



## The Role of Internal Audit in Enhancing the Effectiveness of Budgetary Control at the High Prosecutor's Office of North Sumatra

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### ABSTRACT

Internal audit is a key component of public sector governance, ensuring that government budget utilization is conducted in an efficient, effective, and accountable manner. In the context of the High Prosecutor's Office of North Sumatra, internal audit plays a strategic role in detecting potential irregularities, strengthening internal control systems, and ensuring alignment between budget realization and institutional objectives. This study employs a qualitative approach using a library research method by reviewing academic literature, official regulations, and empirical studies published between 2020 and 2025. The findings reveal that the effectiveness of internal audit is influenced by auditor competence, structural independence, managerial support, and the adoption of digital audit technologies. Furthermore, internal audit contributes to strengthening accountability, preventing fraud, and improving budget discipline. These findings emphasize that continuous enhancement of internal audit capacity is an essential prerequisite for realizing transparent, accountable, and integrity-based financial governance within the High Prosecutor's Office of North Sumatra.

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## INTRODUCTION

Public financial management is a fundamental aspect of establishing transparent, accountable, and service-oriented governance. In the era of bureaucratic reform, society's expectations for efficient and corruption-free budget utilization continue to rise, creating an urgent need for strong, modern, and technology-driven budgetary control systems. Law No. 17 of 2003 on State Finances emphasizes that state financial management must be carried out in an orderly manner, adhere to laws and regulations, and ensure efficiency, economy, effectiveness, transparency, and accountability. This mandate underscores the importance of internal oversight mechanisms capable of ensuring accountability in the use of public resources.

Internal audit serves as a key instrument in promoting accountable public financial management. The Institute of Internal Auditors (IIA) defines internal audit as an independent and objective assurance and consulting activity designed to add value and improve organizational operations. In the public sector context, internal audit not only ensures compliance with regulations but also contributes to enhancing transparency, operational efficiency, and risk mitigation in budget implementation. Recent literature (Aryani et al., 2024; Nasution, 2025) indicates that internal audit has evolved from a compliance-focused function into a strategic partner for management in improving business processes and decision-making quality.

Budgetary control is an essential component of public financial management aimed at ensuring that budget execution aligns with established plans, policies, and performance targets.

According to Arifin and Sari (2022), budget control involves a systematic process of comparing actual expenditures with predetermined standards and taking corrective action for any deviations. Haryanto (2022) further emphasizes that digitalization through financial information systems such as SIPD and SAKTI enables real-time monitoring, strengthening the government's capacity for early detection of irregularities.

In Indonesia, challenges related to budgetary control remain prevalent. The Audit Board of the Republic of Indonesia (BPK RI, 2022) notes that many ministries and government agencies continue to face weaknesses in internal control systems, including non-compliance with budget regulations and inefficiencies in program implementation. These findings highlight the crucial role of internal audit as an oversight mechanism that ensures the reliability of budget management and supports the achievement of organizational performance targets.

Within the High Prosecutor's Office of North Sumatra, budgetary control has a strategic position because the budget directly supports law enforcement activities, public services, and prosecutorial intelligence operations. Ineffective or mismanaged budget use can hinder legal processes and diminish public trust in the prosecutor's office. Therefore, internal audit plays a crucial role in ensuring that budget allocation and utilization comply with regulations and contribute to achieving institutional goals. Harahap and Lubis (2020) emphasize that internal audit in law enforcement institutions is vital for fraud prevention, enhancing transparency, and strengthening organizational integrity.

Recent findings by Ali and Al-Taie (2025) in the public sector indicate that internal audit effectiveness increases significantly when auditors have direct access to top leadership, receive strong managerial support, and implement risk-based audit approaches. Similar results were reported by Rukmana (2021), who found that the presence of internal audit units in government institutions positively influences transparency and financial accountability at the regional level.

Considering these developments, this study focuses on analyzing the role of internal audit in improving the effectiveness of budgetary control at the High Prosecutor's Office of North Sumatra. The uniqueness of this research lies in its literature-based approach, integrating theories, regulations, and recent empirical findings to provide a comprehensive understanding of the contribution of internal audit within a law enforcement institution.

The objectives of this study are to:

1. Analyze the contribution of internal audit to the effectiveness of budgetary control.
2. Identify the factors that influence the successful implementation of internal audit in law enforcement institutions.

