



## Internal Audit Quality In North Sumatra Government

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### Abstract

This study explores the concept of internal audit quality within the context of the North Sumatra Government. The focus is on understanding the factors influencing and contributing to the effectiveness and reliability of internal audit practices in the region. Through a quantitative research approach, data is collected to analyze the key components of internal audit quality and their impact on organizational governance. The study employs a survey methodology, distributing questionnaires to internal auditors, management, and other stakeholders involved in the internal audit processes of North Sumatra Government agencies. The research investigates factors such as adherence to professional standards, competency of internal auditors, independence, and the effectiveness of communication within the internal audit function. Preliminary findings indicate a correlation between internal audit quality and the overall governance and risk management framework within the North Sumatra Government. The study contributes to the existing body of knowledge by providing insights into the specific dynamics and challenges faced by internal audit functions in the public sector. The implications of this research extend to government officials, policymakers, and internal audit practitioners, offering recommendations for enhancing internal audit quality to strengthen accountability, transparency, and organizational performance within the North Sumatra Government. The results aim to inform decision-makers and contribute to the continuous improvement of internal audit practices in the regional public sector.

### Keywords:

Internal audit quality

### 1. Introduction

The management of resources and public services at the local government level requires a high level of accountability and transparency. Internal audit, as an internal control tool, plays a crucial role in ensuring the effectiveness and efficiency of budget use and minimizing risks (Wahyuni et al., 2023). This study aims to examine the quality of internal audit within the North Sumatra Provincial Government and the factors that influence it. The North Sumatra Provincial Government, like other local government entities, is faced with increasing task complexity. The process of development, financial management, and public service delivery requires an effective



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supervisory mechanism. In this context, internal audit becomes the main instrument to evaluate the effectiveness of the internal control system and provide assurance on government accountability (Leni Marlina et al., 2023). However, challenges arise when measuring and improving the quality of internal audit in the public sector. Factors such as professional standards, internal auditor competence, independence, and effectiveness of internal communication can have a significant effect on audit quality. Therefore, an in-depth understanding of these dynamics is important to strengthen internal audit's role in supporting good governance. This study was conducted to respond to the need for a deeper understanding of the factors that influence internal audit quality within the North Sumatra Provincial Government (Sri Wahyuni et al., 2023). Through a comprehensive analysis, it is expected that areas of improvement and development in internal audit practices can be identified, so that they can make a positive contribution to the efficiency and effectiveness of public services. Based on this background, the formulation of this research problem is: "What is the quality of internal audit in the North Sumatra Provincial Government and what factors influence that quality?" By detailing these factors, this study is expected to provide greater insight into the dynamics of internal audit practices at the local government level and provide a basis for continuous improvement.

## **2. Theoretical Foundation**

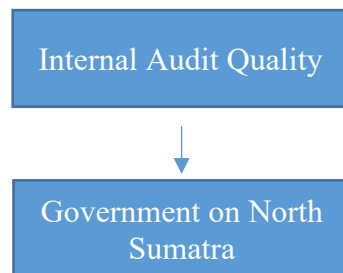
### **2.1 Internal Audit Quality (Internal Audit Quality)**

Audit quality is an auditor's ability to carry out his duties, where in carrying out an audit an auditor can find client errors and report them. (DeAngelo, 1981), audit quality is the probability that the auditor will find and report violations in the client's accounting system. Public accountants in carrying out their audit duties must be guided by the applicable Public Accountant Professional Standards (SPAP), it is hoped that the audit can reduce the mismatch of interests between management and shareholders. By adhering to applicable standards and principles, the desired goal will be achieved, namely a quality audit. The quality of government internal audits is very important, because internal audit quality will increase financial accountability which will produce reliable financial reporting as a basis for decision making by stakeholders. (Davey, 2009); (Havens, 1990). According to (Botha & Wilkinson, 2020), the internal audit function can make recommendations for efficiency improvements, or to limit losses, or can detect fraudulent activity. These activities will add value but will not be reflected in the organization's current year financial returns. As (Libby & Frederick, 1990), (Bonner, 1990) and (Soh & Martinov-Bennie, 2011) states that auditor competency obtained from experience and knowledge plays an important role in improving audit quality.

## **3. Research Methods**



Internal audit quality is influenced by several factors, including professional behavior and obedience pressure (requests from superiors/authorities and client desires). The conceptual framework of this research can be seen in Figure 1 below:



**Figure 1. Theoretical Framework**

## **4. Discussion and Research Results**

### **4.1 Discussion**

Domestic demand is determined by the presence of domestic consumers, which comes from population data, habit patterns and living standards supported by socio-economic development that gives a tendency to increase the demand for clean water (Susana and Eddy Setiadi Soedjono 2009). Taty Hernaningsih and Satmoko Yudo (2007) stated that the amount of clean water demand is based on water demand with population growth, as well as research conducted by Indra Kusuma Sari, Lily Montarcih Limantara, and Dwi Priyantoro (2011) stated that regional development in an area will cause water demand to continue to increase along with the rate of population growth. Fulfillment of food needs and population activities is always closely related to the need for water and water supply. Based on the above, along with the rate of population growth, the amount of clean water consumption is increasing, this happens because clean water is a basic need that is needed by humans.

### **4.2 Research Results**

Internal auditor independence remains a critical factor in determining audit quality. Auditors who can maintain their independence are better able to conduct an objective evaluation of the internal control system. This research emphasizes the need to ensure that mechanisms to maintain independence continue to be strengthened within the North Sumatra Provincial Government. The effectiveness of internal communication within the internal audit team has major implications for audit quality. The results show that good collaboration and effective information exchange

among team members can improve the audit's ability to detect and evaluate risks better.

## **5. Conclusions and Suggestions**

### **5.1 Conclusion**

In the context of the North Sumatra Provincial Government, internal audit quality is closely related to the extent to which internal auditors follow professional standards. The results show that the level of compliance with professional standards is a key indicator of internal audit quality. This includes a good understanding of auditing principles and active involvement in professional improvement activities.

#### **1. Internal Auditor Competence:**

The findings show that the level of internal auditor competence has a significant impact on audit quality. Auditors who have in-depth knowledge of their field of work tend to produce more accurate and relevant evaluations. Therefore, competency development through training and certification is key in improving internal audit quality.

#### **2. Technology Implementation and Innovation:**

The research also identified the need for technology integration in internal audit practices. Implementing technology can speed up the audit process, improve accuracy, and provide additional benefits in understanding and managing risk.

#### **3. Stakeholder Engagement:**

Internal audit quality in the North Sumatra Provincial Government is also influenced by the level of stakeholder engagement. Strong collaboration with management and other local government entities ensures that audit results are more relevant and can be implemented more effectively.

#### **4. Challenges and Opportunities for Improvement:**

Research findings indicate challenges, such as the expansion of audit coverage and the need for greater resources. However, these challenges also present opportunities for innovation in audit methods, improved competencies, and strengthened risk management systems.

#### **5. Implications for Internal Audit Practice:**

The practical implications of this research include an expanded focus on developing auditor competencies, strengthening mechanisms to maintain independence, improving internal collaboration, and increasing the use of technology in audit practices.

#### **6. Relevance of Findings to Local Governance:**

By understanding the factors that influence internal audit quality, the North Sumatra Provincial Government can strengthen local governance, increase accountability, and provide better public services.

### **5.2 Suggestion**



Encourage further research related to internal audit practices in local government. This research could include a deeper understanding of the factors that influence audit quality as well as an exploration of innovations in audit practices.

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