

Strengthening public sector resilience through effective internal audits in Indonesian local government



Swarmilah Hariani^{abc} ✉ | Selvia Vivi Devianti^d | Geger Adelia^d | Rusdi Omar^a | A. Fakhrorazi^a | Hafiz Abdul Samee Malik^a

^aSchool of International Studies, Universiti Utara Malaysia, Kedah, Malaysia.

^bInstitute for Indonesia, Thailand and Singapore, Universiti Utara Malaysia, Kedah, Malaysia.

^cDepartment of Accountancy, Universitas Mercu Buana, Indonesia.

^dThe Audit Board of the Republic of Indonesia (BPK RI), Indonesia.

Abstract Amid escalating governance complexities and fiscal constraints, enhancing public sector resilience has become a strategic priority for local governments, underscoring the indispensable role of internal audits in promoting accountability, transparency, and sustainable performance. In the context of rapid digital transformation, the integration of information technology (IT) governance within public financial management systems has emerged as a crucial determinant of audit effectiveness. This study investigates the interrelationships among IT governance, financial reporting quality, internal audit effectiveness, and political influence within Indonesian local government organizations. Drawing upon institutional theory, a structural equation modeling (SEM) approach was employed to analyze data collected from public sector entities. The empirical results demonstrate that IT governance exerts a significant positive effect on financial reporting quality, which subsequently enhances internal audit effectiveness. However, IT governance does not directly influence internal audit effectiveness, indicating a full mediation through financial reporting quality. Furthermore, political influence exerts a detrimental impact on both financial reporting quality and internal audit effectiveness, while attenuating the positive linkage between IT governance and financial reporting quality. Conversely, the moderating effect of politics on the relationship between financial reporting quality and audit effectiveness was found to be insignificant. These findings position financial reporting quality as a pivotal mechanism linking digital governance practices with audit performance, while highlighting how political pressures can erode governance integrity. The study contributes to systems theory by conceptualizing internal audit as a core subsystem that sustains organizational resilience. Practically, it offers valuable insights for policymakers to reinforce IT governance, improve audit independence, and mitigate political interference in public sector accountability frameworks.

Keywords: internal audit effectiveness, organizational resilience, political behaviour, public sector governance

1. Introduction

The role of internal audits has grown more crucial in supporting the attainment of organizational objectives while strengthening transparency, accountability, and efficiency within public sector operations (Yanuarisa et al., 2025). In local governments, internal auditors are expected not only to add value but also to act as strategic partners capable of navigating complex technological and political environments (Boufounou et al., 2024). Nonetheless, ongoing issues such as resource mismanagement, ineffective auditing mechanisms, and poor information technology governance still weaken the reliability of financial reporting and erode public confidence in internal audit practices (Edeh & Obinna, 2025). Political dynamics and internal pressures further exacerbate these challenges, frequently undermining the independence and impartiality of internal auditors within public institutions (Ekayanti and Nohong, 2025).

The responsibilities of internal audit are becoming more complex due to rising cybersecurity and digital infrastructure risks, requiring auditors to possess greater expertise in addressing vulnerabilities within government systems (Baporikar, 2025). Although earlier research has emphasized the importance of internal auditing in ensuring financial oversight and reporting accuracy, (Hariani & Fakhrorazi, 2021; Taha, 2024), the extent to which internal audit effectiveness (IAE) contributes to strengthening organizational resilience, particularly in politically sensitive local government contexts, remains underexplored. This gap is critical, as political intervention may weaken audit independence and diminish the capacity of internal auditors to enhance public sector performance.

Therefore, this research seeks to address this gap by examining how internal audit effectiveness (IAE) can improve the performance of local government institutions in Indonesia while reducing the impact of political intervention. By examining the interplay between IAE and political interference, this study highlights the importance of strengthening internal audit mechanisms to reinforce transparency, enhance accountability, and improve the monitoring of public spending. Accordingly, this study poses the following research questions: How does effective information technology governance influence financial reporting quality and internal audit effectiveness? How does financial reporting quality contribute to internal audit effectiveness? and How do political factors impact financial reporting quality and internal audit effectiveness in local governments?