Theoretically, this research is expected to enrich the literature on internal audit and budget control in the public sector. Practically, the findings provide strategic recommendations for the High Prosecutor's Office of North Sumatra to strengthen the role of internal audit as a key instrument in achieving accountable, effective, and integrity-based financial governance.

## RESEARCH METHOD

This study employs a qualitative approach using the **library research method**, which is considered the most appropriate for conducting an in-depth analysis of the role of internal audit in enhancing the effectiveness of budget control in the public sector, particularly within the High Prosecutor's Office of North Sumatra. Library research enables the researcher to review concepts, theories, regulations, and relevant previous studies as a foundation for developing a comprehensive analytical framework. According to Barry, Merkebu, and Varpio (2022), a literature review is a systematic process that involves identifying, critically evaluating, and synthesizing existing literature to develop a thorough understanding of a research phenomenon.

### 1. Research Design

This study adopts a **qualitative-descriptive design**, which aims to describe phenomena in depth based on secondary data. The literature analyzed consists of national and international academic publications published between **2020 and 2025**, ensuring that the study reflects contemporary developments in internal auditing and budgetary control in the public sector.

### 2. Data Sources

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Penelitian ini sepenuhnya menggunakan **data sekunder** yang diperoleh melalui:

- 2.1 Scientific books related to public sector accounting, public governance, and internal auditing.
- 2.2 Accredited national journals and reputable international journals.
- 2.3 Official reports from oversight institutions, such as the Audit Board of the Republic of Indonesia (BPK RI, 2022).
- 2.4 Government regulations and audit guidelines issued by the Ministry of Finance, BPK, and the Institute of Internal Auditors (IIA).
- 2.5 Previous empirical studies relevant to internal audit practices in government institutions.

All sources were selected rigorously based on credibility, relevance, and publication year, with priority given to literature published between **2020 and 2025**.

### 3. *Data Collection Procedures*

The literature collection process was carried out through several systematic stages:

#### 3.1 Identification of Literature

The researcher utilized keywords such as “*internal audit*,” “*budget control*,” “*public sector governance*,” “*fraud prevention*,” “*High Prosecutor’s Office*,” and “*pengendalian anggaran*” in academic databases including Google Scholar, ScienceDirect, JSTOR, Semantic Scholar, and DOAJ.

#### 3.2 Literature Selection

Selection was conducted by reviewing titles, abstracts, and full texts to ensure direct relevance to the research topic. Only literature meeting the criteria of relevance, scientific quality, and timeliness was included in the review.

#### 3.3 Classification of Literature

Selected literature was categorized into thematic groups, including:

- Definitions and concepts of internal audit
- Relationship between internal audit and budget control
- Challenges and constraints of internal audit
- International best practices
- Empirical studies in Indonesia

#### 3.4 Synthesis and Content Analysis

Relevant literature was analyzed using **content analysis**, a technique focused on identifying patterns, relationships among variables, and theoretical concepts that explain the research phenomenon. This process enabled the researcher to construct strong and coherent arguments supported by empirical findings and theoretical frameworks.

### 4. *Data Validity*

Data validity was reinforced through **source triangulation**, which involved comparing different types of data—empirical journal articles, theoretical books, audit guidelines, and official government reports—to ensure consistency and reliability of the information used.

Through this systematic approach, the research method provides a strong conceptual and empirical foundation for understanding the role of internal audit in enhancing the effectiveness of budget control. The comprehensive literature review allows this study to present a holistic depiction of current conditions, challenges, and best practices relevant to the High Prosecutor’s Office of North Sumatra.

## RESULTS AND DISCUSSION

### 1. *The Role of Internal Audit in the Public Sector*

Internal audit is a strategic element of public sector governance because it ensures that government financial management processes comply with the principles of transparency, accountability, efficiency, and effectiveness. In government organizations, internal audit is not only responsible for assessing compliance with regulations but also for providing constructive recommendations to improve management quality, budgeting processes, and decision-making.

The Institute of Internal Auditors (IIA) emphasizes that internal auditing is an independent and objective assurance and consulting activity designed to add value and enhance organizational effectiveness. In the context of the modern public sector, internal audit has evolved into a strategic partner for management in achieving good public governance, rather than merely functioning as an administrative control mechanism.

The role of internal audit in the public sector can be classified into several key aspects:

#### **1.1 Assurance Function on Compliance and Financial System Integrity**

As an assurance function, internal audit ensures that all government financial transactions comply with statutory provisions, public sector accounting standards, and budgeting policies. Recent studies, such as that of Vista and Rahman (2024), show that the effectiveness of assurance activities heavily depends on managerial support and the auditor's access to relevant financial information. The greater the support from management, the greater the impact of internal audit on strengthening the integrity of budget management.

