



THE ROLE OF INTERNAL AUDIT IN IMPROVING REGIONAL FINANCIAL INTEGRITY (A STUDY OF THE GORONTALO PROVINCIAL INSPECTORATE)

PERAN AUDIT INTERNAL DALAM MENINGKATKAN INTEGRITAS KEUANGAN REGIONAL (STUDI KASUS INSPEKTORAT PROVINSI GORONTALO)

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Abstract

This study aims to analyze the role of internal audit in enhancing the integrity of regional financial reports at the Gorontalo Provincial Inspectorate. The research employed a descriptive qualitative method, collecting data through in-depth interviews, observations, and document studies. The results indicate that internal audit plays a significant role through assurance, consultative, and risk-based supervisory functions, including regular audits, OPD financial report reviews, technical assistance, probity audits, and investigative audits. However, supervisory effectiveness is constrained by limited authority, resources, and OPD commitment. To overcome these challenges, the Inspectorate implements strategies such as utilizing information technology, improving coordination with OPDs, monitoring follow-up on audit recommendations, and ensuring auditor independence. These findings demonstrate that internal audit contributes to increased accountability and prevention of financial irregularities. The study offers practical implications for enhancing auditor capacity and OPD coordination, as well as recommendations for future research to broaden the scope of informants.

Keyword : Internal Audit, Financial Report Integrity, Audit Effectiveness, Gorontalo Provincial Inspectorate.

Abstrak

Penelitian ini bertujuan untuk menganalisis peran audit internal dalam meningkatkan integritas laporan keuangan daerah di Inspektorat Provinsi Gorontalo. Metode penelitian yang digunakan adalah kualitatif deskriptif dengan pengumpulan data melalui wawancara mendalam, observasi, dan studi dokumen. Hasil penelitian menunjukkan bahwa audit internal memiliki peran signifikan melalui fungsi assurance, konsultatif, dan pengawasan berbasis risiko, termasuk audit reguler, reviu laporan keuangan OPD, pendampingan teknis, probity audit, dan audit investigatif. Namun, efektivitas pengawasan masih terbatas oleh keterbatasan kewenangan, sumber daya, dan komitmen OPD. Untuk mengatasi hambatan ini, Inspektorat menerapkan strategi penguatan pengawasan, seperti pemanfaatan teknologi informasi, koordinasi yang lebih baik dengan OPD, monitoring tindak lanjut rekomendasi, dan perlindungan independensi auditor. Temuan ini menunjukkan bahwa audit internal berkontribusi pada peningkatan akuntabilitas dan pencegahan penyimpangan keuangan. Penelitian ini memberikan implikasi praktis



bagi peningkatan kapasitas auditor dan koordinasi dengan OPD, serta saran bagi penelitian selanjutnya untuk memperluas cakupan informan.

Kata Kunci : Audit Internal, Integritas Laporan Keuangan, Efektivitas Pengawasan, Inspektorat Provinsi Gorontalo.

1. INTRODUCTION

The integrity of regional financial reporting is a fundamental pillar in realizing good governance and enhancing public accountability. Reliable, transparent, and fraud-free financial statements are essential prerequisites to ensure that regional financial management is conducted effectively, efficiently, and in compliance with prevailing regulations. In the public sector context, the quality and integrity of financial reporting are strongly influenced by the effectiveness of internal control systems and the role of internal auditing as both preventive and corrective oversight mechanisms.

Numerous studies indicate that internal auditing makes a significant contribution to improving the integrity and reliability of local government financial statements. Internal auditors play a crucial role in detecting errors, preventing fraud, and ensuring compliance with Government Accounting Standards (GAS). In addition, internal auditors serve as strategic partners to management by providing recommendations to address weaknesses in financial management systems and processes. Consequently, the presence of effective internal auditing is expected to strengthen public trust in local government performance.