The insights generated from this study will enrich the broader discourse on good governance by identifying the conditions that strengthen audit independence, improve financial integrity, and enhance the resilience of public sector institutions. Accordingly, the study offers both theoretical contributions and practical guidance for advancing internal audit practices within politically dynamic environments.

2. Literature review

The effectiveness of internal auditing in the public sector can be better understood through the complementary lenses of complexity theory and institutional theory, both of which explain how interconnected structures, routines, and individual agency shape governance outcomes. Feldman and Pentland (2003) emphasized the need for a coherent understanding of such interdependencies, an approach that is foundational to complexity theory. This view has evolved to inform the study of internal audit (IA), where practitioners balance institutional expectations with personal values to navigate complex accountability environments (Alqudah et al., 2023). The interwoven nature of governance systems has prompted scholars like to argue for centralized control within decentralized systems, highlighting tensions between professional autonomy and hierarchical oversight, an enduring challenge in the public sector (Smoke, 2015).

Meanwhile, organizational routines form a critical analytical component in this discourse, as they reveal how short-term effectiveness and long-term strategy coalesce in public decision-making (Barauskaite & Streimikiene, 2021). Internal audit plays a vital role here, facilitating managerial effectiveness through verification, procedural evaluation, and policy alignment (Cohen & Sayag, 2010). In the evolving audit landscape, Agrizzi et al. (2021) described the rise of an audit society, where internal auditing has transcended its financial roots to become a core instrument of public accountability. Despite the increasing complexity of public governance, internal audit remains a pivotal mechanism for enforcing central norms and ensuring operational conformity (Lanny and Utami, 2023). This function is critical in the public sector, where legitimacy and transparency are under constant scrutiny.

Furthermore, Public sector governance is further complicated by normative expectations rooted in legality and public interest. Citizens expect transparency and accountability from public institutions, differentiating them fundamentally from private entities (Cashore et al., 2021). The time-bound, procedural nature of public sector work, coupled with the demand for external data sharing, introduces significant complexity into internal operations (Knauer et al., 2020). Audit processes, especially financial audits of government agencies, become essential in ensuring not only regulatory compliance but also in demonstrating value for money (Hay & Cordery, 2017). Internal audits must thus evaluate the efficiency and effectiveness of implemented programs while ensuring procedural adherence (Alam et al., 2019). This reflects a multi-dimensional role that goes beyond checking compliance to informing strategic improvements in governance. Together, these dynamics form the basis for exploring how effective information technology governance, financial reporting quality, and politics collectively impact the effectiveness of internal auditing.

Information technology governance (ITG) has become a key factor influencing both financial reporting quality (FRQ) and the effectiveness of internal auditing (IAE). The digitization of financial systems has enhanced the speed, accuracy, and reliability of financial information, thereby reinforcing regulatory compliance and managerial decision-making (Boakye et al., 2022). However, these technological advancements necessitate corresponding competencies among auditors, who must stay abreast of emerging systems to maintain audit quality (Jackson, 2022). Mastery of information systems enables auditors to select appropriate audit methods and generate more insightful reports (Vitali & Giuliani, 2024). Collaboration between internal and external auditors enhances financial reporting quality (FRQ), whereas the independence and analytical capabilities of internal audit functions serve as key drivers of audit effectiveness (Madawaki, 2022).

Meanwhile, high-quality financial reporting (FRQ) provides auditors with reliable, transparent, and complete information. It functions as an institutional mechanism that enhances audit judgment and supports objective evaluation of internal controls (Mesioye & Bakare, 2024). When financial reports are accurate and timely, auditors can more effectively detect irregularities and assess compliance, thereby strengthening IAE (Abubake et al., 2025). Additionally, because FRQ reflects the maturity of underlying IT governance practices, it is expected to mediate the relationship between IT governance and internal audit effectiveness. Strong ITG enhances reporting processes, which in turn enable more effective internal auditing (Wu et al., 2024).