#### **1.2 Consulting Function to Enhance Budget Efficiency and Effectiveness**

The consulting role of internal audit involves providing recommendations to improve the efficiency and effectiveness of budget implementation. In Indonesia, internal audit is widely recognized as a key instrument for ensuring value for money. Jatmiko et al. (2022) state that internal audit significantly enhances public resource efficiency by identifying wasteful spending and improving work processes.

#### **1.3 Strengthening the Government Internal Control System (SPIP)**

Internal audit plays a critical role in assessing the effectiveness of SPIP, which serves as the foundational framework for internal control within all government entities. Weaknesses in SPIP often result in budget inefficiencies and higher risks of irregularities. Findings by Putri and Harahap (2024) indicate that SPIP effectiveness is significantly influenced by the quality of internal audit, especially in examinations involving digital systems such as SAKTI and SIPD used for governmental budget reporting.

#### **1.4 Fraud Prevention and Detection of Budget Irregularities**

Internal audit also acts as an early warning system by identifying fraud risks, budget discrepancies, and irregularities in public expenditure. Research by Salsabilla and Wafa (2025) reinforces that strong and independent internal audit functions can significantly reduce fraud risks within government institutions.

#### **1.5 Supporting Public Transparency and Accountability**

Internal audit contributes to transparency and accountability through performance audits, program evaluation, and audit reporting that informs managerial decision-making. Williyanto et al. (2025) highlight that internal audit is a key factor in supporting the realization of accountable public administration.

#### **1.6 Strategic Role in Bureaucratic Reform**

As public expectations for budget effectiveness increase, internal audit is now positioned as a strategic partner in bureaucratic reform. In many public organizations, including the High Prosecutor's Office of North Sumatra, internal audit plays a pivotal role in:

- Supporting digital governance,
  - Providing risk-based recommendations,
  - Improving program quality, and
  - Strengthening institutional integrity.
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Thus, internal audit in the public sector is no longer viewed merely as an administrative compliance function, but as a fundamental component in building modern, effective, and integrity-driven governance. This role becomes even more essential in law enforcement institutions such as the High Prosecutor's Office of North Sumatra, which requires rigorous budget oversight to maintain public trust.

## **2. Internal Audit and the Effectiveness of Budgetary Control**

Budgetary control is a vital managerial function in public sector organizations because it determines the extent to which public resources are utilized in accordance with established plans, policies, and performance targets. Contemporary literature asserts that budgetary control must go beyond administrative compliance to ensure efficiency, effectiveness, and accountability. According to Aryani, Purnamawati, and Sinarwati (2024), effective budgetary control requires structured monitoring mechanisms, integrated financial information systems, and continuous performance evaluations to ensure alignment between budget realization and organizational objectives.

Internal audit plays a strategic role in ensuring the effectiveness of budgetary control through its two primary functions: assurance and consulting. Under the assurance function, internal auditors assess regulatory compliance, budget data integrity, and the efficiency of budget execution processes. Under the consulting function, internal auditors provide system improvement recommendations, risk mitigation strategies, and enhancements to budget management quality. Sadli, Gowon, and Jumaili (2025) demonstrate that the quality of internal audit—comprising auditor competence, independence, and risk-based audit techniques—has a direct impact on the effectiveness of internal control systems, including budgetary processes.

Furthermore, a recent study by Ramadhany and Yessie (2025) within the West Java High Prosecutor's Office shows that internal audit units employing risk-based approaches and digital audit tools significantly improve an organization's ability to detect fraud, budget irregularities, and inefficiencies in program execution. These findings reinforce internal audit's position as a key element of public sector governance systems.

International research provides additional support. Williyanto, Moeljadi, and Soedjatno (2025) found that effective internal audit significantly contributes to the achievement of good governance in the public sector, particularly by enhancing budget discipline and improving decision-making processes. Putri (2025) also emphasizes that strong internal control and active internal audit functions are crucial for maintaining financial reporting quality and ensuring budget reliability within ministries and government agencies.

In Indonesia, government institutions continue to face challenges related to misalignment between budget allocations and performance outputs. The BPK (2022) reports weaknesses in internal control systems across several institutions, including inadequate budget monitoring. Internal audit acts as an early warning system by detecting potential irregularities through spending pattern analysis, compliance audits, and program effectiveness evaluations. Salsabiila and Wafa (2025) highlight that internal audit plays a significant role in preventing budget fraud when supported by accountable reporting systems and strong anti-fraud cultures.

