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The Influence Of Investigative Audits To Improve Financial Accountability In Government Institutions

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Abstract: This study discusses the role of investigative audits in strengthening financial accountability in government institutions. Investigative audits have an important function in detecting corruption, abuse of power, and financial statement discrepancies. Using a quantitative approach, data were obtained through surveys and in-depth interviews involving auditors and government officials. The findings show that investigative audits can improve transparency, efficiency, and public trust in the financial management of government agencies. Recommendations include strengthening auditor capacity and implementing investigative audits in an integrated manner within the internal control system to improve accountability.

Keywords: Investigative Audit, Financial Accountability, Governmental Institutions, Transparency, Internal Monitoring.

Introduction

Fraud is one of the main challenges faced in financial management, both in the public and private sectors. Fraud can reduce public trust in government institutions and affect overall economic stability. To overcome this, audits, both internal and external, have a very important role in improving the quality of financial reports. The role of auditors in detecting and preventing fraudulent practices is also a major factor in maintaining the integrity of the institution. According to Andini (in Cintya Nari Ratih and Sisdyani 2023), effective audit implementation can minimize the chances of fraud while increasing the accuracy of financial reports. Financial reports produced by government institutions in Indonesia must comply with applicable Financial Accounting Standards (SAK). These standards are designed to ensure the presentation of transparent, accurate, and accountable financial reports. Based on Auditing Standard 450, auditors have an important responsibility in identifying and communicating misstatements found during the audit process. Auditors are also required to ask management to correct these findings. However, if management is unwilling to make corrections, auditors need to understand the reasons behind the decision and consider them in assessing the fairness of the financial statements as a whole. (Wiharti and Novita 2020) .

Auditors must be highly alert to the potential for fraud at every stage of the audit. Accounting Standards Section 317 provides guidance that auditors must gather sufficient evidence if there is an indication of a violation of law or fraud. This includes gathering information about the nature of the violation, the circumstances that allowed the violation to occur, and its potential impact on the financial statements. If the fraud is significant and has a material impact on the fairness of the report, the auditor is prohibited from providing an Unqualified Opinion (WTP) (Ni Made Sintya Surya Dewi 2024) . Investigative audits are one of the effective methods in uncovering and preventing fraud. Different from conventional audits, investigative audits are conducted with an in-depth approach to find concrete evidence of alleged violations or irregularities. This approach not only serves to detect fraud, but also makes a major contribution to improving the financial management systems and procedures of institutions. Thus, investigative audits are an important tool in increasing transparency and accountability in the government sector. (Yulistianingsih et al. 2020) .

On the other hand, risk is an inseparable part of business and government activities. Risks that are not managed properly can open up opportunities for fraud, which can hinder the achievement of organizational goals. This risk includes potential deviations in financial management, which if not addressed immediately can affect the overall performance of the institution. Therefore, risk mitigation through comprehensive audits is an important step to prevent the negative impact of these risks. (Putrie and Farida nd) . Statistics show that fraud cases in Indonesia have increased from year to year. According to data from *the Anti-Corruption Clearing House* (2019), as many as 1,007 corruption cases were detected from 2004 to 2019, with many of them involving manipulation of financial reports.

This fact highlights the urgency of improving the financial accountability and supervision system, especially in government institutions. With increasing public expectations for transparency, concrete steps in strengthening the audit system are an urgent need. (Wulandari, Putri, and Marlina 2021) . This study aims to analyze the influence of investigative audits on improving financial accountability in government institutions. In addition, this study will also explore strategic steps that can be taken to strengthen the function of investigative audits as part of the financial oversight system. Thus, it is hoped that the results of this study can provide real contributions to more transparent and accountable financial management in the public sector.

Methodology

This study uses a quantitative approach with descriptive and causal designs. The quantitative approach was chosen to measure the effect of investigative audits on financial accountability objectively using numerical data. The descriptive design aims to provide a comprehensive picture of the implementation of investigative audits in government institutions, while the causal design is used to explain the causal relationship between investigative audit variables and financial accountability. This study was conducted at several government institutions in Indonesia as samples. The subjects of the study included internal and external auditors involved in the investigative audit process as well as the management of the institution responsible for managing financial reports. (Sahir 2021) .

The study population includes all government institutions that conduct investigative audits in a certain period, for example the 2023–2024 budget year. The sample was selected using a *purposive sampling technique* , with the criteria being institutions that have conducted investigative audits in the last five years and have relevant audit result documentation. A total of 10–15 institutions were selected to ensure adequate representation. The research variables consist of investigative audits as independent variables, which are measured through indicators such as audit methods, audit frequency, and audit findings; and financial accountability as dependent variables, which are measured through indicators of regulatory compliance, level of report transparency, and effectiveness of audit finding follow-up.