Nevertheless, various findings by the Audit Board of Indonesia (BPK) continue to reveal non-compliance with GAS, weaknesses in internal control, and instances of budget misuse in several local governments. These conditions suggest that the internal audit function has not yet operated optimally in ensuring the integrity of regional finances. Even local governments that consistently receive an Unqualified Opinion (WTP) still encounter problems in managing revenue, expenditure, and assets. This situation indicates a gap between the achievement of external audit opinions and the actual quality of internal oversight.

In Gorontalo Province, the Provincial Inspectorate, as the Government Internal Supervisory Apparatus (APIP), holds a strategic role in overseeing all Regional Apparatus Organizations (OPD). Although Gorontalo Province has successfully maintained an Unqualified Opinion for several consecutive years, cases of financial misappropriation and a low level of follow-up on audit recommendations are still found. This phenomenon raises questions regarding the extent to which the internal audit function has been effectively implemented in enhancing regional financial integrity.

Most previous studies have predominantly employed quantitative approaches and focused on the relationship between internal auditing and the quality of financial statements. The varied and even contradictory findings indicate the existence of research gaps, particularly concerning in-depth understanding of internal audit practices, challenges faced by auditors, and non-technical factors such as independence, bureaucratic pressure, and resource availability. Therefore, this study is essential to provide a comprehensive overview of how internal auditing contributes to improving regional financial integrity, especially within the Provincial Inspectorate of Gorontalo.

Based on the above discussion, the primary objective of this study is to analyze the role of internal auditing carried out by the Provincial Inspectorate of Gorontalo in enhancing the integrity of regional financial reporting. In addition, this study aims to identify the various obstacles faced by internal auditors and to formulate strategies to strengthen the effectiveness of internal auditing in supporting the realization of regional financial management that is characterized by integrity, transparency, and accountability.

2. RESEARCH METHOD

This study employs a qualitative approach using a case study method. The qualitative approach is chosen because the research aims to obtain an in-depth understanding of the role of internal auditing



in enhancing regional financial integrity, particularly at the Provincial Inspectorate of Gorontalo. The case study method allows the researcher to explore the phenomenon comprehensively within its real-life context, without the intention of generalization, but with an emphasis on meaning and interpretation of the processes, roles, and dynamics occurring at the research site.

Types and Sources of Data

The type of data used in this study is qualitative data, consisting of primary and secondary data. Primary data were obtained through in-depth interviews with key informants selected using purposive sampling, namely the selection of informants based on considerations of relevance and competence in relation to the research focus. The informants consisted of internal auditors at the Provincial Inspectorate of Gorontalo, including Senior Auditors, Junior Auditors, and officials holding the rank of Senior Administrator (Grade IV/b) who are directly involved in supervising and auditing regional financial management.

Secondary data were obtained through document review, such as the Annual Supervisory Work Program (PKPT) of the Provincial Inspectorate of Gorontalo, audit reports, regional financial statements, and regulations related to supervision and regional financial management. The combination of primary and secondary data was used to enrich the information and strengthen the validity of the research findings.

Data Collection Techniques

Data collection techniques included in-depth interviews and documentation. In-depth interviews were conducted to explore informants' perspectives, experiences, and understanding of the role of internal auditing, the challenges encountered, and the strategies implemented to maintain regional financial integrity. Documentation served as a complementary technique to obtain relevant written data and to verify the information obtained from interviews.

Data Analysis Techniques

Data analysis was conducted using the interactive model of Miles and Huberman, which consists of three stages: data reduction, data display, and conclusion drawing/verification. Data reduction involved summarizing and selecting information relevant to the research objectives. Data display was organized in the form of systematic descriptive narratives to facilitate comprehension. Finally, conclusions were drawn by interpreting the meaning of the data and verifying the findings through the linkage between field data and relevant theoretical frameworks.

Data Trustworthiness

The trustworthiness of the data was ensured through triangulation techniques. Source triangulation was conducted by comparing information obtained from various informants, while methodological triangulation was carried out by comparing interview data with documentation. The application of triangulation is expected to enhance the credibility and reliability of the research results.