Overall, the 2020–2025 literature consistently demonstrates that internal audit contributes substantially to effective budgetary control in the public sector by:

- a. Strengthening compliance with public financial regulations;
- b. Improving budget efficiency and operational effectiveness;
- c. Identifying and mitigating budget-related risks and irregularities;
- d. Enhancing the quality of budgeting decisions through risk- and data-based recommendations; and
- e. Supporting transparency and accountability in the budgeting cycle.

Accordingly, optimizing internal audit functions is essential for public organizations—including the High Prosecutor's Office of North Sumatra—to ensure sound, efficient, and integrity-based budget governance.

## **3. Empirical Studies on Internal Audit in Indonesia**

Numerous empirical studies in Indonesia highlight the significant contribution of internal audit to improving the effectiveness of budgetary control and strengthening public sector financial governance. These studies consistently show that internal audit quality, auditor independence, technical competence, and organizational culture are key determinants of effective budget oversight.

Early findings by Rukmana (2021) indicate that internal audit units in local governments significantly enhance transparency, accountability, and budget discipline. Through risk-based auditing and high-quality recommendations, internal audit helps local governments reduce inefficiencies and improve annual budget planning.

Harahap and Lubis (2020) further emphasize the role of internal audit in preventing corruption within government institutions. They show that auditor independence is a crucial determinant of fraud prevention effectiveness. The stronger the structural independence of internal auditors—particularly when not directly under operational leadership—the more effective budgetary control becomes.

Recent literature from 2024–2025 strengthens the empirical foundation. Putri, Ropiah, Uswaturrahmi, and Zulkarnaian (2024) find that strong internal control and capable internal auditors significantly contribute to financial accountability in regional governments, particularly when supported by modern financial information systems. Putri and Harahap (2024) similarly note that the successful implementation of the SAKTI financial system is heavily influenced by the level of internal audit oversight.

Shidqi and Arfiansyah (2025) reveal that internal audit and internal control systems play vital roles in reducing corruption levels across Indonesian regional governments. Using a cross-provincial empirical approach, they find that effective internal audit is directly associated with higher budget compliance, better financial reporting quality, and fewer expenditure irregularities. The findings highlight the importance of auditor competence in understanding public sector risks.

Additional results by Salsabiila and Wafa (2025) demonstrate that internal control systems and internal audit significantly influence fraud prevention effectiveness in local governments. Their findings emphasize the need for transparent reporting systems, strong anti-fraud cultures, and continuous auditor capacity development.

Utomo, Hayat, and Respati (2025) further confirm that effective internal audit correlates with lower corruption cases in several Indonesian ministries and government agencies. Their cross-institutional study shows that a combination of high-quality internal audit, strong internal control, and consistent implementation of audit recommendations is essential for strengthening national accountability.

Collectively, empirical studies from 2020–2025 demonstrate that internal audit in Indonesia:

- a. enhances budget accountability through evaluation and recommendation follow-ups;
- b. serves as a frontline defense against fraud;
- c. reinforces budget implementation discipline;
- d. improves financial reporting quality, particularly within digitally integrated systems;
- e. acts as a strategic instrument of bureaucratic reform.

Thus, recent empirical evidence affirms that internal audit is not merely an administrative function, but a governance mechanism that directly influences budgetary control effectiveness and public sector integrity in Indonesia.

#### **4. Relevance of Internal Audit at the High Prosecutor's Office of North Sumatra**

The High Prosecutor's Office of North Sumatra (Kejati Sumut) is a law enforcement institution entrusted with maintaining the rule of law, overseeing the implementation of prosecutorial policies, and delivering essential public services. Budget management within this institution is critically important because it directly affects the effectiveness of law enforcement activities, the smooth functioning of judicial processes, and public confidence in the Prosecutor's Office's integrity. As public expectations for transparency and accountability in law enforcement

institutions rise, internal audit becomes a primary mechanism to ensure that budgetary usage complies with statutory provisions and institutional objectives.

Internal audit at Kejati Sumut plays a central role in safeguarding the effectiveness of budgetary control. Through its assurance function, internal auditors assess compliance, efficiency, and the effectiveness of budget allocation. Through its consulting role, internal audit provides strategic recommendations to improve procurement processes, financial administration, financial reporting, and budgetary risk mitigation. Recent studies (Putri, 2025; Sadli et al., 2025) indicate that effective internal audit in government institutions can significantly enhance public financial governance, particularly when dealing with sensitive public funds such as those used for law enforcement programs.

