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ENHANCING INTERNAL AUDIT EFFECTIVENESS THROUGH GLOBAL INTERNAL AUDIT STANDARDS: INSIGHTS FROM A SOCIAL INSURANCE CASE

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ABSTRACT

Purpose: Investigates the implementation of Global Internal Audit Standards (GIAS) within the internal audit function of social insurance program

Methodology/approach: Using a qualitative method with a case study approach by conducting interviews with five key respondents. Subsequently, supporting documents are analyzed as primary data to assess the consistency of interviews result.

Findings: The implementation of GIAS for the social insurance program still requires development in several areas, particularly regarding internal audit planning and strategy, technology resources, engagement conclusions, and funding determined by authorities. This indicates the need for strengthened support and collaboration with the audit committee as the board, senior management, and key stakeholders to enhance the effectiveness of the internal audit function.

Practical implications: To provide a comprehensive understanding of the process of implementing new standards within GIAS, including but not limited to the public sector, through the identification of challenges encountered during the implementation process. These challenges may include issues related to internal audit planning and strategy, technological resources, engagement conclusions, and funding as determined by the relevant authorities. Therefore, it is essential to strengthen support and foster collaboration with the audit committee as the board, the board of directors, and key stakeholders.

Originality/value: Implementation of the new standards within GIAS in the public sector, using a case study on the



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social insurance program, which provides practical recommendations to address the challenges encountered during the implementation of these new standards.

Keywords: Global Internal Audit Standards; Internal Audit Function; Public Sector; Social Insurance Program.

ABSTRAK

Tujuan penelitian: Penelitian ini bertujuan untuk mengetahui implementasi Global Internal Audit Standards (GIAS) pada fungsi audit internal di sektor publik.

Metode/pendekatan: Menggunakan metode kualitatif dengan pendekatan studi kasus melalui proses wawancara dengan 5 responden utama. Selanjutnya, melakukan analisa dokumen pendukung untuk menilai kesesuaian hasil wawancara.

Hasil: Implementasi GIAS untuk program asuransi sosial masih membutuhkan pengembangan untuk beberapa area terutama dalam hal rencana dan strategi audit internal, sumber daya teknologi, kesimpulan penugasan, serta pendanaan yang ditentukan oleh otoritas. Hal tersebut mengindikasikan perlunya penguatan dukungan dan kolaborasi dengan komite audit sebagai dewan, direksi, dan pemangku kepentingan utama untuk meningkatkan efektivitas fungsi audit internal.

Implikasi praktik: Memberikan pemahaman yang komprehensif mengenai proses implementasi standar baru dalam GIAS, termasuk namun tidak terbatas pada sektor publik melalui identifikasi tantangan yang dihadapi selama proses implementasi, contohnya tantangan dalam hal rencana dan strategi audit internal, sumber daya teknologi, kesimpulan penugasan, serta pendanaan yang ditentukan oleh otoritas. Sehingga diperlukan penguatan dukungan dan kolaborasi dengan komite audit sebagai dewan, direksi, dan pemangku kepentingan utama.

Orisinalitas/kebaharuan: Implementasi standar baru dalam GIAS di sektor publik ini dilakukan dengan menggunakan studi kasus pada program asuransi sosial, yang memberikan rekomendasi praktis untuk mengatasi tantangan yang dihadapi selama implementasi standar baru.

Kata kunci: Fungsi Audit Internal; Program Asuransi Sosial; Sektor Publik; Standar Global Audit Internal.

INTRODUCTION

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Fraud in the healthcare sector represents a serious global challenge that imposes substantial financial burdens and leads to a decline in the quality of care due to the provision of services that fall short of their associated costs. Estimates suggest that healthcare fraud accounts for up to 10% of total global healthcare expenditures ([Thaifur et al., 2021](#)). Healthcare fraud denotes the intentional act of providing false or misleading information within the healthcare system to secure financial or personal benefits. This form of fraud includes a range of illicit activities, such as upcoding, wherein healthcare providers charge for costlier procedures than those actually performed; phantom billing, which involves submitting claims for services that were never delivered; and duplicate claims, where the same service is billed multiple times to obtain undue reimbursement ([Tashin & Paul, 2024](#)). The United States, as a developed country, incurs losses amounting to billions of dollars annually ([Thaifur et al., 2021](#)). In the Asia-Pacific region, fraud occurs not only in developed countries but also in developing ones, highlighting the need for robust oversight mechanisms within healthcare systems in both contexts ([Glynn, 2022](#)). In addressing potential fraud, the presence of an internal audit as the oversight function within the organization is essential. Internal audits in the healthcare system are widely conducted to improve service quality throughout the care delivery process. Healthcare management, financial transparency, and overall performance are among the aspects evaluated and enhanced through these audits. The role of internal audit is therefore recognized as highly significant in supporting the effectiveness and efficiency of healthcare services ([Alshamrani, 2023](#)).

