

## Enhancing Higher Education Quality Through Internal Audit Practices

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ARTICLE INFORMATION	ABSTRACT
Received: 1 December 2024 Revised: 25 December 2024 Accepted: 30 December 2024  <i>Keywords:</i> educational institution; higher education; internal audit; quality of higher education	To maintain and improve quality and academic services, universities need an internal audit system that covers governance and educational aspects. Internal audit is responsible for monitoring and evaluating the implementation of higher education institutions' work plans. This study examines the role of internal audit in higher education through a literature review of previous studies. The results show that internal audit is important in building and improving the quality of higher education. By ensuring the effectiveness of the organisation's risk management framework, internal audit can help higher education institutions face governance challenges.  Additionally, internal audits support the implementation of the three lines of the defence model, which integrates multiple layers of defence within an organisation to achieve strategic objectives. The role of an internal audit includes not only the oversight of regulatory compliance but also the strengthening of senior management's decision-making processes. Overall, internal audits are a control tool and a strategic partner in improving higher education quality. This conclusion underscores the critical role of a robust internal audit function in ensuring the success of higher education institutions in delivering high-quality academic services.

## INTRODUCTION

Internal audits have an increasingly significant role in higher education institutions, especially amid the need for transparency, accountability and improvement in the quality of education. Higher education institutions are expected to produce competent graduates while meeting predetermined quality standards (Trisaningsih et al., 2020). In this case, the internal audit is an important tool to evaluate and ensure that the processes run by the institution are efficient and effective (Fonseca et al., 2020). Systematic oversight, internal audits contribute to identifying potential risks and improving the governance of higher education institutions.

Implementing internal audits in higher education institutions aims to support achieving the organization's vision and mission, including improving the quality of academic, administrative, and student services. Internal audits concentrate on financial aspects and evaluation of research, community service, and learning process. For example, research by Kurniawan Putri (2021) shows that effective internal audit can encourage educational institutions to comply with national and international accreditation standards. Moreover, research by Rumiya & Nusa (2024), describe the role of internal audit in higher education institutions contributes to enhancing governance and mitigating risks by serving as a third line of defense, facilitated through consistent coordination and communication with university management.

In addition, increasing attention to higher education accreditation and certification is another driving factor for the importance of internal audit. For example, the National Accreditation Board for Higher Education (BAN-PT) sets various quality standards that educational institutions must meet. Internal audits play a strategic role in evaluating compliance with these standards and providing feedback to management to make the necessary improvements (Nofrita et al., 2019). Thus, internal auditors not only function as supervisors but also as strategic partners in decision-making.

On the other hand, the challenges of internal audit implementation in higher education cannot be ignored. The results of Yodianti & Nugraheni's research (2023) show that a lack of understanding of the internal audit function's importance and limited human resources and information system technology are often the main challenges and obstacles faced. Some institutions also face resistance from internal parties due to the perception that audits are only for finding mistakes. A holistic approach is needed to build a positive audit culture in higher education.

The practice of internal audit in higher education globally has become integral to sustainability-oriented institutional governance. For example, research by Vintila and Bubo (2024) shows that internal auditors play an important role to ensuring the effective implementation and achievement of sustainable development goals. Higher education institutions in developed countries successfully use internal audits to improve operational efficiency, innovation, and the quality of educational services.

This provides valuable lessons for institutions in developing countries to adopt similar practices. Not many studies have examined the role of internal audits outside of public companies (DeSimone & Rich, 2020), while internal audits can exist in almost any organization. Using the literature review method, the researcher collected the research results on the role of internal audit in higher education. This study aims to determine the role of internal audit in higher education through a literature review of previous research. This research enables readers to recognize, comprehend, and assess the function of internal audit within higher education institutions.

## **LITERATURE REVIEW**

### **Stewardship Theory**

Stewardship theory emphasizes that individuals in organizations act as stewards responsible for achieving common goals, not just fulfilling personal interests. In higher education, this theory is relevant because it considers institutional management, including internal auditors, to be committed to optimizing resources for the benefit of the institution and its stakeholders (Davis et al., 1997). Internal auditors function as strategic partners who assist management in ensuring good governance, operational efficiency and superior academic quality (Badara, 2017).

Research by Kurniawan and Putri (2021) shows that internal audits can create added value for higher education institutions by providing accurate information for strategic decision-making. Internal audits not only act as supervisors but also as change agents that encourage continuous improvement. Thus, stewardship theory helps explain how internal audit supports the creation of a culture of quality and accountability in higher education institutions.

## Agency Theory

The dynamic between principals such as owners or leaders of educational institutions and agents (management) as a potential conflict of interest. Agency theory describes the principals expect agents to act according to organizational goals, but asymmetric information and differences in interests may cause agents to act according to their interests (Jensen & Meckling, 1976). In the context of this study, internal audits act as a controlling mechanism that helps reduce conflicts by ensuring compliance with organizational policies and procedures.

