

The Role of Internal Audit in the Implementation of Good University Governance to Improve Financial Management Accountability (Case Study at PTN-BH, Universitas Pendidikan Indonesia)

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ABSTRACT

This study aims to analyze the role of internal audit in the implementation of Good University Governance (GUG) at the University of Education Indonesia (UPI), which has the status of a Legal Entity State University (PTN-BH). The main focus is on how the role improves financial management accountability within the university environment. Internal audit has an important role as an internal control mechanism to ensure transparency and accountability in financial statements, thereby supporting the achievement of Good University Governance (GUG) principles, such as transparency, accountability, responsibility, independence, and fairness. The study also highlights various challenges in the implementation of Good University Governance (GUG) at UPI, including limited internal auditor resources. The results of the study show that the existence of an effective internal audit is able to increase public trust through reliable financial reporting. Therefore, this study provides strategic recommendations to increase the capacity and professionalism of internal auditors to support better university governance.

KEYWORDS

Role of Internal Audit, Good University Governance, Financial Management



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INTRODUCTION

Indonesia, as a developing country with a large population, faces various challenges in creating transparent and accountable public sector governance. One of the sectors most vulnerable to irregularities is the education sector. Based on the Transparency International Indonesia report (2023), the education sector is consistently among the top five sectors with the highest level of corruption in Indonesia. Corruption cases in the education sector include budget abuse, bribery in student admissions, and inflated costs for education infrastructure projects. This condition reflects the need for more serious efforts to ensure good governance in educational institutions, including universities. *Universitas Pendidikan Indonesia (UPI)*, as one of the *Legal Entity State Universities (PTN-BH)*, has a great responsibility to manage resources in a transparent, efficient, and accountable manner. The status of *PTN-BH* gives *UPI* greater autonomy in its financial and operational management, but on the other hand, this status also demands higher standards of governance.

In this context, the implementation of *Good University Governance (GUG)* is very important for achieving institutional goals and maintaining public trust. *Good University Governance (GUG)* is a concept that adopts the principles of good governance in university management. These principles include transparency, accountability, responsibility, independence, and fairness (OECD, 2015). Transparency, for example, ensures that information regarding financial management is available and accessible to interested parties. Accountability demands that university administrators be responsible for every decision and action taken, especially with regard to the use of public funds. However, the application of

these principles requires strong system support, including the existence of effective internal audits. Internal audits serve as internal control mechanisms designed to assess the effectiveness of financial management, verify compliance with regulations, and identify risks that could potentially harm the university.

In the context of *UPI*, internal audits not only ensure that financial reporting is done accurately, but also help the university achieve its strategic objectives through a systematic evaluation of its risk management and governance processes. However, the implementation of internal audits at *UPI* faces several significant challenges. One of the main challenges is the limitation of human resources. Based on *UPI*'s internal data, the number of internal auditors available is not proportional to the number of work units that must be supervised. Additionally, most auditors do not yet have professional certifications, such as the *Certified Fraud Examiner* (CFE), which is essential for improving audit quality. This condition hinders the effectiveness of internal audits in supporting the implementation of *Good University Governance* (GUG) at *UPI*. This study aims to analyze the role of internal audit in supporting the implementation of *Good University Governance* (GUG) at *Universitas Pendidikan Indonesia*. This research also explores the various challenges faced in the implementation of internal audits, as well as providing strategic recommendations to improve their effectiveness. Thus, this research is expected to make a real contribution to efforts to increase accountability and transparency in the higher education sector in Indonesia. Additionally, it is important to understand that the role of internal audit is not only limited to oversight but also includes providing constructive recommendations to university management.

These recommendations aim to improve internal control systems, enhance operational efficiency, and encourage the comprehensive implementation of *Good University Governance* (GUG). In the long run, effective internal audits can increase public confidence in the management of universities, ultimately supporting the sustainability of educational institutions. In the era of globalization and increasingly fierce competition, universities are required to adopt governance practices that are in accordance with international standards. Universities that are able to implement *Good University Governance* (GUG) well will not only improve the quality of educational services, but also strengthen their competitiveness at the national and international levels. Therefore, the existence of a professional and competent internal audit is one of the main pillars in supporting good governance.

Based on the above background, the researcher is interested in examining the influence of the role of internal audit in the implementation of internal control at the *University of Education Indonesia* by examining the application of *Good University Governance* (GUG) principles to the quality of financial reporting. Thus, the researcher is interested in conducting a research entitled "The Role of Internal Audit in the Implementation of *Good University Governance* (GUG) to Improve Financial Management Accountability (Case Study at *PTN-BH Universitas Pendidikan Indonesia*)".

