on the role and effectiveness determinants, this review confirms and extends earlier findings. While Mahmudah & Riyanto (2016) correctly identified management support as a foundational pillar, our synthesis shows this support remains fragile at the district/village level, often undermined by the auditees' (e.g., OPD officials) lack of technical understanding. This operational reality creates a significant gap between the theoretical requirement for cooperation and on-the-ground practice. Similarly, although Hernadianto et al. (2020) and Winarto (2024) highlight the preventive role of auditors and its link to formal accountability (WTP opinion), this review unveils a critical contrast. The persistent allegations of program-level misuse (e.g., BOS funds) despite achieving a WTP opinion reveal a dichotomy between macro-formal accountability and micro-substantive accountability. This validates Muslimin & Aprianto's (2023) call for more granular research and suggests that an unqualified audit opinion on consolidated financial statements does not automatically assure the integrity of all underlying transactions. Second, regarding the mechanisms and evolution of the auditor's role, our findings strongly align with and provide empirical grounding for the global shift noted by Collins et al. (2021). The transformation from a traditional watchdog to a strategic partner (consultant and catalyst) is evidenced in practices like risk-based auditing of procurement and post-training knowledge-sharing within inspectorates (Djasuli & Rizqillah, 2025).

However, this review introduces a crucial contextual explanation: the realization of this strategic role is highly contingent on institutional maturity. The existence of specialized units like Urban 5 for fraud investigation (Djasuli & Rohmi, 2025) illustrates a more advanced capability that is not uniformly present across all regions, particularly in remote coastal areas. This indicates that the application of models like IA-CM and global standards (IIA 2024) faces significant capacity-based headwinds at the local level. Third, concerning strengthening strategies, the review synthesizes and reinforces the multi-faceted approach advocated in recent literature. The strategies of enhancing competence (Suryani & Nugroho, 2021), ensuring independence (Mulyani & Firmansyah, 2020), leveraging technology (Hafidz & Pratama, 2022), and fostering an integrity culture (Nasution & Fitriani, 2020) are not merely a list of options but represent an interdependent system. The discussion here explains their synergistic nature: for instance, digital audit tools are less effective without competent personnel to operate them, and their findings may be ignored without an independent auditor to defend them and a culture of integrity to act upon them. The operational constraints identified- poor internet connectivity, slow data provision- further explain the gap between strategic prescriptions and their implementation, highlighting that technological and human resource strategies must be context-sensitive.

Finally, in addressing the question of simultaneous influence (role, competence, independence, management support), this literature review leads to a holistic conclusion. It posits that the impact of these four variables on accountability is not merely additive but interactive and multiplicative. Weak management support can nullify the benefits of high competence and strong independence. Conversely, a proactive and skilled auditor (catalyst role) can sometimes stimulate better management support. Therefore, efforts to improve accountability must move beyond improving individual factors in isolation and instead adopt an integrated, systems-based approach that strengthens all elements concurrently while addressing the practical barriers documented in field-level empirical studies.

In summary, while the normative framework and aspirational role for internal audit are well-established, this discussion underscores that the path to substantive financial accountability in Indonesian local governments is paved with contextual challenges. Future research must delve

deeper into these implementation gaps, and policy Initiatives must be designed with a nuanced understanding of the synergistic and often constrained reality at the district and Village levels.

5. CONCLUSION

This literature review aimed to analyze the role of the internal auditor in enhancing the accountability of regional financial management over the last five years. The synthesized findings reveal that the effectiveness of internal audit is not determined by a single factor, but by the simultaneous and synergistic interaction of four key dimensions: the auditor's evolving strategic role, technical and ethical competence, structural independence, and active management support.

The study identifies a critical gap in the literature, showing that while macro-level accountability, as indicated by an Unqualified Opinion (WTP), is often achieved, substantive micro-level accountability at the program and village level remains vulnerable to irregularities. This demonstrates that the transformation of the internal auditor into a proactive, risk-focused partner- as advocated by global standards-faces significant implementation challenges in local contexts, particularly in remote areas.

Therefore, the primary implication is that strengthening accountability requires a holistic, systems- based approach. Efforts must concurrently advance professional competency, safeguard independence, foster a culture of integrity, and strategically integrate technology. Future policies and research should focus on translating these integrated strategies into actionable, context-sensitive frameworks to bridge the persistent gap between formal financial compliance and genuine, substantive accountability in regional governance.