However, the implementation of internal audit at Kejati Sumut faces several challenges. First, limitations in the number and competencies of internal auditors mean that the audit coverage does not fully reflect the complexity of prosecutorial programs — including investigation, prosecution, intelligence, evidence management, and public services. Musyarofah & Indarti (2024) emphasize that a mismatch between auditor capacity and audit workload can reduce oversight effectiveness, particularly in institutions with high operational complexity such as the Prosecutor's Office.

Second, the independence of internal auditors is a significant issue within the Prosecutor's bureaucratic structure. In some cases, internal auditors are positioned within organizational structures that are not fully autonomous from the operational officials they audit. This arrangement can create pressure that hinders the disclosure of findings and compromises auditor objectivity. Ramadhany & Yessie (2025) confirm that auditor independence in law enforcement institutions strongly influences the success of detecting budget irregularities and preventing fraud.

Third, there is insufficient follow-up on audit recommendations. Evidence from several government institutions, including law enforcement bodies, suggests that the implementation rate of audit recommendations is not always optimal due to internal resistance, weak monitoring, or resource constraints. Salsabiila & Wafa (2025) find that the effectiveness of budgetary control systems largely depends on the consistent follow-up of audit recommendations. Without senior management commitment to implement recommendations continuously, internal audit will struggle to generate meaningful improvements in systems and processes.

Despite these challenges, internal audit at the High Prosecutor's Office of North Sumatra continues to contribute positively to budgetary accountability. Prawira & Sari (2021) found that internal audit in government institutions enhances public trust by providing transparent financial information, improving budget discipline, and preventing irregularities in public fund management.

In the context of bureaucratic reform, the role of internal audit at Kejati Sumut becomes increasingly important. The government is promoting good governance principles, integrated financial information systems such as SAKTI and OMSPAN, and risk-based oversight. To achieve these objectives, the Prosecutor's Office must undertake the following actions:

- a. Strengthen auditor capacity and certification, especially in forensic auditing, IT auditing, and risk-based auditing.
- b. Reform the internal audit organizational structure to guarantee auditor independence and objectivity.
- c. Digitize internal audit processes, including adoption of analytics and continuous auditing.
- d. Implement strict monitoring of audit recommendation follow-up so that audits effectively drive system improvements.
- e. Foster an organizational culture that supports transparency so internal audit is perceived as a strategic partner rather than a structural threat.

Thus, the relevance of internal audit at the High Prosecutor's Office of North Sumatra extends beyond traditional oversight functions: it acts as a catalyst for reform, accountability enhancement, and institutional integrity strengthening. Optimizing internal audit is a strategic step to ensure that the Prosecutor's Office manages its budget effectively, efficiently, and with integrity amid growing public demands for clean and responsive governance.

## 5. Challenges and Barriers to Internal Audit Implementation

Although internal audit is a crucial instrument for strengthening governance and budgetary control, its implementation in Indonesian public institutions faces structural, cultural, and technical barriers. Recent studies indicate that internal audit effectiveness is strongly influenced by human resource quality, auditor independence, organizational culture, and information technology support (Sadli et al., 2025; Shidqi & Arfiansyah, 2025).

### 5.1 Human Resource Constraints

Human resource quality remains the principal obstacle to internal audit implementation in many government institutions. A substantial number of internal auditors lack professional certifications—such as Certified Government Auditing Professional (CGAP), Certified Internal Auditor (CIA), or specialized capabilities in digital auditing and forensic audit techniques.

Musyarofah & Indarti (2024) reveal that auditors' capacity to analyze risks, understand internal control systems, and operate modern financial applications significantly influences audit effectiveness. Less competent auditors tend to miss budgetary weaknesses or provide recommendations that lack practical relevance.

Utomo, Hayat, & Respati (2025) further emphasize that audit effectiveness in ministries and agencies depends on:

- a. Sufficient numbers of auditors;
- b. Mastery of risk-based auditing; and
- c. Capability to audit digital financial information systems.

Insufficient auditor capacity leads to inadequate coverage across broad audit areas, increasing the risk of undetected budgetary irregularities.

### 5.2 Independence of Internal Auditors

Auditor independence is indispensable for objective assessment. However, recent research shows that independence remains a serious concern in various government institutions.