Data collection was carried out through several methods, namely a questionnaire to collect quantitative data from auditors and management regarding the implementation of investigative audits and their perceptions of financial accountability, in-depth interviews with senior auditors to obtain more detailed information regarding the investigative audit process, and documentation in the form of investigative audit reports, financial statements, and fraud findings data. The main instrument used was a closed questionnaire with a Likert scale of 1–5 to assess the research variables, which were designed based on relevant indicators and had been tested for validity and reliability through trials. In addition, a semi-structured interview guide was used as a qualitative data collection tool. (Judijanto, Sudarmanto, and Triyantoro 2024) .

The data obtained were analyzed using two methods, namely descriptive analysis to describe the implementation of investigative audits and the level of financial accountability in government institutions, and simple linear regression analysis to test the causal relationship between investigative audits and financial accountability. Hypothesis testing was carried out with a significance level of 5% (α = 0.05) to ensure valid results. The research process begins with the preparation of a research proposal and obtaining data access permission, followed by the development of research instruments, conducting surveys, interviews, and collecting documentation, to the stage of data analysis and preparation of research reports.

The validity of the data in this study is guaranteed through construct and content validity tests involving experts in the fields of audit and accounting, while reliability is tested using the Cronbach's Alpha test with a minimum reliability value of 0.7. The study was also conducted by paying attention to ethical aspects, such as maintaining the confidentiality of institutional and respondent information, and requesting official permission before accessing data. With this systematic procedure, the study is expected to be able to provide relevant findings to improve financial accountability in government institutions through investigative audits. (November 2022) .

Result and Discussion

This study successfully analyzed data from 12 government institutions that have conducted investigative audits in the last five years. Based on the results of simple linear regression analysis, it was found that investigative audits have a significant influence on increasing financial accountability with a regression coefficient value of 0.72 ($p < 0.05$). This shows that the better the implementation of investigative audits, the higher the level of financial accountability in government institutions. Descriptively, investigative audits in government institutions are generally carried out to follow up on alleged fraud reported by internal and external audit units. The indicators of investigative audits assessed include the effectiveness of audit methods, the quality of the findings report, and the speed of completion of follow-up actions.

The questionnaire results showed that 85% of respondents agreed that investigative audits help detect and prevent potential fraud, while 90% of respondents stated that investigative audits increase transparency in financial management. In terms of financial accountability, 8 out of 12 institutions showed significant improvements in compliance with financial regulations after the investigative audit was conducted. Indicators such as the preparation of financial reports based on Financial Accounting Standards (SAK) and follow-up to auditor recommendations increased with an average score of 4.3 on a scale of 5.

Discussion

The results of this study strengthen previous findings on the role of investigative audits as a strategic tool in improving financial accountability in government institutions. Investigative audits have proven effective in identifying the root causes of financial fraud, such as budget manipulation and fictitious reporting, which are often difficult to detect through regular audits. A systematic investigative audit process, including evidence collection, interviews with related parties, and analysis of financial documents, is able to provide a comprehensive picture of fraud risks and solutions to improve them. (Ni Made Sintya Surya Dewi et al. 2024) . The positive impact of investigative audits on financial accountability is also reflected in the increased compliance of institutions with financial regulations. This is in line with Auditing Standard 450, which states that auditors must provide recommendations for improvements to findings of misstatements in the financial statements.

This study shows that institutions that follow up on auditor recommendations experience an increase in the quality of financial statements, as reflected in better assessments from external auditors. However, this study also found challenges in the implementation of investigative audits. One of them is the lack of competent auditor resources in several institutions, which causes delays in completing audits. In addition, resistance from management to auditor findings is an obstacle in implementing recommendations for improvement. Therefore, special training is needed for investigative auditors and strengthening regulations governing the obligation to follow up on audit findings to improve the effectiveness of investigative audits. The social and economic context also affects financial accountability.

Institutions that have a transparent work culture and support from leaders tend to be more successful in implementing audit recommendations compared to institutions that still have complex bureaucracies. This factor shows the importance of commitment from top management in creating an accountable financial management system. Overall, this study provides significant contributions to the literature on financial management in the public sector. These findings can be a basis for policy makers to improve the quality of investigative audits through adequate resource allocation, strengthening regulations, and developing auditor capacity. Thus, it is expected that financial accountability in government institutions can continue to be improved, which ultimately supports clean and transparent governance.

Conclusion

Investigative audits play a significant role in identifying and addressing various forms of fraud and weaknesses in the financial system. A well-planned and thorough investigative audit process allows auditors to uncover non-compliance or non-compliance with applicable regulations, thereby increasing transparency and public trust in the financial management of government institutions . The implementation of investigative audits also shows that this method not only functions as a detection tool, but also as an effective prevention mechanism. With investigative audits, the risk of fraud and irregularities can be minimized because government agencies are encouraged to improve their internal control systems and comply with applicable accounting standards and financial policies. The results of this study emphasize the importance of strengthening the investigative audit function in government institutions as a strategic step to improve accountability and integrity of state financial management. In addition, the involvement of competent, independent, and highly integrity auditors is a key element in the success of the investigative audit process. It is expected that this research can be a reference for policy makers to maximize the role of investigative audits in creating good financial governance, as well as provide guidance for government institutions in implementing investigative audit practices effectively. This will ultimately support the realization of more responsible and transparent state financial management.

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