Besides, politics introduces a further dimension of complexity, particularly in its impact on audit integrity and financial disclosures. Politically connected entities often exhibit weaker financial reporting quality due to opportunistic earnings

management and reduced audit scrutiny (Khalil et al., 2022). These connections may enable regulatory capture or the circumvention of audit processes, leading to concerns about transparency and stakeholder trust (Alshirah et al., 2022). Even though some connected firms attempt to signal reliability by employing reputable auditors (Roszkowska, 2021), the overall trend suggests a deterioration in FRQ with increased political proximity. Political interference also threatens internal audit effectiveness by undermining audit independence, redirecting audit priorities, and creating environments where auditors must navigate political expectations rather than purely risk-based concerns (Spira & Page, 2003). Because political involvement can distort reporting practices, it likely influences how FRQ translates into internal audit effectiveness, suggesting a mediating pathway. When reporting quality is compromised due to political pressures, auditors may face difficulties relying on financial information, thereby reducing audit effectiveness (Knechel & Jong, 2022).

Institutional theory suggests that political environments shape how governance structures function by influencing formal rules, norms, and reporting behaviors (Okolie & Egbon, 2025). Within such contexts, political forces may shift, weaken, or distort the relationship between IT governance and financial reporting quality, making the effect of ITG on reporting dependent on political conditions. When political pressure is high, even strong IT systems may be overridden by strategic reporting or manipulated disclosures (Hossain et al., 2025). Similarly, politics may moderate the relationship between FRQ and internal audit effectiveness, as political influence can compromise auditors' ability to rely on financial statements or act independently. In politically charged environments, even high-quality reports may not translate fully into stronger audit outcomes due to institutional constraints (Tantawy & Moussa, 2023).

Despite the substantial body of research on internal auditing, financial reporting, and politics, critical gaps remain. Notably, the dynamic interactions among these elements in public sector contexts, especially within non-western or developing economies, are underexplored. Contradictory findings such as whether political connections enhance or impair audit quality highlight the need for nuanced, context-specific studies. Moreover, the role of normative and legal frameworks in shaping these interactions warrants closer examination, especially in environments with evolving governance standards. Accordingly, this research aims to bridge these gaps by empirically examining the proposed relationships and moderation effects, thereby contributing to a more comprehensive understanding of governance mechanisms in the public sector.

This study investigates how IT governance, political dynamics, and financial reporting quality collectively impact internal audit effectiveness within public sector organizations that operate in increasingly complex governance environments. Drawing upon complexity theory, the research views public institutions as adaptive systems characterized by interdependent structures and nonlinear interactions among governance mechanisms, audit processes, and external political forces. Within such complex environments, IT governance serves as a structural mechanism that introduces order, transparency, and control, thereby improving coordination and decision-making processes (Priyadarsini & Kumar, 2022). However, the interplay of political dynamics introduces additional layers of complexity that may distort institutional processes, reduce audit independence, and compromise accountability outcomes (Tessema & Abou-El-Sood, 2023).

Complementing this perspective, institutional theory provides a framework for understanding how formal regulations, professional norms, and political pressures shape the legitimacy and functioning of governance systems (Okolie & Egbon, 2025). From this viewpoint, financial reporting quality acts as an institutional mechanism that reinforces transparency and credibility, serving as a mediating factor between IT governance and internal audit effectiveness. High-quality financial reporting reflects effective IT governance practices and provides auditors with reliable data to perform objective evaluations (Mesioye & Bakare, 2024). Conversely, political interference can disrupt these institutional processes by undermining the neutrality of reporting and the independence of internal audit functions.

Hence, by integrating complexity theory and institutional theory, this study develops a multidimensional framework that captures both the systemic interdependencies and institutional constraints shaping internal audit effectiveness in the public sector. The framework posits that IT governance enhances audit effectiveness indirectly through improved financial reporting quality, while political dynamics moderate these relationships by either reinforcing or weakening the institutional environment in which audits operate. This integrated perspective bridges gaps in the literature by linking information systems, political governance, and auditing research domains that have traditionally been examined in isolation. Building upon these theoretical underpinnings and the proposed research model (Figure 1), the following hypotheses are developed to empirically test the relationships among these constructs.