Ramadhany & Yessie (2025) found that auditors at several High Prosecutor's Offices experience structural pressure from officials being audited, especially when findings are sensitive. Such pressure undermines adequate follow-up on recommendations.

Salsabiila & Wafa (2025) also report that organizational structures placing internal auditors under operational authorities create conflicts of interest, weakening oversight and reducing auditors' willingness to reveal significant findings.

Weak independence results in:

- a. limited follow-up on audit recommendations,
- b. biased risk assessments, and
- c. diminished public trust in internal oversight.

### 5.3 Organizational Culture

Bureaucratic organizational culture in Indonesia often hampers optimal internal audit performance. Practices such as "asal bapak senang" (deference to senior preferences), rigid hierarchies, resistance to criticism, and weak reporting cultures are frequently observed.

Harahap & Lubis (2020), reinforced by Rosna (2025), demonstrate that audit success is contingent on an organizational culture that embraces openness, dialogue, and transparency. Defensive or dismissive cultures that reject audit findings will undermine budgetary control effectiveness.

Williyanto, Moeljadi, & Soedjatno (2025) assert that healthy organizational cultures—those supporting integrity, accountability, and anti-fraud values—correlate positively with internal audit quality and budgetary compliance.

Without cultural transformation, internal audit cannot reach optimal effectiveness even when auditor competencies are adequate.

### 5.4 Information Technology Limitations

In the digital era, information technology is critical for modern internal auditing. Yet many Indonesian public institutions still rely on manual audit processes for data collection, document verification, and transaction analysis.

Putri & Harahap (2024) studying SAKTI reveal that a major weakness in internal audit is the underuse of data analytics and continuous auditing technologies, despite their proven ability to enhance auditors' real-time detection capabilities.

Shidqi & Arfiansyah (2025) note that low adoption of audit technologies causes:

- a. delayed detection of budget irregularities,
- b. manual errors in document inspections, and
- c. difficulties auditing integrated systems such as SIPD, SAKTI, and OMSPAN.

Technology constraints are also compounded by limited auditor training in data-driven auditing and insufficient budgets for digital audit infrastructure.

#### *Summary of Main Challenges*

Based on the latest literature (2020–2025), the primary barriers to internal audit implementation in Indonesia include:

- a. shortage of qualified and certified auditors;
- b. insufficient auditor independence;
- c. organizational cultures that do not support transparency; and
- d. limited use of information technology in auditing.

These challenges indicate the need for systemic reforms to strengthen internal audit as a cornerstone of effective budgetary control in public institutions.

## **6. Best Practices in Internal Audit from Other Countries**

To strengthen internal audit in Indonesia, benchmarking international best practices from countries with advanced public sector governance is instructive. Comparative studies demonstrate how internal audit can optimally contribute to budgetary control, integrity, and accountability. Contemporary best practices emphasize professional standards, auditor independence, technology adoption, and risk-based approaches.

### *6.1 United States*

The United States implements one of the most comprehensive public auditing frameworks through the Government Accountability Office (GAO). The GAO's Government Auditing Standards (Yellow Book), updated most recently in 2021, stress five core pillars:

- a. auditor independence (both organizational and psychological);
- b. professional competence, including digital auditing and data analytics skills;
- c. high ethical standards (integrity and objectivity);
- d. quality control and peer review mechanisms; and
- e. utilization of audit technologies, such as continuous auditing and big data analytics.

Rezaee & Fogarty (2021) show that Yellow Book adoption drives improvements in public audit quality, especially in federal budget oversight. Roussy & Brivot (2022) further argue that structural independence of internal auditors in the U.S. is a primary factor enhancing budgetary control effectiveness.

### *6.2 United Kingdom*

The United Kingdom's National Audit Office (NAO) is notable for its Value for Money (VfM) approach, which focuses on:

- a. effectiveness — achieving program objectives;
- b. efficiency — optimizing input–output ratios; and
- c. economy — achieving savings in public spending.

NAO's risk-based performance audit practices, further refined in guidance published in 2022, incorporate policy-effectiveness evaluation and digital dashboards for monitoring public expenditure. Heald & Hodges (2021) demonstrate that NAO's performance auditing enhances accountability and public policy quality. Recent reviews (International Journal of Public Sector

Management, 2023) report that NAO methods significantly improve transparency and the effectiveness of public expenditures.

### 6.3 Australia

Australia is recognized for advanced adoption of Risk-Based Auditing (RBA) in the public sector. The Australian National Audit Office (ANAO) developed frameworks prioritizing:

- a. identification of high-risk areas;
- b. risk-based allocation of audit resources;
- c. real-time data analysis; and
- d. auditing digital and technological government systems.