Fraud occurs due to weak internal controls within an organization, often driven by pressure, opportunity, and rationalization. The absence of an internal audit function in such circumstances can further deteriorate the effectiveness of the organization's internal control system. Internal audit plays a critical role in the prevention and detection of fraud, as outlined by The Institute of Internal Auditors (IIA). The level of fraud risk maturity serves as an indicator for internal auditors of the effectiveness of the internal audit function in preventing and detecting fraud risk. A lower fraud risk score reflects a successful internal audit function in establishing effective internal controls. Beyond internal control, improvements in governance and risk management conducted by internal audit functions can enhance operational efficiency ([Norman et al., 2010](#)). Furthermore, internal audits that promote an ethical culture within the organization can reduce the risk of fraud ([Ma'Ayan & Carmeli, 2016](#)). As the regulatory authority, the Financial Services Authority (OJK) also supports anti-fraud measures by strengthening internal audit functions through the adoption of Global Internal Audit Standards ([OJK, 2024](#)).

The Global Internal Audit Standards (GIAS), issued by the IIA in 2024, serve as a comprehensive set of rules and standards guiding the internal audit profession in fulfilling its responsibilities, including practices and ethics. Officially introduced by the IIA on January 9, 2024, GIAS represents a significant evolution from the previous International Professional Practices Framework (IPPF) that had been in place since 2017. The primary objective of GIAS is to enhance organizational value by delivering objective, risk-based assurance and actionable insights, which are integral to effective governance and accountability.

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The new standards consolidate various elements of the IPPF into a streamlined structure encompassing core principles, definitions, and a code of ethics, enabling a more cohesive and agile implementation of internal audit practices ([Zamzami et al., 2024](#)). GIAS introduces new domains that detail critical requirements for quality assurance and the professional development of internal auditors, ensuring that they are equipped with the necessary

competencies to perform audits effectively in complex organizational environments. The standards also emphasize the importance of independence and objectivity in the audit process, reinforcing the role of internal auditors as proactive agents of change rather than mere compliance overseers.

The implementation of the GIAS, effective in 2025, marks a significant shift in internal audit practices, particularly in aligning internal audit plans and strategies with organizational objectives. The new standards emphasize this alignment and underscore the importance of enhanced stakeholder communication (KPMG, 2024). In addition to aligning audit plans and strategies, the standards also address modern challenges and the integration of technology. The adoption of GIAS in Indonesia represents a crucial step in improving the quality and standards of internal audit practices, supporting good governance, and ensuring the effectiveness of national development and economic programs. In Indonesia, the Institute of Internal Auditors (IIA) emphasizes proactive adaptation, digital competency, and cybersecurity awareness to align with global standards (IIA, 2024). The public sector, newly defined within GIAS, is required to ensure transparency and accountability in the utilization of public funds (Kifflee et al., 2023).

A key innovation introduced by GIAS is its focus on public service and the significant role internal audit can play in contributing to the public good. This includes a renewed emphasis on ethics, professionalism, and governance within the internal audit function. When addressing the public sector, GIAS acknowledges the unique challenges faced by governmental and non-profit organizations compared to those in the private sector. The framework highlights accountability, transparency, and effective service delivery, aiming to align internal audit functions with broader societal objectives. By prioritizing the credibility and integrity of public institutions, GIAS seeks to foster public and stakeholder trust. This adaptation reflects a substantial evolution in audit practices, prioritizing the public interest and aligning with societal expectations of public service professionals (Beke-Trivunac & Jeremić, 2023).

Considering the high incidence of fraud cases in the public sector, particularly in healthcare services, where 117 cases have been documented globally (ACFE, 2024). In Indonesia, instances of healthcare providers committing fraud against social insurance schemes—such as through fictitious claims—have been investigated by Financial and Development Supervisory Board, The Corruption Eradication Commission, Ministry of Health, and Social Security Administrative Body X. Social Security Administrative Body X, which manages coverage for over 277 million participants and collaborates with 26,000 healthcare providers, faces a significant risk of fraud due to its scale and complexity. Strengthening the internal audit function, including its preparedness in various areas, is essential to ensure transparency and effective fraud mitigation. Understanding and addressing all these critical factors—beyond just technological readiness and stakeholder engagement—are key to successful implementation of GIAS standards in such complex and high-risk environments.

According to previous research, digital technology is a crucial element that must be urgently adopted by internal audit functions in implementing the new standards (Touil & Bensaid, 2024). Similarly, the implementation of the new standards in the public sector requires comprehensive communication with stakeholders and strict adherence to existing legal and regulatory frameworks (Beke-Trivunac & Jeremić, 2023). The results of these studies reveal differing perspectives regarding the necessary actions for implementing GIAS to strengthen internal audit functions and effectively mitigate fraud. Therefore, further exploration is needed to uncover additional facts concerning the implementation of GIAS through a case

study approach—specifically focusing on the internal audit function of Social Security Administrative Body X, which manages the social insurance program.