H1: Effective information technology governance has a positive influence on financial reporting quality.

H2: Effective information technology governance has a positive influence on internal audit effectiveness.

H3: Financial reporting quality has a positive influence on internal audit effectiveness.

H4: Financial reporting quality has a significant mediating effect on the relationship between effective information technology governance and internal audit effectiveness.

H5: Politics has a negative influence on financial reporting quality.

H6: Politics has a negative influence on internal audit effectiveness.

H7: Financial reporting quality has a significant mediating effect on the relationship between politics and internal audit effectiveness.

H8: Politics has moderation effect on the relationship between effective information technology governance and financial reporting quality.

H9: Politics has moderation effect in the relationship between financial reporting quality and internal audit effectiveness.

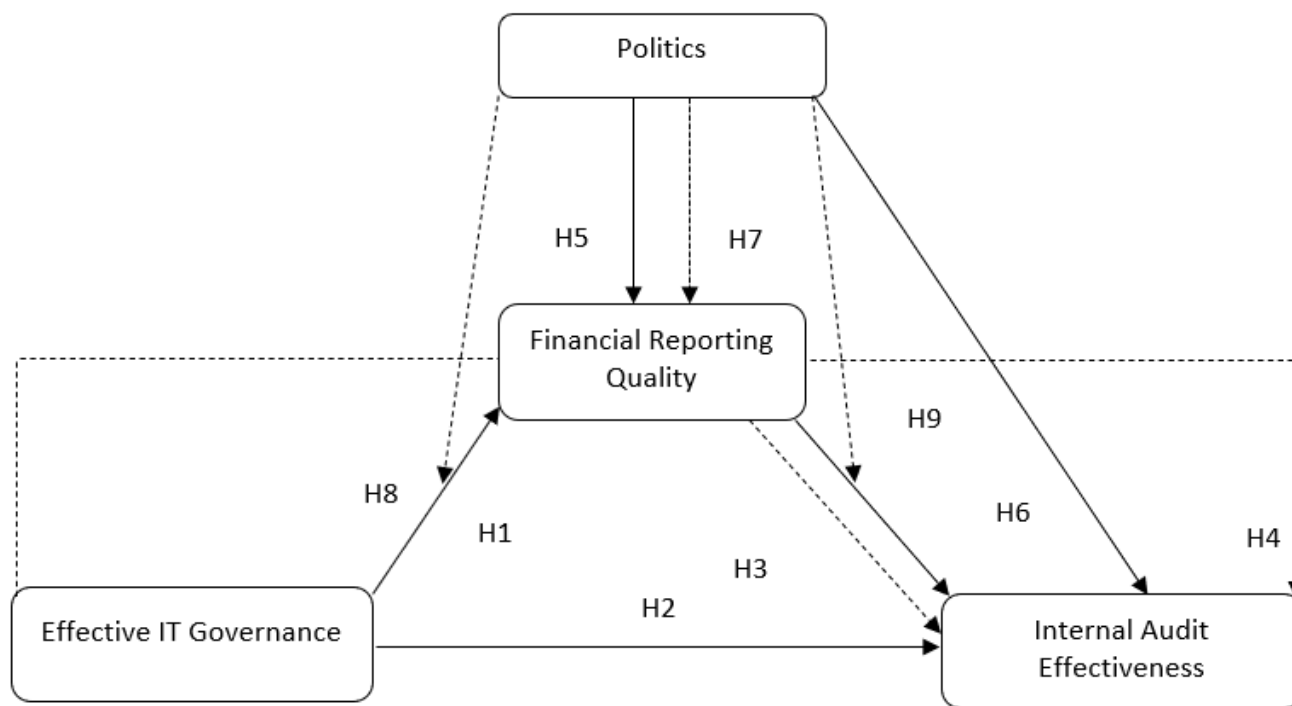


Figure 1 Research model.