ANAO's framework updates (2020–2023) emphasize digital auditing and integrated system oversight. Hicks & Lau (2022) find that RBA enhances audit resource efficiency and speeds up irregularity detection. Pike, Hood, & Wright (2024) show that integrating data analytics in the Australian public audit process improves budgetary control quality and accelerates fraud identification.

### 6.4 Relevance of International Best Practices to Indonesia

Benchmarking international best practices yields several lessons for Indonesia, and specifically for the High Prosecutor's Office of North Sumatra:

- a. **Strengthening Internal Audit Standards** — Align national internal audit standards with frameworks such as GAO Yellow Book, NAO VfM, and ANAO RBA. Adopt risk-based oversight and outcome-based program measurement.
- b. **Developing Auditor Competencies** — Emphasize proficiency in digital auditing, data analytics, risk assessment, and forensic audit techniques. Continuous professional development and certifications (CIA, CGAP, CFE) should be prioritized.
- c. **Adopting Modern Audit Technologies** — Implement continuous auditing, data analytics, and system-based auditing; integrate data from SAKTI, SIPD, and OMSPAN.
- d. **Reforming Structure to Secure Independence** — Consider structural reforms to ensure auditor autonomy in line with GAO-style independence models to prevent conflicts of interest.
- e. **Strengthening Accountability Culture** — The NAO experience suggests that a culture supporting transparency positively affects audit effectiveness; the Prosecutor's Office must cultivate a high-integrity culture to maintain public trust.

The benchmarking results indicate that strengthening internal audit in Indonesia — including at Kejati Sumut — should prioritize digital transformation, capacity building, structural independence, and risk-based auditing to achieve optimal budgetary control effectiveness.

## 7. Theoretical and Practical Implications

### 7.1 Theoretical Implications

Theoretically, this study enriches the literature on the relationship between internal audit and the effectiveness of budgetary control in the public sector. The findings support several governance theories in the context of public institutions.

First, the study reinforces **Agency Theory**, which explains the principal–agent relationship (public/principal vs. government institutions/agents) as susceptible to information asymmetry and moral hazard. Internal audit functions as a monitoring mechanism that helps align agents' behavior with principals' interests, particularly in public budget utilization. Recent literature (Williyanto, Moeljadi, & Soedjatno, 2025) indicates that effective internal audit reduces agency loss in government institutions.

Second, the findings align with **Stewardship Theory**, which posits that public managers have moral and ethical obligations to uphold public trust. Internal audit helps ensure stewardship values are reflected in budgeting and financial management. Studies by Sadli et al. (2025) and Shidqi & Arfiansyah (2025) indicate that internal audit contributes to strengthening integrity and accountability culture in the public sector.

Third, the research supports the **Modern Internal Control Systems Theory**, asserting that budgetary control requires not only administrative compliance but also risk-based oversight,

digital technologies, and data analytics. Integrating internal audit with financial information systems (e.g., SAKTI, SIPD, OMSPAN) reflects a paradigm shift toward risk-based governance, as highlighted by Putri (2025).

Thus, theoretically, internal audit is affirmed as a foundational component of modern public governance, with increasing importance amid higher expectations for transparency, accountability, and institutional integrity.

### 7.2 Practical Implications

This study offers several practical, strategic implications for the High Prosecutor's Office of North Sumatra regarding budgetary control and institutional integrity:

- a. **Strengthening Auditor Capacity** — Kejati Sumut should invest in capacity development through risk-based public sector audit training, professional certifications (CGAP, CIA, CFA, CFE), forensic audit training, and acquisition of data analytics skills. Musyarofah & Indarti (2024) emphasize auditor competence as a key determinant of audit success.
- b. **Enhancing Auditor Independence** — To preserve audit objectivity, the Prosecutor's Office should consider placing the internal audit unit under the highest leadership, avoid conflicts of interest in audit assignments, and implement policies protecting auditors from internal pressure. Ramadhany & Yessie (2025) show that structural independence has a significant impact on audit recommendation quality in law enforcement institutions.
- c. **Optimizing Follow-up of Audit Recommendations** — Audit recommendations are effective only if implemented. Recommended measures include real-time dashboard monitoring systems, performance metrics for follow-up implementation, and periodic senior leadership evaluations of audit-finding remediation. Salsabiila & Wafa (2025) identify follow-up actions as decisive for audit effectiveness.
- d. **Advancing Risk-Based and Technology-Enabled Auditing** — Kejati Sumut should adopt risk-based auditing, big data analytics, continuous auditing, and leverage systems such as SAKTI, SIMKARI, OMSPAN, and SIPD. Putri & Harahap (2024) find that integrating IT into audit processes enhances the precision of irregularity detection.
- e. **Positioning Internal Audit as a Strategic Partner** — With improved competence, independence, and technological tools, internal audit can act as a strategic advisor, supporting budget decisions, driving bureaucratic reform, and sustaining institutional integrity. This strategic role aligns with recommendations by Williyanto et al. (2025) that internal audit is central to strengthening public sector governance.