Internal audit is important in minimizing asymmetric information risk between management and stakeholders. Internal audit is effectively conducted play a vital role in enhancing transparency and accountability within higher education institution management by monitoring policy implementation. They ensure that resources are allocated and utilized in alignment with strategic objectives and predetermined standards (Rumiyati & Nusa, 2024).

## Institutional Theory

Research on institutional work can positively impact the institutional community and scientific discussions. However, it can also bridge their interests by letting them know more about institutions, organizations, and those working in them (Lawrence et al., 2009). An organization or higher education is shaped by various phenomena that exist in its environment. Institutional Theory discusses how established companies or institutions tend to have the same characteristics as their environment (DiMaggio & Powell, 1983). Organizations will generally adapt and become more similar to other organizations in their environment. This Theory illustrates an organization's pressure to conform to a more recognizable and acceptable standard in its environment.

Meeting the environmental expectations of an organization can occur according to the institutional theory view. The organization will adapt according to its environment to be seen as similar to others. Otherwise, the organization may be seen as deviant by its environment. The presence of internal audits in higher education helps align the implementation of established standards with adjustments to the surrounding environmental conditions.

Stewardship theory, agency theory, and institutional theory collectively provide a comprehensive framework for understanding the role of internal audit in enhancing the quality of higher education. Stewardship theory highlights agents' moral commitment and responsibility to achieve institutional goals. In contrast, agency theory provides a foundation for understanding the importance of oversight and control in managing the risk of conflicts of interest. Combining these two theories provides a comprehensive framework for analyzing how internal audits can improve governance, increase efficiency, and drive quality improvement in higher education (Mariani et al., 2017).

## RESEARCH METHODS

This type of research is descriptive qualitative with a literature review. A literature review is a data collection technique, involving reviewing literature, books, reports, and notes related to solving the problems discussed (Susanto et al., 2024). This research was conducted by collecting data in the form of articles, books, documents, or scientific papers that aim to determine the role of internal audit in higher education based on the results of previous research.

The research used various sources, including articles, books, and other documents relevant to the role of internal audit in improving the quality of higher education. The literature is accessed through Web Sinta, Scopus, and Google Scholar. In addition, researchers also used articles, books, and other information to support the research.

## RESULT AND DISCUSSION

### Quality of Higher Education

Each university will set quality standards for quality and service in maintaining the good name and quality of the university. The hope is that the standards they set can help produce a quality and useful generation (Lazic et.al., 2021) and improve the class of higher education to be included in the world-class university. The high quality of higher education will have implications in various aspects. For example, when students choose a college, they demand a good institutional commitment to quality teaching (Fitrah et al., 2018). Sponsors or grant-givers will ask for evidence that their contributions and investments are well spent according to their agendas and priorities (Zakaria et al., 2006). Likewise, an alumnus also expects that the reputation and quality of his alma mater continue to increase so that the degree's value from their education continues to grow (Sari, 2012).

The demand for implementing good governance is not limited to companies but also to higher education institutions and corporations. The management of universities must pay attention to the processes and mechanisms of institutional governance (Zakaria et al., 2006). Research conducted by Reda (2017) discusses the use of balanced scorecards in higher education as a way to improve management practices and quality assurance of the core functions of higher education institutions. The balanced scorecard in Reda's research (2017) applied in higher education is based on the input, process, and output dimensions of quality assurance practices. Kumalasari (2018) shows that understanding of a balanced scorecard can affect the success of the balance scorecard result. It can help track and measure the status of higher education institutions in each quality assurance dimension and ultimately help align each dimension with the university's vision. Therefore, higher education management must have an internal audit function in their institutions.

### Internal Audit in Higher Education

After the reform movement in 1998, regulations were reformed in the world of education, including higher education (Ministry of Research, Technology, and P. T., & Quality, 2016). Each higher education institution has been given autonomy; this is confirmed by Law Number 20 of 2003 concerning the National Education System (UU Sisdiknas). Universities have autonomy in managing education in their institutions.

Currently, the demands for Internal Audit implementation are very high. Internal audits play a role in improving the quality of higher education audits. Internal audits in higher education will help improve the quality of higher education. SPI has an important role in overseeing accountability on campus with all its aspects. It is important to maintain and manage the accountability of system autonomy. Auditors have some control over the design of a system.

Similar to corporate internal audits, internal audits in higher education have independent and objective assurance and consultancy functions. Internal audit provides added value and improves the quality of educational operations. Internal audit holds a significant role in ensuring the effectiveness of an organization's risk management framework. Additionally, senior management must depend on the three lines of defense in the auditing process. (Anderson, et.al., 2017).