The formulation of the problem in this study is "What is the role of internal audit in supporting the implementation of *Good University Governance* (GUG) at *UPI*, and to what extent can internal audit increase the accountability of university financial management?" With a systematic approach, this research is expected to provide new insights into the importance of internal audit in the context of university governance in Indonesia. The results of this research

are also expected to be a reference for other universities that face similar challenges in implementing the principles of *Good University Governance (GUG)*.

The education sector in Indonesia, particularly higher education, has faced significant challenges in ensuring transparency and accountability, as highlighted by Transparency International Indonesia (2023). Corruption cases, such as budget misuse and bribery in student admissions, underscore the need for robust governance mechanisms. Previous studies, such as those by Asmawanti and Aisyah (2017), have emphasized the role of internal audits in enhancing governance in universities. However, these studies often focus on general governance frameworks without delving deeply into the specific challenges faced by *Legal Entity State Universities (PTN-BH)*, which operate with greater autonomy. This gap suggests a need for more targeted research on how internal audits can address the unique governance demands of *PTN-BH* institutions like *Universitas Pendidikan Indonesia (UPI)*.

The urgency of this research is further amplified by the increasing autonomy granted to *PTN-BH* universities, which, while beneficial, also raises the risk of financial mismanagement. Studies by Permatasari (2017) and Sofiatry et al. (2019) have explored the dynamics of autonomy in *PTN-BH* institutions, but they lack a comprehensive analysis of how internal audits mitigate associated risks. The limited human resources and professional certifications among internal auditors, as noted in *UPI*'s internal data, exacerbate these challenges. Without effective internal audits, the principles of *Good University Governance (GUG)*—such as transparency and accountability—may remain unfulfilled, jeopardizing public trust and institutional credibility. This research addresses this pressing issue by examining the role of internal audits in safeguarding financial accountability in *PTN-BH* universities.

Existing literature, such as the work of Nurhayati (2015), has established a correlation between internal audits and governance quality, but these studies often overlook the technological and operational constraints faced by auditors. For instance, while digital tools like *e-planning* and *Bill Information Systems (SINTAG)* are mentioned in passing by Sugiyanto and Safriliana (2022), their practical implementation and impact on audit efficiency remain underexplored. This research fills this gap by analyzing how technology can enhance the effectiveness of internal audits in *PTN-BH* universities, providing actionable insights for improving audit processes. By doing so, it contributes to both academic discourse and practical governance improvements.

The novelty of this research lies in its focus on the intersection of internal audits, *GUG* principles, and the unique context of *PTN-BH* universities. Unlike previous studies, such as those by Ragam et al. (2020), which broadly examine governance in public universities, this study zeroes in on the specific mechanisms through which internal audits operationalize *GUG* principles at *UPI*. Additionally, it incorporates agency theory, as discussed by Wardoyo et al. (2022), to analyze how internal audits mitigate conflicts of interest between stakeholders and university management. This theoretical lens provides a fresh perspective on the strategic role of internal audits in aligning institutional practices with governance standards.

The primary objective of this research is to analyze how internal audits support the implementation of *GUG* at *UPI*, with a focus on improving financial management accountability. It seeks to identify the challenges faced by internal auditors, such as resource

limitations and technological barriers, and propose strategies to overcome them. By employing a qualitative descriptive method, the study captures nuanced insights from interviews, observations, and document analysis, offering a holistic understanding of the audit process. This approach ensures that the findings are grounded in real-world practices and challenges, making them relevant for policymakers and university administrators.

The benefits of this research are multifaceted. For academia, it enriches the literature on internal audits and governance in *PTN-BH* universities, bridging gaps left by previous studies. For practitioners, it provides actionable recommendations to enhance audit efficiency, such as investing in auditor training and adopting advanced digital tools. Institutions like *UPI* can leverage these findings to strengthen their governance frameworks, thereby improving financial accountability and public trust. Furthermore, the research serves as a benchmark for other *PTN-BH* universities facing similar governance challenges, fostering a culture of transparency and accountability across Indonesia's higher education sector.

METHOD

This study uses a descriptive qualitative method to examine the influence of the role of internal audit in financial management on the implementation of *Good University Governance (GUG)* at *Universitas Pendidikan Indonesia (UPI)*. Data is collected from two types of sources, namely primary and secondary data. Primary data is obtained through direct interviews with informants involved in the management and supervision of financial statements, as well as through observation of the implementation of internal control in the *Internal Control Unit (SPI)*.

Meanwhile, secondary data is obtained from related documents, such as annual financial statements and budgets. The data collection techniques used include observation, interviews, and documentation. The purpose of this study is to systematically and accurately describe the influence of internal audit in financial management and the implementation of *Good University Governance (GUG)* at *UPI*. The data analysis techniques used are data reduction, data presentation, and conclusion drawing.