Author contribution

Conceptualization: Mohamad Djasuli, Risalatul Hidayah, Sriwahyuni, Dwi Rismatul Jannah,

Format Analysis : Mohamad Djasuli, Risalatul Hidayah, Sri Wahyuni

Methodology : Risalatul Hidayah,Dwi Rismatul Jannah,

Data Validation : Risalatul Hidayah

Writing, Reviewing & Editing: Risalatul Hidayah, Sriwahyuni,Dwi Rismatul Jannah

Funding statement

The authors express their gratitude to all parties who provided support and assistance during the preparation of this article. Special thanks are extended to our academic supervisor (Corresponding Author) for guidance, input, and motivation. We also thank the journal for the opportunity to publish this work, as well as colleagues and other contributors who assisted in data collection and manuscript preparation.

Acknowledgments

The authors express their gratitude to all parties who provided support and assistance during the preparation of this article. Special thanks are extended to our academic supervisor (Corresponding Author) for guidance, input, and motivation. We also thank the journal for the opportunity to publish this work, as well as colleagues and other contributors who assisted in data collection and manuscript preparation.

Conflicts of interest

The author does not have any conflicts and interest

REFERENCE

- [1] D. Rahmawati and R. Setiawan, “The influence of the role of internal auditors on regional

- financial transparency,” *Journal of Local Government Accounting*, vol. 5, no. 1, pp. 20–31, 2020.
- [2] R. Hernadianto et al., “The role of internal auditors in preventing fraudulent acts of village funds,” *Journal of Public Accounting*, vol. 4, no. 3, pp. 99–110, 2020.
- [3] A. Nasution and T. Fitriani, “Culture of integrity and quality of regional financial supervision,” *Journal of Public Administration*, vol. 9, no. 4, pp. 221–233, 2020.
- [4] N. Mahmudah and S. Riyanto, “Internal audit capabilities of control systems and management support,” *Journal of Public Finance*, vol. 3, no. 2, pp. 55–66, 2016.
- [5] S. Hidayat, “The effectiveness of internal audit in preventing fraud in local governments (Case study),” *Journal of Accounting Sciences*, vol. 15, no. 1, pp. 1–10, 2021.
- [6] J. Collins, D. Putra, and M. Hassan, “Internal audit cooperation and digital reporting reliability,” *International Journal of Public Finance*, vol. 6, no. 3, pp. 201–219, 2021.
- [7] F. Suryani and A. Nugroho, “The effect of internal auditor competence on the effectiveness of regional supervision,” *Journal of Public Accounting*, vol. 8, no. 3, pp. 144–157, 2021.
- [8] S. Wulandari, “Synergy between supervisory institutions and increasing regional accountability,” *Journal of Government Administration*, vol. 6, no. 2, pp. 88–97, 2021.
- [9] M. Hafidz and N. Pratama, “Digitization of audits and the effectiveness of local government supervision,” *Journal of Public Information Systems*, vol. 5, no. 4, pp. 122–139, 2022.
- [10] H. Djony, “The distinction between administrative errors and fraud in internal audits,” *Journal of Public Sector Audit*, vol. 10, no. 2, pp. 33–47, 2022.
- [11] L. Aprillia and R. Usman, “Supervision and quality of SPIP in improving local governance,” *Journal of Public Policy*, vol. 8, no. 2, pp. 112–126, 2023.
- [12] S. Putri, D. Laksana, and M. Arif, “An analysis of the competence of internal auditors and their impact on public accountability,” *Journal of Regional Accounting*, vol. 7, no. 2, pp. 66–80, 2023.
- [13] M. Muslimin and L. Aprianto, “Implementation of IA-CM and IIA global standards in regional APIPs,” *Journal of Audit & Governance*, vol. 11, no. 1, pp. 44–58, 2023.
- [14] A. Cahyono, “The role of internal audit in improving organizational governance,” *Journal of Accounting & Business*, vol. 9, no. 1, pp. 77–89, 2024.
- [15] B. Winarto, “Strengthening internal control over local government assets and cash,” *Journal of State Financial Audit*, vol. 9, no. 1, pp. 51–65, 2024.

- [16] F. Purnayuda and H. Tjakrawala, "Implementation of SPIP on the accountability of regional financial management," *Journal of Government Control Systems*, vol. 6, no. 1, pp. 13–25, 2024.
- [17] R. Ahmad and N. Sari, "Digital transformation of internal audit in the era of smart government," *Journal of Public Accounting*, vol. 12, no. 1, pp. 45–58, 2024.
- [18] H. Wang, D. Ferreira, and X. Yan, "Internal audit watchdog, consultant, and catalyst functions," *International Journal of Public Sector Accounting*, vol. 14, no. 2, pp. 101–117, 2025.
- [19] M. Djasuli and F. Rohmi, "Urban's function is to support regional financial accountability," *Journal of Government Accounting*, vol. 5, no. 2, pp. 55–70, 2025.
- [20] M. Djasuli and R. Rizqillah, "The implementation of training and improvement of the competence of internal auditors at the Bangkalan Inspectorate," *Journal of Public Sector Accounting*, vol. 7, no. 1, pp. 88–102, 2025.