3. Methodology

This study employed a quantitative cross-sectional approach to investigate the relationships among the proposed constructs within the public sector in Sumatra. The research focused specifically on local governments in district areas, collecting data from civil servants working in financial reporting units, including heads of accounting, senior accounting officers, and junior staff. The cross-sectional design was considered appropriate for capturing individuals’ perceptions at a specific point in time, allowing for efficient validation of the proposed research model within the constraints of available resources (Sekaran & Bougie, 2016).

The research was grounded in a positivist paradigm and employed a survey strategy using self-administered questionnaires. This approach was chosen for its efficiency in collecting large volumes of data within a limited timeframe and its capacity to promote candid responses from participants (Zikmund et al., 2014). The target population included civil servants in accounting and financial reporting departments, who are directly involved in preparing financial reports for local governments. Considering that more than seventy percent of the government budget is dedicated to public procurement, the investigation into IAE within this environment is both timely and relevant.

Sampling was conducted using a two-stage non-probability approach. In the first stage, clusters of financial reporting units were identified across local government bodies. In the second stage, purposive sampling was applied to identify respondents deemed most relevant to the study objectives, based on the researcher’s informed assessment (Hair et al., 2011). This purposive sampling technique ensured that knowledgeable and experienced personnel were selected, even though it limited the generalizability of the findings. Although non-probability sampling was appropriate due to the need to target respondents with specialized knowledge of internal audit practices, it may limit the external validity of the findings. Because respondents were not selected randomly, the sample may not fully represent all local government auditors in Indonesia, and caution is required when generalizing the results. Nevertheless, this approach remains suitable for the context of current study, as internal auditors constitute a specialized population that is difficult to access through random sampling. The demographic profile of the respondents is shown in Table 1.

In addition, the data was analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM), as it is well-suited for assessing complex models and exploring interrelationships among multiple constructs (Henseler et al., 2016). Data analysis was carried out with the assistance of SmartPLS 4, evaluations were conducted on both the measurement and structural models to confirm the validity and reliability of the constructs.

Table 1 Demographic characteristics of the respondents (N = 302).

Demographic Variables	Category	Frequency	Percent (%)
Gender	Male	113	37.42
	Female	189	62.58
Age	< 25 years	53	17.55
	25-37 years	76	25.16
	38-50 years	132	43.71
	> 50 years	41	13.58
Education	Bachelor’s degree	193	63.91
	Master’s degree or higher	109	36.09
Department	Accounting	93	30.79
	Management	111	36.75
	Law	15	4.97
	Others	83	27.49
Position	Head Accounting	102	33.78
	Senior Accounting	117	37.74
	Junior Accounting	83	27.48
Length of service in current local government	< 5 years	79	26.16
	6-10 years	168	55.63
	11-15 years	37	12.25
	> 16 years	18	5.96
Total length of working experience (start from the beginning of the career until now)	< 5 years	58	19.20
	6-10 years	175	57.95
	11-15 years	43	14.24
	> 16 years	26	8.61

4. Results and discussion

The analysis with SmartPLS 4 was conducted in two main phases: first, the assessment of the measurement model, followed by the evaluation of the structural model. Reliability of the measurement model was verified through assessments conducted at both the item level and the construct level. Once the necessary conditions for the measurement phase were satisfied, the structural model was evaluated followed by model fit and predictive relevance. Furthermore, proposed relationships within the structural model were analyzed. However, prior to this, it is important to detect and address any potential concerns associated with multicollinearity and common method bias (CMB), as these factors could compromise the credibility of the research outcomes (Hair et al., 2017).

Since the data was collected using a single instrument, Harman’s single-factor test was applied to evaluate the potential presence of common method bias (Podsakoff et al., 2003). The findings revealed that a single factor explained only 40.7% of the total variance, which is below the 50% threshold, indicating that common method bias is unlikely to be an issue in this study (Tehseen et al., 2017).

Moreover, multicollinearity among indicators was examined through the variance inflation factor (VIF). In line with Hair et al. (2017), VIF values below 5 are considered acceptable. All VIF values in the model are below than this threshold, indicating that multicollinearity is not an issue and that the data is suitable for structural equation modeling.