### 7.3 Policy Implications and Practical Recommendation

Based on the findings of this study, several practical and policy-oriented implications can be proposed to strengthen budgetary control within the High Prosecutor's Office of North Sumatra and similar public sector institutions.

First, policymakers should prioritize **strengthening internal audit capacity** through continuous professional training and certification programs, particularly in risk-based auditing, forensic auditing, and digital audit techniques. This policy is essential to ensure that internal auditors possess the competencies required to address increasingly complex public financial management challenges.

Second, institutional policy reforms are needed to **enhance the structural independence of internal audit units**. Positioning internal auditors directly under top management and ensuring protection from undue influence will improve audit objectivity and the credibility of audit findings.

Third, government institutions should establish **mandatory and measurable follow-up mechanisms** for audit recommendations. Clear standard operating procedures (SOPs), performance indicators, and monitoring dashboards can ensure that audit findings lead to concrete system improvements rather than remaining administrative formalities.

Fourth, at the policy level, the integration of **digital audit systems and data analytics** should be accelerated. The adoption of continuous auditing, integration with financial systems such as SAKTI, SIPD, and OMSPAN, and the use of big data analytics can significantly enhance early detection of budget irregularities and improve audit effectiveness.

Overall, these policy recommendations highlight that strengthening internal audit is not merely a technical requirement but a strategic governance policy to promote transparency, accountability, and integrity in public financial management, particularly within law enforcement institutions.

In sum, both theoretically and practically, internal audit is pivotal for: ensuring effective budget utilization, detecting irregularities early, protecting institutional integrity, and promoting transparent, accountable public governance. Optimizing internal audit functions is essential for successful bureaucratic reform, particularly at the High Prosecutor's Office of North Sumatra.

## CONCLUSION

Internal audit plays a strategic role in strengthening the effectiveness of budgetary control and the accountability of public institutions, including the High Prosecutor's Office of North Sumatra. Based on recent literature (2020–2025), the effectiveness of internal audit is largely determined by the quality of human resources, the level of auditor independence, top management commitment, and the utilization of technology in audit processes. Internal audit functions not only as a supervisory mechanism but also as a key instrument to ensure that public budget utilization aligns with organizational objectives, operates efficiently, and remains free from irregularities.

However, the implementation of internal audit across various Indonesian government institutions, including Kejati Sumut, continues to face challenges. Major obstacles include the limited number of certified and competent auditors, insufficient auditor independence, and an organizational culture that does not fully support transparency and accountability. These barriers can undermine the effectiveness of budgetary control, especially in institutions managing complex programs and large budget allocations such as the Prosecutor's Office.

Lessons from international best practices—such as those from the United States, the United Kingdom, and Australia—underscore the need to strengthen internal audit by adopting risk-based auditing, improving auditor qualifications through professional certification, advancing digital audit practices, and implementing rigorous public-sector audit standards. These approaches have been shown to enhance audit effectiveness, improve budget efficiency, and strengthen an institution's ability to detect and prevent financial misconduct.

Based on these findings, several strategic recommendations are proposed for the High Prosecutor's Office of North Sumatra:

1. **Enhancing internal auditor capacity** through technical training and professional certification.
2. **Strengthening auditor structural independence** to ensure objective assessments and unbiased recommendations.
3. **Optimizing follow-up of audit recommendations** through strict and measurable monitoring systems.
4. **Digitalizing audit processes**, including the implementation of data analytics and continuous auditing.

Overall, the success of budgetary control is not determined solely by the existence of an internal audit system, but primarily by the quality, competence, integrity, and effectiveness of its implementation. Therefore, building a strong internal audit function is a strategic priority for achieving transparent, accountable, and integrity-based financial governance within the High Prosecutor's Office of North Sumatra.

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