In the education world, there is also a quality audit of education to maintain and improve the quality of higher education. Initially, the implementation of higher education quality assurance was outlined in the Higher Education Quality Assurance Guidelines book, published in 2003. Until now, the guidelines for implementing quality assurance in higher education have undergone revisions and updates to adapt to the times. Rajamony (2014) describe that academic quality audits are being designed and refined to support the functioning of quality assurance and control systems and processes; ensure accountability for the quality and standards of work within schools, departments, and service units; strengthen the institution's ability to

prioritize issues and inform decision-making; and enhance the institution's capability to meet the expectations and requirements of external quality audits and assessments.

### **Internal Audit in Building Good University Governance**

Good governance in universities can be called Good University Governance (GCG). This concept is a derivative of good governance (Iryani & Arsanti, 2013). The existence of fraud cases in state financial management in the education environment indicates that the world of education is not immune from the threat of fraud. To establish good university governance, an internal auditor can use his position's skills carefully to prevent, detect, and investigate fraud. In addition, internal auditors are expected to provide useful advice to management. Internal audit assists management in carrying out its responsibilities by providing functions in analysing, assessing, and providing advice and comments (Harwida et al., 2018).

### **The Role of Internal Auditors in Preventing, Detecting, and Investigating Fraud**

Internal auditors are crucial in detecting, preventing, and investigating fraud. The Internal Audit Professional Standards (SPAI) outline these responsibilities in Standard 1210.2, which pertains to fraud knowledge. According to this standard, internal auditors must possess adequate expertise to identify, investigate, and test indications of fraud within an organization. Additionally, Statement on Internal Auditing Standards (SIAS) No. 3 provides specific guidelines for internal auditors to prevent, detect, and investigate fraud, emphasizing their responsibility to report such incidents.

DeSimone and Rich (2020) conducted a study to explore factors influencing internal audit functions in higher education, utilizing a sample of 400 colleges and universities. The findings revealed that institutions with larger student populations, greater endowments, public funding, and audit committees are more likely to maintain an internal audit function. This function primarily focuses on ensuring federal compliance with major programs and strengthening reporting systems by addressing internal control weaknesses. The study also highlighted that an active internal audit function enhances the oversight of grant funds, improving the grant application process and fostering greater accountability by reducing internal control deficiencies, which benefits agencies making award decisions.

### **Implementation of Internal Audit in Higher Education According to the Literature**

A study on Italian universities revealed that internal audits remain limited in adoption. However, the development trajectory of internal audits mirrors the trends observed in private sector organizations over recent decades (Arena, 2013). In the examined universities, operational audits are central to the work of internal auditors, yet significant efforts are still focused on financial and compliance audits. Additionally, some universities are beginning to prioritize risk management, reflecting a shift in context based on competitive environments akin to those faced by public and private organizations. Implementing operational audits in functional areas is essential to improving quality (Chen, 2023).

Harwida et al. (2018) emphasized the importance of internal control in achieving effective university governance. This success is supported by the Inspectorate General (Itjen) and the Internal Audit Unit (SPI). However, the absence of specific regulations for SPI and other rules related to fraud detection and prevention creates role conflicts within organizations. Supporting this view, Sukirman and Sari (2012) found that internal auditors play a significant role in fostering good university governance.

Regarding internal audit quality, Jackson (1996) noted that institutions have innovated by adapting existing audit methodologies, even though the field is still evolving. Auditors often combine established methods and standards with self-evaluation strategies to meet audit objectives in diverse contexts. The inherent flexibility and adaptability of auditing are powerful tools for driving and understanding organizational change. In Indonesia, Fitrah et al. (2018) highlighted the critical role of implementing an internal audit quality assurance system in higher education to enhance quality. This process is closely tied

to optimizing the dissemination of quality policies and educational objectives among all academicians and institutional leaders, ultimately producing graduates who meet expectations.

Blackmore (2004) critiqued the discrepancy between theoretical guidelines outlined in the British Standard and the practical execution of internal academic audits. The study found that the internal academic audit process was weaker than the British Standard model, particularly in auditor selection and training areas. In the Indonesian context, Iryani and Arsanti (2013) observed that internal audits in higher education are highly effective, and good university governance is being successfully implemented in Indonesian institutions.

## CONCLUSIONS

Universities today are not merely institutions for gaining knowledge; they must also uphold high educational standards to enhance the quality of education. This aligns with Law Number 12 of 2012 on Higher Education, which aims to boost the nation's competitiveness amidst global challenges across various sectors. The government and society expect higher education institutions to maintain and improve their quality over time.

Internal Audit plays a crucial role in enhancing the quality of higher education. It ensures the effectiveness of organizational risk management frameworks, with senior management relying on the three lines of defense model to achieve higher education objectives. Additionally, academic quality audits are designed to evaluate and improve the performance of assurance and quality control systems. These audits hold schools, departments, and service units accountable for maintaining the quality and standards of their work. Internal Audit contributes to the establishment of effective governance in universities.

Implementing Internal Audits in higher education in Indonesia is expected to become more advanced, efficient, and impactful. Strengthening internal audit practices is anticipated to enhance the country's overall quality of higher education significantly.

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