Meanwhile, to assess convergent validity, the outer loadings of all indicators were first examined. Indicators with loading values below 0.50 were considered for removal. Eleven indicators, including PIN3 and PIN9, were removed due to low loading values. After eliminating the invalid items, the remaining indicators all had loadings above 0.50, satisfying the criteria for convergent validity at the developmental stage (Hair et al., 2017). All constructs reported average variance extracted (AVE) values above 0.50, indicating that each construct accounts for more than 50% of the variance in its associated measurement items. Additionally, composite reliability (CR) values for all variables were above 0.70, further supporting convergent validity and internal consistency.

Furthermore, Cronbach’s alpha coefficients were calculated to assess the reliability of the constructs. All constructs yielded alpha values above 0.80, reflecting a high degree of reliability and confirming the stability and consistency of the measurement instruments (Hair et al., 2011). These results are elucidated in Table 2.

In addition, the Fornell-Larcker criterion was employed to evaluate discriminant validity. For each latent construct, the square root of its AVE was greater than its correlations with other constructs, confirming discriminant validity and establishing clear distinctiveness among the constructs in the model (Hair et al., 2017). Table 3 shows discriminant validity results.

Predictive power of the model was assessed using the R² values of the endogenous variables. According to Cohen (1988), R² values above 0.32 indicate substantial predictive power, whereas values exceeding 0.15 reflect a moderate level. In this study, all R² values met or exceeded the moderate threshold, supporting the explanatory strength of the model. Furthermore, the standardized root mean square residual (SRMR) was applied to evaluate the overall model fit. The SRMR value was recorded at 0.043, falling well below the recommended threshold of 0.08 (Hu & Bentler, 1999), indicating a good



model fit. The Q² statistic, derived from the blindfolding procedure, was utilized to assess the model’s predictive relevance. All Q² values were found to be above zero, indicating that the model possesses substantial predictive relevance (Hair et al., 2017). These results are elucidated in Table 4.

Table 2 Reliability analysis.

Variables	Items	Loadings	CA	CR	AVE	VIF					
Effective IT Governance	ITG1	0.949	0.870	0.921	0.796	1.031					
	ITG2	0.883									
	ITG3	0.841									
Financial Reporting Quality	FRQ1	0.793	0.866	0.910	0.716	1.401					
	FRQ2	0.828									
	FRQ3	0.830									
	FRQ4	0.928									
Politics	PIN1	0.877	0.978	0.980	0.793	1.060					
	PIN2	0.931									
	PIN4	0.898									
	PIN5	0.891									
	PIN6	0.861									
	PIN7	0.855									
	PIN8	0.867									
	PIN10	0.879									
	PIN11	0.881									
	PIN12	0.861									
	PIN13	0.919									
	PIN14	0.856									
	PIN15	0.877									
	Internal Audit Effectiveness	IAE1					0.836	0.973	0.975	0.700	1.275
		IAE2					0.852				
IAE3		0.874									
IAE4		0.842									
IAE5		0.784									
IAE6		0.850									
IAE7		0.760									
IAE8		0.838									
IAE9		0.856									
IAE10		0.835									
IAE11		0.887									
IAE12		0.872									
IAE13		0.765									
IAE14		0.986									
IAE15		0.841									
IAE16		0.780									
IAE17		0.730									

*Items PIN3 and PIN9 were deleted.

Table 3 Validity analysis.

Variables	FRQ	IAE	ITG	PIN
FRQ	0.846			
IAE	0.479	0.837		
ITG	0.661	0.345	0.892	
PIN	-0.428	-0.342	-0.170	0.890

Table 4 Structural model specifications

Variables	R ²	Communality	Redundancy
ITG	Predictor	0.564	-
PIN	Predictor	0.752	-
FRQ	0.588***	0.516	0.410
IAE	0.258**	0.661	0.177

Note: Significance level R² >0.32 (Substantial)***, >0.15 (moderate)**, >0.02 (weak)*.

In summary, the evaluation of both the measurement and structural models affirms that all necessary assumptions are satisfied, with the model exhibiting high validity, reliability and overall fit, in line with Malik et al. (2025). These results provide a solid foundation for hypothesis testing (Table 5) and theoretical interpretation in subsequent sections.



