

Are the Government's Internal Auditors Ready to Face the Challenges of Changes After the Covid-19 Pandemic?

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Abstract. We analyze the readiness of the government's internal auditors in facing the challenges of changing work after the Covid-19 pandemic. Research participants are government internal auditors in both local governments and universities. The research method used is ethnomethodology. The results showed that almost all regions experienced a shortage of internal auditors when compared to the assignment load received. In terms of quality, internal auditors also really need to increase their competence, especially regarding information technology. The use of information technology is increasing since the Covid-19 pandemic. Government organizations also continue to transform by reinventing to realize good governance and optimal services for the community. The work-from-home pattern has put pressure on internal auditors to continue to adapt to technology. Local governments and universities must provide facilities such as upgrading office equipment, internet networks, and up-to-date applications needed by internal auditors. Commitment to improving auditors' competence can be done by providing a budget for training, technical guidance, scholarships for further studies, competency certification, and others.

Keywords: Internal auditor; covid-19; ethnomethodology; competence; information technology

1 Introduction

Positive cases of Covid-19 at the end of 2021 to early 2022 experienced a decline, but starting in February 2022, it has again increased. The new Omicron variant with a faster spread rate has accelerated the increase in cases. Although a new variant appears, the previous variant, Delta, has not completely disappeared. Several cases of the delta variant have prompted the government to continue instructing the health protocol to be implemented properly. In March 2022, a new variant of Deltacron even reappeared.

Positive case of Covid-19 until mid-March 2022 has been increasingly sloping; Indonesia is in a Level 2 PKM position, with 5,890,495 confirmed cases and 342,896 active cases. The number of patients who recovered was 5,395,455, and died as many as 152,166. The number of people vaccinated has also continued to increase, namely 192,400,451 people in the first phase and 151,378,726 people in the second phase [1].

The Covid-19 pandemic affects our health, education, economy, and many other parts of our lives. In fact, globally, governments start digitization before the Covid-19 pandemic hit. Since 2011, the government has formed a digital government unit to speed up digital transformation

and services [2]. The public sector indeed has notes not enough good about digital services. The problem of digital services yet being in accordance with standards, not yet following rapid change, and still, utilization not being enough Becomes evidence of the transformation process not yet walking well [3]. E-government has developed slowly and gradually, yet as transformative as expected [2]. The Covid-19 pandemic forced a rapid transformation process to occur because of the need for work and the demands of users.

Many studies have been done on the roles of internal auditors. [4] proved that internal auditors who carry out roles as supervisors, consultants, and catalysts can support good governance in government organizations. Even in educational organizations, internal auditors actively create a controlled environment [5]. The active role of internal auditors is very important in supporting a good control environment [6]. The control environment is crucial to increase performance [5]. A good control environment leads to increase performance and ultimately increases school transparency. A good internal control environment creates a safe, orderly and conducive work atmosphere for employees and teachers and a comfortable environment for students [5]. [7] uses the metaphor of internal auditors as “gardeners of governance”. Internal auditors must be a driving force in promoting environmental, social, and governance practices in their organizations, but in practice, this is not optimal [8]

Auditors face rapid advancement in information and communication technology (ICT) [9]. This condition makes internal audit a profession at a crossroads [6]. [10] even placed accounting and auditing on the list of jobs in declining demand (fourth position). Internal auditors cannot avoid transformation. [7] argued about the megatrends shaping society in the next decade: digitalization, sustainability, gender shift, health, new work, individualism, globalization, mobility, safety, silver society, knowledge culture, and urbanization. This megatrend will undoubtedly affect all professions, including internal audits. Apart from that, the Crisis due to the Covid-19 Pandemic has also become another trigger for the transformation of the role of internal auditors.

[7] The pandemic can affect the megatrends mentioned above. German philosopher “Gabriel” sees it as a fateful event, a historical event combined with climate disasters and a strained financial system. From his perspective, the world is different before and after Covid-19. This phenomenon of changing roles of audits and internal auditors makes the research direction in this field also change. Studies on the internal audit will benefit from innovative research strategies and cross-method with other research streams [7]. The pandemic has impacted all areas of government work, including internal auditors’ roles. Government policies regarding budget refocusing, changing work patterns, and increasing demands for accountability and transparency have impacted the government’s internal auditors. Studies about the role of internal auditors have been conducted. However, the study on the readiness of internal auditors to run change roles because of post-pandemic demands has not yet been explored. Besides that, previous studies on the role of internal auditors are mostly quantitative, but we use a qualitative approach.

This study explores the readiness of internal auditors to run their job using technology. We expect that this study will contribute to developing policies and practices related to the role of internal auditors.