3. RESULT AND DISCUSSION

This study produces empirical findings regarding the role of internal auditing, the forms of supervisory implementation, and the obstacles faced by internal auditors in maintaining the integrity of regional financial statements at the Provincial Inspectorate of Gorontalo. The data were obtained through in-depth interviews with five key informants and a review of documents from the 2025 Annual Supervisory Work Program (PKPT).

The Role of Internal Auditing in Maintaining the Integrity of Regional Financial Statements

The interview results indicate that the role of internal auditing at the Provincial Inspectorate of Gorontalo is realized through several main activities, namely consultation, assurance (financial statement review and compliance testing), probity audits, and investigative examinations.

The informants stated that internal auditors provide consultation to Regional Apparatus Organizations (OPD) from the planning stage through the implementation of activities. This consultation takes the form of guidance on financial management procedures, regulatory compliance, and proper preparation of financial statements.



In addition to consultation, internal auditors conduct reviews of the Local Government Financial Statements (LKPD) before the reports are submitted to the Ministry of Home Affairs. These reviews aim to ensure the appropriateness, completeness, and compliance of financial statements with Government Accounting Standards.

The findings also reveal that the Provincial Inspectorate of Gorontalo carries out probity audits on specific projects, particularly those of high value and high risk. Probity audits are conducted through continuous assistance from the planning stage to the implementation phase.

Furthermore, internal auditors perform investigative examinations in response to indications of fund misappropriation or public complaints. These investigations are carried out based on official assignment letters and through a tiered mechanism in accordance with the authority of the supervisory division.

A summary of the forms of internal audit roles is presented in the following table:

Table Forms of Internal Audit Roles in Maintaining the Integrity of Regional Financial Statements

No	Form the Internal Audit Role	Description of Findings
1	Consultation	Providing financial management guidance from the planning stage to reporting
2	Assurance (Reviu LKPD)	Review of financial reports before submission to the Ministry of Home Affairs
3	Probity Audit	Strategic and high-risk project mentoring
4	Investigative Examination	Handling of indications of misuse of funds based on official assignments

Mechanism of Strategic Project Supervision

The interview results indicate that internal auditors are only able to conduct supervision of strategic projects if such projects are included in the Annual Supervisory Work Program (PKPT) or if there is a special assignment from top management. Not all local government projects can be directly supervised by internal auditors.

The criteria for projects eligible for supervision include:

1. being listed in the PKPT,
2. having a high level of risk,
3. involving a large budget allocation, or
4. generating public complaints.

Contribution of Internal Auditing to the Integrity of Financial Statements

Based on the interview findings, the contributions of internal auditing to the integrity of regional financial statements include:

- a) providing consultation and procedural guidance,
- b) conducting annual financial statement reviews,
- c) providing assistance through probity audits,
- d) carrying out investigative examinations, and
- e) monitoring the follow-up of audit recommendations.

Obstacles Faced by Internal Auditors in Maintaining the Integrity of Financial Statements

The findings identify several major obstacles faced by internal auditors, namely:

1. limited data availability and access to information,
2. constraints in human resources and budget,
3. changes in financial application systems,
4. low commitment of some Regional Apparatus Organizations (OPD) in following up audit recommendations, and
5. the potential for external pressure or intervention.

A summary of the obstacles faced by internal auditors is presented in the following table.

**Tabel 2. Internal Auditor Barriers**

No	Types of Obstacles	Description
1	Data and Information	Limited access and completeness of data
2	HR and Budget	The number of auditors and monitoring costs are limited.
3	Application System	Changes in the financial system
4	OPD Follow-up	Recommendations have not been fully followed up
5	External Intervention	Potential pressure from certain parties

Discussion

This study aims to analyze the role of internal auditing in enhancing the integrity of regional financial statements and to identify the obstacles faced by internal auditors at the Provincial Inspectorate of Gorontalo. The findings indicate that internal auditing makes a significant contribution to financial reporting integrity through its consulting, assurance, probity audit, and investigative functions. These results emphasize that internal auditing is no longer positioned merely as a final checker, but rather as a strategic partner for regional government units in ensuring the quality of financial management from the planning stage through to reporting.