RESULT AND DISCUSSION

The results of this study show that internal audits conducted by the Internal Control Unit (SPI) of Universitas Pendidikan Indonesia (UPI) have a significant impact on increasing transparency, accountability, and efficiency in financial management. The Internal Control Unit (SPI) carries out various types of audits, such as quarterly audits, semester audits, investigative audits, and follow-up findings, to ensure that the university's financial management is in line with the principles of Good University Governance (GUG). One of the tangible results of the implementation of this internal audit is the acquisition of a Fair Opinion Without Exception (WTP) from the Audit Board (BPK) for four consecutive years (2019–2023). The opinion reflects UPI's compliance with applicable accounting standards and SPI's success in overseeing the university's internal control system.

Internal audits have also increased the transparency of financial management through the application of technology, such as e-planning applications and Bill Information Systems (SINTAG). This technology enables real-time budget monitoring, simplification of the reporting process, and the provision of more accurate financial data for stakeholders. In

addition, the Internal Control Unit (SPI) plays a role in ensuring accountability by monitoring fund management in each work unit and ensuring financial reporting meets PSAK 45 standards. The audit findings are also used to provide recommendations for improvement to the university's financial policies.

However, this study identifies a number of challenges faced by the Internal Control Unit (SPI). Key challenges include limited human resources, where SPI has only eight auditors to oversee 58 work units, leading to high workload and potential missed oversight. In addition, the understanding of some work units of financial reporting standards is still low, so there are often errors in reporting. Limited time to supervise the entire work unit is also an obstacle, especially in the audit process that requires in-depth attention.

To overcome these obstacles, the Internal Control Unit (SPI) implements several strategies, such as holding regular training for work units to improve their understanding of financial management and reporting. SPI also utilizes digital-based technology to optimize the audit process, making it more efficient and accurate. In addition, the Internal Control Unit (SPI) strengthens coordination with the Directorate of Finance, the Audit Committee, and related work units to ensure the effectiveness of supervision.

This study also highlights the relevance of agency theory in supporting the implementation of Good University Governance (GUG) at UPI. SPI acts as a "third line of defense" to minimize the risk of moral hazard and adverse selection in the relationship between stakeholders (principals) and university financial managers (agents). Through audits that focus on transparency, accountability, and fairness, SPI is able to bridge potential conflicts of interest, thereby encouraging better university governance.

Thus, internal audit has a significant contribution to improving the quality of financial management in UPI. Despite the challenges, the Internal Control Unit (SPI) has shown its role as an important pillar in supporting the implementation of Good University Governance (GUG). By increasing the number of auditors, strengthening human resource competencies, and expanding socialization related to financial reporting standards, the Internal Control Unit (SPI) can be more optimal in supporting transparency, accountability, and efficiency of university financial management. These measures not only increase public trust, but also strengthen UPI's position as a credible and responsible institution of higher education.

CONCLUSION

This research shows that internal audit at *Universitas Pendidikan Indonesia (UPI)*, through the role of the *Internal Control Unit (SPI)*, has a significant contribution in supporting transparent and accountable financial management in accordance with the principles of *Good University Governance (GUG)*. The *Internal Control Unit (SPI)* conducts various types of audits, such as quarterly audits, investigative audits, and follow-ups, to ensure that all financial activities comply with applicable regulations. In its implementation, the *Internal Control Unit (SPI)* is assisted by the Directorate of Finance, the Audit Committee, and the Expenditure Assistant Treasurer (*BPP*) in the work unit. The tangible results of this role can be seen from the achievement of the *Fair Opinion Without Exception (WTP)* obtained by UPI for four consecutive years (2019–2023), reflecting the university's compliance with applicable accounting standards. However, this study also reveals several challenges faced, such as limited

human resources in the *Internal Control Unit (SPI)*, a lack of understanding among work units regarding financial reporting standards, and limited time for supervision of all work units.

Nevertheless, *SPI* has made efforts to overcome these obstacles through routine training, the application of digital-based technologies such as *e-planning* and *SINTAG*, and increased coordination between units. With its strategic role, *SPI* not only increases stakeholder trust in *UPI*'s financial management, but also supports the implementation of better *Good University Governance (GUG)* through systematic, transparent, and improvement-oriented supervision. For future research, it is recommended to explore the scalability of this study's findings across other *PTN-BH* institutions in Indonesia, employing comparative or mixed-methods approaches to identify broader patterns and challenges. Additionally, further investigation into the impact of emerging technologies—such as artificial intelligence and blockchain—on internal audit efficiency could provide innovative solutions to current limitations. Studies could also examine the long-term effects of auditor certification programs (e.g., *Certified Fraud Examiner*) on governance outcomes, as well as the role of stakeholder engagement in reinforcing audit accountability. By addressing these areas, future research can build on this study's foundation to develop more comprehensive frameworks for optimizing internal audits in higher education governance.

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