2 Literature Reviews

2.1 Implementation of New Public Management (NPM) and Internal Auditor

Decentralization is one of the main characteristics of NPM [11] for efficiency and effectiveness. NPM asks government agencies to run like private organizations. The main criticisms of public sector organizations, especially the government, are that they are often considered of low quality, unproductive, have minimal innovation and creativity [12], and are large yet inefficient [13] [12], not to add the low human resource capacity [11] [14] and an alarming level of corruption [11]. This criticism marks the beginning of ideas of public sector financial reform in America [15].

The public choice theory (PCT) is one of the foundations of NPM [15] [16] [17]. PCT has greatly influenced the theory and practice of public policy. Individuals must be rational [15] in making choices. PCT states that political actors will act rationally to gain and maintain power [18]. Bureaucratic organizations become inefficient in using resources because of traditional budgeting and no evaluation of the market system [15].

NPM wants to change the public sector in three aspects, as described by [19], namely (1) a change from a hierarchical structure to an economy-based structure, (2) from a regulative process to an economy-based process, and (3) from a law-based to a value-based economic value. [20] states seven principles of NPM implementation, namely:

1. Professional management of the public sector
2. Explicit performance standards and measures
3. Greater emphasis on output controls
4. Disaggregation of units in the public sector
5. Greater competition in the public sector
6. Private-sector styles of management practice
7. Better discipline and parsimony in resource use

The seven principles make the public sector apply managerial systems, contract mechanisms, performance transparency and accountability, use of information technology, control using performance, and adoption of market mechanisms [12].

NPM in government organizations need internal auditors. Internal auditors guide, supervise, and assist so that programs and activities of all work units are focused and aligned with the performance to be achieved. In addition, the internal auditor also ensures that internal control is implemented properly.

2.2 The Role of Government Internal Auditors

The work unit will highly await internal auditors as consultants and catalysts. The work of internal auditors in realizing good governance will be challenged, among others, if the auditor does not have competence and independence, the regional head is not committed, and the auditee has no awareness [21].

Table 2.1. The Different Roles of Internal Auditors in the Old and New Paradigm

DESCRIPTION	OLD PARADIGM	NEW PARADIGM
Role	Watchdogs	Consultants & Catalysts
Approach	Detective (detect problem)	Preventive (prevent problem)
Attitude	Like police	As business partners or customers
Obedience/obedience	All policies/policies	Only policies are relevant
Focus	Weaknesses/deviations	Constructive resolution _
Communication with management audits	Limited	Regular
	Financial/compliance audits	Financial, compliance, audit operations
Career level	Narrow (only auditors)	Develop broad (can career in other parts or functions)

Internal auditors must be able to face changes in their job [21]. [22] states NPM asks the following from internal auditors:

1. from hard control to soft control
2. the control evaluation added with the self-assessment
3. from control to risk
4. as a detective and preventive
5. audit knowledge increases with business knowledge
6. from operational audit to strategy audit
7. independence increases with values

Internal auditors must exercise these strategies in NPM to strengthen the supervision of internal management systems of organizations.

3 Method

We employed a qualitative method with ethnomethodology. Ethnomethodology is part of an interpretive or interpretive school that sees humans as active beings and emphasizes the traits of human behavior that make humans unique [23]. The two assumptions of this school are first, the social world must be understood as a settlement by humans as active subjects, this is what distinguishes it from the natural world. Both of these world formations have meaning, are accountable or are clearly understood using language, and must be seen as a medium of practical activity, not merely a system of symbols or symbols [24].

In the context of this study, ethnomethodology is used to understand the reality of the readiness of government internal auditors posts the Covid-19 pandemic. The ethnomethodological approach requires researchers to focus on understanding the actions or daily practices carried out by actors. This is in accordance with what was stated by [25] that the empirical research topics of ethnomethodological studies are practice activities, practice environment, and practical sociological reasoning.

Human behavior emerges and changes to adapt to the changes in the environment it faces. Therefore, ethnomethodology is the right research approach. This approach allows the researcher to explore how the actors interpret and adapt to a change and how they carry out their daily activities, communicate, find solutions to problems and make decisions. The aim is to understand everyday social practice in order to describe the foundations used to construct or maintain their everyday social procedures, practices, and knowledge [26].