Table 5 PLS bootstrapping results.

	Hypothesis	Std. Beta	Std. Dev	T values	p values	Decision
H1	ITG -> FRQ	0.614	0.035	16.802***	0.000	Supported
H2	ITG -> IAE	0.259	0.065	1.242	0.215	Not supported
H3	FRQ -> IAE	0.423	0.091	3.717***	0.000	Supported
H4	ITG -> FRQ -> IAE	0.259	0.056	3.961***	0.000	Supported
H5	PIN-> FRQ	-0.286	0.045	6.303***	0.000	Supported
H6	PIN -> IAE	-0.297	0.060	3.100***	0.002	Supported
H7	PIN -> FRQ -> IAE	-0.121	0.033	3.094***	0.002	Supported
H8	PIN x ITG -> FRQ	-0.038	0.056	4.320***	0.000	Supported
H9	PIN x FRQ -> IAE	0.102	0.050	0.678	0.498	Not supported

Note: *Significant: P<0.10, **Significant: P<0.05, ***Significant: P<0.01 based on the two-tailed t-statistics, as t-value greater than 1.65, 1.96 and 2.58.

This study investigated the interrelationships among information technology governance (ITG), financial reporting quality (FRQ), internal audit effectiveness (IAE), and politics (PIN) within the context of public sector governance. The structural model proposed nine hypotheses, inspecting both direct and indirect relationships. The results offer several insights into how governance practices, reporting quality, and political factors interact to shape audit effectiveness in public organizations.

The findings support H1, showing a strong positive relationship between ITG and FRQ ($\beta = 0.614, p < 0.001$). This confirms that sound IT governance significantly enhances the quality of financial reporting. This is consistent with prior research suggesting that well-established IT controls and strategies contribute to more accurate, timely, and transparent financial disclosures (Chen & Tang, 2013). As public sector organizations increasingly digitize their operations, the role of IT governance becomes critical in ensuring reporting integrity.

In contrast, H2 was not supported, as ITG did not have a significant direct effect on IAE ($\beta = 0.259, p = 0.215$). This suggests that ITG may not influence internal audit effectiveness unless mediated by other organizational factors such as reporting quality. This non-significant result could be due to organizational silos where ITG improvements are not fully aligned with internal audit functions, or where internal auditors lack access to or control over IT systems.

Consistent with H3, FRQ significantly and positively influenced IAE ($\beta = 0.423, p < 0.001$), reinforcing the view that high-quality financial reporting provides a foundation for more effective internal auditing. This aligns with the notion that internal auditors rely heavily on accurate financial data to assess risk, detect anomalies, and ensure compliance (Ogunsola & Balogun, 2021).

The mediation hypothesis (H4) was also supported, indicating that FRQ fully mediates the association between ITG and IAE ($\beta = 0.259, p < 0.001$). This suggests that ITG enhances audit effectiveness indirectly by first improving the quality of financial reporting. Practically, this underscores the need for integrative governance strategies that connect IT, financial management, and auditing.

The findings for H5 and H6 confirm that politics negatively impacts both FRQ ($\beta = -0.286, p < 0.001$) and IAE ($\beta = -0.297, p = 0.002$). This supports the argument that political interference undermines objective reporting and weakens internal audit functions, potentially due to pressure to manipulate or conceal financial irregularities (Vanasco, 1998). This is particularly relevant in developing country contexts where institutional independence may be compromised.

In line with this, the mediation analysis (H7) showed that FRQ mediates the negative relationship between politics and IAE ($\beta = -0.121, p = 0.002$). This highlights that one way political interference weakens audit effectiveness is by degrading the quality of financial reports. These findings contribute to the literature by empirically validating the corrupting effect of politics on both reporting and auditing systems.