The predominance of the consulting function in supervisory practices reflects a paradigm shift in the role of the Government Internal Supervisory Apparatus (APIP), from a repressive approach toward a preventive one. Internal auditors actively provide guidance and assistance to Regional Apparatus Organizations (OPD) to ensure that financial management complies with applicable regulations. This finding is consistent with views suggesting that modern internal auditing places greater emphasis on consulting and assurance roles rather than solely on inspection. Accordingly, this study reinforces previous findings that the effectiveness of internal supervision is strongly influenced by auditors' ability to establish communication and partnerships with auditees.

In addition to the consulting function, this study also reveals that the assurance role, particularly through the review of Local Government Financial Statements (LKPD), serves as a crucial mechanism in safeguarding financial reliability prior to external audit. This finding supports earlier research indicating that internal reviews contribute to reducing the risk of material misstatement and improving compliance with Government Accounting Standards (GAS). Through structured LKPD reviews, internal auditors function as providers of preliminary assurance regarding the quality of regional financial reporting.

The implementation of probity audits and the supervision of strategic projects identified in this study further reinforce the concept of risk-based auditing. Internal auditors are involved from the planning stage through project execution in high-risk projects, thereby enabling early mitigation of potential irregularities. These findings align with the literature emphasizing the importance of probity audits as a preventive instrument against fraud in the public sector. Thus, this study affirms that probity audits represent an effective form of strategic oversight in maintaining the integrity of regional financial management.

The investigative role of internal auditors in cases of fund misappropriation demonstrates that the Inspectorate performs not only preventive but also enforcement functions. This finding is consistent with previous studies suggesting that the effectiveness of internal supervision increases when auditors are equipped with clear authority and formal mechanisms to conduct special investigations. The combination of preventive and repressive functions strengthens the position of internal auditing as a central pillar of the government internal control system.

Nevertheless, this study also identifies several obstacles in the implementation of internal auditing, including limitations in human resources and budget, changes in financial application systems, restricted access to data, low commitment among some OPDs in following up audit recommendations, and the potential for external intervention. These challenges correspond with earlier findings indicating that institutional capacity constraints remain a major barrier to achieving optimal supervisory performance by APIP. Such conditions may explain why the role of internal auditing in supervising strategic projects remains selective and dependent on formal assignments.



The limitations of this study lie in its qualitative approach, the limited number of informants, and its focus on a single research site, which restrict the generalizability of the findings. In addition, this study does not incorporate the perspectives of auditees or external parties, such as the Audit Board of Indonesia (BPK), who could provide alternative viewpoints on the effectiveness of internal auditing. Future studies are therefore recommended to adopt mixed-methods approaches or to expand research sites in order to obtain a more comprehensive understanding.

The practical implications of this study highlight the need to strengthen internal auditor capacity through enhanced competencies, increased staffing levels, and adequate budgetary support. From a policy perspective, local governments should reinforce the role of APIP as a strategic partner to OPDs and ensure consistent follow-up on audit recommendations. Theoretically, this study contributes to enriching the literature on public sector internal auditing, particularly in the context of regional financial reporting integrity.

Based on these findings and limitations, future research may focus on examining the relationship between APIP capability levels and the quality of regional financial statements, or on evaluating the effectiveness of probity audits in preventing fraud in strategic projects. Further studies may also integrate the perspectives of external auditors and auditees to achieve a more holistic understanding of the regional financial oversight ecosystem.

4. CONCLUSION

Internal auditing at the Provincial Inspectorate of Gorontalo plays a crucial role in enhancing the integrity of regional financial statements through assurance, consulting, and risk-based supervision functions. Although its effectiveness is constrained by limitations in authority, resources, and the commitment of Regional Apparatus Organizations (OPD), the implementation of supervisory strengthening strategies—such as the utilization of technology, improved coordination, systematic monitoring of audit follow-ups, and the protection of auditor independence—has proven effective in enhancing accountability and preventing financial irregularities.

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