Participant study this is government internal auditor representative areas in Jambi Province and members of PTN's SPI Team. Data collection using interviews deep to 15 participants. Focus group discussion for confirming results study to participants. This was done to avoid error perception of the results interview. The focus group discussion participants consisted of 60 people of internal auditors, members SPI team, academics, and students

The process of data analysis in qualitative research is an ongoing and continuous process. The process of data collection, interpretation, and reporting of results can be done together [27]. Qualitative data analysis is used not only to explain facts but to understand processes and facts. Data analysis is related to efforts to make sense of data in the form of text and images [27]. Therefore, the process of identifying and re-checking data is very necessary [28].

Stages data analysis follows stages of qualitative data analysis [29]. Stages data analysis starts the process of filtering data, determining themes meanwhile linkage between theme and withdrawal conclusion while. Consequences of the use of ethnomethodology also appeared at the data analysis stage. Indexicality and reflexivity are hallmarks of ethnomethodology. The process of filtering data and determining themes temporarily is part of the process of indexicality. Whereas linkages between theme and withdrawal conclusion is a reflexive process. In fact, indexicality and reflexivity are like two sides of the same coin, so they become the main themes in ethnomethodological research. Meaning is indexical depending on context. Without a clear context, the meaning of objects and events will be blurred. Objects and events can be meaningful when used in conversation or interaction. Every socially created reality is a reflexive reality (the result of contemplation or mental creation) [30]. Therefore, in the process of exploring and presenting the results of this research, the researcher uses these two main themes.

The results of this research were also discussed in the FGD activity on November 21, 2022. The FGD was attended by local government internal auditors, BPKP, PTN SPI teams, and academics. The purpose of carrying out the FGD is to obtain input from the results of the research that has been carried out by the team. FGDs are also needed to validate research findings to avoid misperceptions from the research team regarding the process of understanding the phenomenon of accounting reality.

4 Findings and Discussions

Auditing was a job recognized in the late 70s of the last century [31]. People became interested in the profession since it serves board management. Auditing is vital for many parties, including shareholders, creditors, and organizations. Internal auditors are vital in both private and government institutions [4]. Internal audit (IA), according to the Institute of Internal Auditors (IIA), is an objective independent activity of consulting services to improve the operations of institutions for added value. Internal auditors audit organizations internally. Internal auditors are the eyes and ears of top management to supervise the organization. Internal audit minimizes fraud while providing assurance and independent consultation for making decisions [32]. IA enables an institution to achieve its goals by following systems, regulations, and procedures to improve management [31].

Internal auditors' roles evolve along with organizational development. In the three lines of defense model, internal auditors are in a third-line position [33]. Internal audit provides independent assurance related to risks and controls within the organization. The partitioning model in these lines causes blurry lines and unclear lines. This model also limits internal auditors from carrying out new roles as strategic partners and interested advisors, so the model is no longer suitable for current conditions [34]. The IIA [35] has published a new line model focusing more on governance. Line one and two are combined in one management group to avoid blurring the line. Internal auditors continue to act as independent and objective assurance and advice on all matters related to objectives. Coordination and communication are important features. This model can be applied to all scales of organizations [34]. In this model, internal auditors are needed to support good governance organizations.

How is the Transformation of the Role of Internal Auditors due to the Pandemic?

Changes in information and communication technology (ICT) have had an impact on the potential for radical changes in the environment of business and non-business organizations [9], from health services, education, and leisure to the economy, including accounting [36]. Many business processes also change, including banking processes, private securities, digital identification, registries and data sharing, and others with cybersecurity risk as a new form of risk [9]. In the accounting and auditing field, Blockchain Technology (BCT) enables real-time access to information, continuous monitoring and auditing, and fraud prevention and detection [37]. Due to its primary features and its initial stage of development, BCT can expect new controls and audit programs to be developed [36]. Thus, the trade-off between information confidentiality and transparency is also questioned.

Every organization that wants to survive and excel at this time must implement and keep abreast of information technology developments [9]. New products and ICT innovations include social networking, cloud computing, mobile technology, big data, and more. From the audit aspect, the application of technology will impact changing the object of the audit. The auditor should apply procedures or audit techniques consistent with those done by computer-assisted auditing (CAATT) tools and techniques. Nonetheless, analytical procedures (AP) will become the most powerful and have the potential for auditing ICT-based processes. AP is the science of analysis for producing audit evidence effectively and efficiently.

IT implementation has changed the development of the audit profession and made it possible to conduct remote audits / remote audits. [9] proved that the Covid-19 pandemic has accelerated business digitization and organizational excellence. This also applies to the role of government internal auditors, as explained by one of the research participants:

“The condition of Covid-19 has really changed the way we work. Work and performance targets must still be achieved, but conditions prevent us from meeting directly with the auditee as usual. At times, we still have to work from home. We are forced to work by utilizing technology. We are aware that our auditees and all of us are forced to change and adapt.”