The study explored whether PIN moderates the effect of ITG on FRQ (H8) and the effect of FRQ on IAE (H9). The results support H8, indicating that politics significantly moderates the relationship between ITG and FRQ ($\beta = -0.038, p < 0.001$). Interestingly, the negative beta implies that the presence of politics weakens the positive impact of ITG on financial reporting quality. This suggests that even with strong ITG structures, politically motivated interference can erode the benefits by circumventing controls or distorting transparency efforts.

However, H9 was not supported ($\beta = 0.102, p = 0.498$), indicating that politics does not significantly moderate the relationship between FRQ and IAE. This non-significant moderation suggests that the beneficial effect of high-quality financial reporting on audit effectiveness remains stable regardless of political pressures. One plausible explanation is that FRQ operates as a technical and procedural mechanism that is less susceptible to political fluctuation compared to other governance processes. Once financial information adheres to established standards, its credibility and utility for auditors may be sufficiently robust to withstand attempts at political influence. Another possibility is that internal auditors may treat high-quality financial reports as authoritative, evidence-based inputs, allowing them to maintain professional judgment even in politically sensitive environments. In such contexts, auditors may strategically rely on FRQ as an objective anchor to counterbalance informal political pressures, thereby reducing the moderating role of politics. Additionally, institutional arrangements such as standardized reporting frameworks, regulatory oversight, and digitalized reporting systems may buffer the FRQ-IAE



relationship from external interference by limiting opportunities for political actors to manipulate technical reporting processes. Overall, it implies that strengthening FRQ provides a relatively “politics-resistant” pathway to improving internal audit effectiveness. Even in local governments where political intervention is prevalent, high-quality reporting may continue to facilitate accurate assessments, reduce information asymmetry, and support more effective audit practices.

These findings reinforce the centrality of FRQ as a mediating construct that links governance and audit performance. The study extends prior work by showing that IT governance indirectly affects audit outcomes and that politics acts as both a direct disruptor and a moderator of governance mechanisms. Theoretically, this aligns with institutional theory, where formal structures are often undermined by informal pressures in politically sensitive environments.

This study contributes to systems theory by framing IA effectiveness as a key interconnected unit that supports organizational performance. By reviewing, analyzing, and advising on internal processes, IA plays a vital role in enhancing organizational effectiveness and governance. Practically, IA differs from the external government Audit Department in its structure and authority, yet both aim to strengthen governance and accountability. To avoid task duplication and improve audit efficiency, cooperation between these bodies is essential. Joint planning and information sharing can enhance public sector audit outcomes. Besides, the results urge public sector leaders to insulate reporting and auditing functions from political interference. Efforts to enhance ITG must be accompanied by policies that guarantee independence and accountability. Training programs, legislative reforms, and digital transparency initiatives could be effective ways to counteract politics and boost public trust.

5. Conclusions

This study aimed to explain how internal audit effectiveness reflects an organization’s financial security. The results showed that effective IT governance positively influences financial reporting quality, but it does not directly impact IA effectiveness. IA is vital to good governance and financial integrity. Therefore, integrating AI, fostering ethical cultures, and promoting collaboration between audit bodies will enhance the value of internal audit functions in public institutions.

The study also highlighted that internal auditing, often team-based, can trigger political behaviors driven by personal and organizational factors. These behaviors may harm audit quality and organizational functioning, suggesting that improvements in HR and organizational culture are necessary to reduce such risks. Regulators must strengthen oversight, particularly in financial institutions, to prevent misleading financial practices that compromise public trust.

This study opens several avenues for future exploration. First, it would be useful to conduct longitudinal research to observe how changes in political leadership impact governance and audit outcomes over time. Second, qualitative investigations into how politics manifests within organizations could provide deeper insights into mechanisms of interference. Finally, further studies should examine the interaction of cultural, institutional, and political factors in other developing countries to validate the generalizability of these findings.

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Ethical considerations

Prior to reaching out to participants and distributing the questionnaire, ethical clearance was secured from the institution. Participants were informed that their involvement is voluntary, and consent was obtained once the research objectives had been clearly communicated. In line with Creswell and Clark (2017), measures were taken to ensure the confidentiality and anonymity of all respondents.

Conflict of Interest

The authors report that there are no conflicts of interest.

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