This change in the way of work was also followed by a change in roles, as explained by other participants:

“In the past, some of us controlled technology, especially information system auditors. Other auditors can still work manually. But after the Covid-19

pandemic, all auditors, inevitably, also adapted to technology. Job demands are unavoidable. The use of technology applications that prevent us from having to meet face-to-face with the auditee actually makes the job easier, all we need is our own readiness. If we don't follow, we will be left behind. Our role has changed; everyone oversees and supervises information systems because most of the work of auditees and auditors has shifted from a manual basis to a system."

Modern information and communication technologies have completely changed the concept of business operations, performance, efficiency, and effectiveness, and how management applies overall business strategies. In other words, the digital economy requires and reflects that successful firms initiate, use, and adapt to the latest digital technologies, maximizing their advantages and disadvantages, especially the risks associated with cybersecurity, if they want to have a sustainable competitive advantage. Digital business transformation has brought an irreplaceable role for internal audit as an independent and objective measure effective for increasing business success [9].

Our findings support previous studies that auditors can benefit from the business situation during the pandemic for a complete digital transformation and to use remote audit extensively. One of the research participants revealed the hidden blessings behind the pandemic:

"Even though we don't want a pandemic, I have to be honest in saying that the Covid-19 Pandemic has provided a blessing in disguise, especially in terms of increasing the ability to use IT for government officials. This forced transformation has produced positive results for improving governance going forward."

New information and communication technologies can further enhance the internal audit function. Remote auditing offers more advantages than disadvantages. Audit quality has increased or stayed unchanged during the pandemic, and clients' trust has remained, yet there have been less travel-time and travel-related costs incurred by auditors.

Readiness of Internal Auditors to Play a Role in Supporting Good Governance Post Pandemic Covid 19

Good governance, both in companies and government organizations, will not be achieved if it does not have the support of all stakeholders. Therefore, a comprehensive understanding of stakeholder governance is very important. Commitment and integrity of all related parties to implement the principles of good governance (transparency, accountability, sustainability, and ethical behavior). Accountants must hone their competence and implement the four pillars of good governance. Governance has a culture; it is impossible to change it quickly. Ethics becomes very important. This culture must be formed even starting from the level of education before entering the world of work.

The G20/OECD Principles of Corporate Governance are international standards for corporate governance. The Principles assist policy-making and enhance the legal, regulatory, and institutional framework for corporate governance, with the aim of supporting economic efficiency, sustainable growth, and finance. First published in 1999 and endorsed by G20 Leaders in 2015, the Principles are currently under review and the revised Principles will be published in 2023.

For long time, internal auditors have worked and got experience and credibility in governance [7]. Internal audit has been seen as negative since it aims to find mistakes. The metaphor of being a gardener of governance for internal auditors has a positive connotation since gardening is a good hobby, creating immediate results and good for our health. Internal auditors, as a gardener of governance, must also show empathy, making their clients feel safe and willing to talk since internal auditors actually focus on improvement for the future, not mainly finding faults. Internal auditors are no longer watchdogs but a partner for top management (consultants and catalysts) [32]. The role of a catalyst for change in technology adoption in organizational governance must be carried out [38]. The challenge with this role is enforcing independence and objectivity.

The old auditing approach has been replaced by a contemporary, agile, risk-based, and forward-looking approach, which focuses on risk analysis and management to predict, prevent, detect, and correct potential errors and fraud, which can ultimately improve the efficiency and effectiveness of business [9].

We agree with the metaphor used by [9]; gardeners, like farmers, make internal auditors more acceptable and easily accepted by all parties. Internal auditors no longer only focus on themselves and their profession. Internal auditors no longer only focus on the internal management of the organization, suggestions related to organizational relations and development from social, environmental, and human resource aspects are also important. The capability of internal auditors must be increased to understand better, analyze and provide multidimensional and comprehensive advice.

One of the questions posed by the researchers to the participants was whether they were ready to face the changing roles and current job demands. The answers obtained by researchers varied, including:

“I’m Ready... I like working with IT because it’s easier and more efficient. I learned to do well”

In contrast to other participants who showed resistance:

“I am already old. It’s been a long time working the way it used to be. If asked to learn again in a different way, it takes time for me. To be honest, I’m actually comfortable with the usual way. But I support changing jobs for young people, I only take part in giving advice and helping with analysis, if you use a computer technician, you are less enthusiastic about learning again”

One of the regional internal audit office heads stated the following:

“Not all auditors are ready to adapt, those who are ready tend to be the younger ones. Therefore, we provide training and technical guidance, because these changes are inevitable. In addition, I also propose facilities and infrastructure for auditors. This support is important because some of the equipment used by auditors is outdated and cannot be used for new applications that are urgently needed.”

From the statement of the auditor and the head of the office, it can be seen that not all internal auditors in the regions have the capability and are ready to follow the changing roles. But internal business conditions and work patterns are changing, so they cannot avoid change.

Government internal auditors seem to need more time to prepare themselves for this change. This is not only the case in Indonesia, [9] found that both external and internal auditors in Croatia are aware that BCT requires advanced AP, so they need good knowledge of both. Findings, however, showed that auditors in Croatia have below-average knowledge of AP and BCT. Thus, they need training and education on the matter. In addition, findings also confirmed that external auditors were better prepared for BCT. Finally, the study suggested that advanced AP implementation would improve the effectiveness and efficiency of the business.

Factors Supporting the Transformation of the Internal Auditor's Role

[39] states that transformation in the job is unavoidable during the pandemic. Thus, the pandemic has led to digitization, although CFAR has made efforts in this direction by applying e-learning courses and databases for audit reporting.

ICT has a twofold effect on auditing. On the one hand, auditing is challenged by the digitization of companies. On the other hand, auditors must adapt their methodology to these changes to audit ICT applied in business operations. One of the latest ICT innovations is BCT. In order to audit the BCT, the auditor must apply appropriate auditing procedures, and analytical procedures (AP) represent the most useful procedures [9].

[7] There has been great interest in audit data analytics in internal audit practice and research over the past decade. IAs have a better position to exploit Data Analytics Auditing (ADA5) than external audits because IAs are more familiar with enterprise systems and have easier access to data. IA is also better positioned than External Audit (EA) to embrace continuous auditing.

[40] stated that the audit profession needs to perform dynamic audit configurations that need improvements. The focus is no longer only on financial audits that focus on compliance and consistency but more on the social value of audits. The audit concept should make a more direct and proper contribution to society. Innovation audits need to be considered. To be able to carry out accounting and accountability technology reforms, the audit profession must also follow these developments in order to provide added value and social value, not only for organizations but most importantly for society [40]. [41] Internal auditors, just like external auditors, need to apply self-assessment to assess the quality of the audit-seeking process to prioritize stakeholders.

The competence and professionalism of the internal auditors are important supporting factors in this transformation process. Government organizations or companies must incur additional costs to improve the capabilities of internal auditors. Several companies have started to consider the option of outsourcing or recruiting Internal Auditors. This commitment to auditor capability is very important because internal auditors are able to support the achievement of good governance.

Based on interview results, leadership commitment is the primary key in transforming the role of internal auditors. Change in the role of internal auditors will not be realized in government areas without committed leaders. Internal auditors are partners for leaders (heads of areas or regions). Support must be given by all heads of the work unit or agency government. Form Support forms provision budget supervision, repair facilities, and infrastructure as well as enhancement of internal auditor competence.

Does the role of the auditor will maximum if the leader no has trusted internal auditors? Internal auditors really must be positioned as helpful partner to supervise the government. Internal auditors are the gardener of governance. One-proof big values result from an internal auditor's job is through the following carry-on results supervision. The work of internal auditors will vain if results his job no used. follow carry on will make continuous improvement for whole organization government will walk. Expected achievement just repairs performance and governance of government.

5 Conclusions and Recommendations

5.1 Conclusions

These conclusions are drawn based on the findings. Auditors can benefit the business environment during the Covid-19 pandemic by undergoing a complete digital transformation and making extensive use of remote auditing. New information and communication technologies can sharpen the function of internal auditors. Remote auditing offers more advantages than disadvantages. Audit quality has increased or stayed unchanged during the pandemic, and clients' trust has remained, yet there have been less travel-time and travel-related costs incurred by auditors.

For long time, internal auditors have worked and got experience and credibility in governance. Not all internal auditors in the regions have the capability and are ready to follow the changing roles. But internal business conditions and work patterns are changing, so they cannot avoid change. Leadership commitment is the main key in transforming the role of internal auditors

The results of this study resulted in several recommendations, including that regional heads must pay attention to the need for internal auditors to carry out role transformation. There are several ways that can be done, including budget allocations to increase competence, improvement of facilities and infrastructure as well as budget for supervision. The commitment of the regional head also needs to be shown through trust in the internal auditor and positioning the internal auditor as a partner. appreciation for the work of internal auditors is carried out through follow-up on the results of supervision. the support of this regional head can accelerate the process of role transformation in inevitable technological adaptation.

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