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This study aims to explore and analyze the implementation of GIAS within the internal audit of Social Security Administrative Body X in 2025, including governing the internal audit function, to assess the governance and oversight relationship between the internal audit function and the board; managing the internal audit function, to evaluate audit planning, strategy, resource allocation, and the enhancement of stakeholder engagement; performing internal audit services, to analyze the reporting of audit findings based on risk levels and the process of drawing conclusions within assignments; as well as critical aspects in the public sector that must be considered by the internal audit function—all of which constitute the newly introduced standards in GIAS. In contrast, previous studies have primarily focused on specific aspects such as internal audit resources related to information technology and key elements in the public sector. As a result, there remains a gap in understanding the comprehensive implementation of GIAS, particularly in terms of governance and oversight between internal audit and the board, audit planning and strategy, holistic audit resource management, enhancement of stakeholder engagement, and funding-related aspects. The objective is not only to gain an in-depth understanding of how GIAS is applied, but also to identify the challenges and opportunities that may arise during the implementation process. The findings of this study are expected to provide valuable insights for academics, researchers, and practitioners in the field of internal auditing, supporting further research and enhancing auditing practices in the public sector.

By delivering relevant and applicable results, this research aspires to offer new perspectives on the effectiveness of internal audit functions and serve as a foundation for the development of improved audit policies and strategies. The primary expectation of this study is that the findings and recommendations will contribute to enhancing the quality and integrity of internal audits in support of accountability and transparency in the public sector, thereby strengthening public trust in government institutions.

METHODS

This case study employs a qualitative research methodology. Qualitative research is utilized to provide an in-depth description of observed phenomena and is often used to develop or generate new hypotheses and theories (Johnson & Christensen, 2019). The approach adopted in this study is a case study, a qualitative method that closely examines the research subject (Yin, 2016). To observe the first-year implementation of GIAS within the internal audit function of Social Security Administrative Body X, interview techniques are employed. Interviewing is a common practice in various contexts, including therapy, philosophical inquiry, and surveys (Tracy, 2024).

The unit of analysis in this study is a single-case analysis, focusing on Social Security Administrative Body X, which operates in the public sector and collaborates with over 26,000 healthcare facilities across Indonesia. Due to the extensive number of healthcare partners, the agency is vulnerable to fraud, making it a critical research site for analyzing GIAS implementation in internal auditing. This implementation aims to enhance transparency, accountability, and risk management in healthcare services, in alignment with the agency's public responsibilities. It underscores the essential role of internal audit functions within the public sector context.

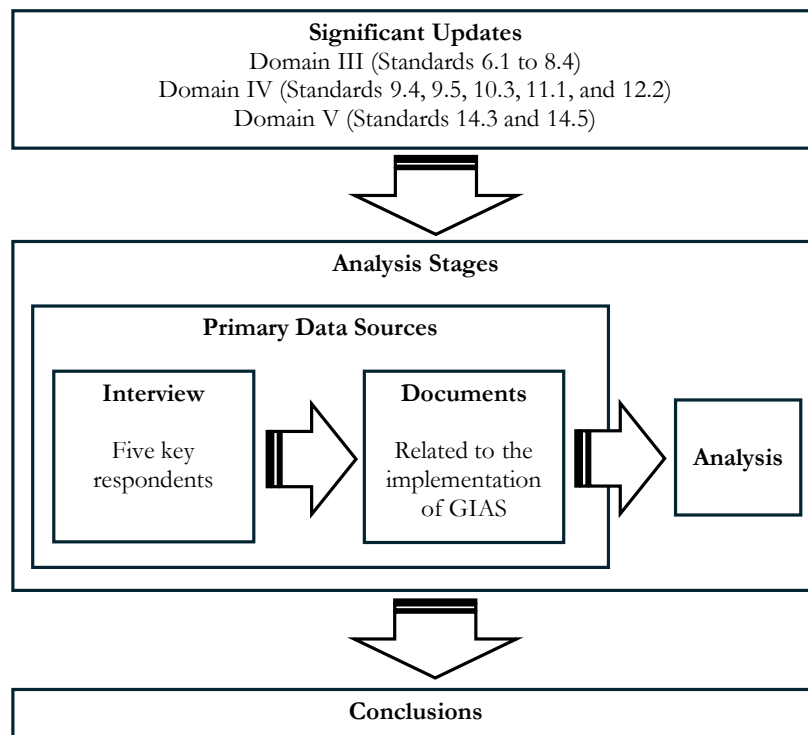


Figure 1.
Conceptual
Framework

Source: Data Processed (2025)

The study involves five interview respondents, comprising one board member, one general manager, two senior managers, and one manager. The interviewees include the Chief Audit Executive, who oversees the overall internal audit function; the Chair of the Audit Committee, who coordinates with the internal audit function to fulfill oversight responsibilities; Principal Auditor, responsible for conducting internal audit activities; Planning and Audit Evaluation Manager; and the Audit Development and Guidance Manager, a structural official within the internal audit function responsible for planning, evaluation, development, and audit capacity building. These respondents were selected based on their core responsibilities within the internal audit function as well as their direct involvement in the implementation of GIAS.

Overall, the conceptual framework of this study is illustrated in Figure 1. The framework explains that the criteria used as the basis for the new standards in this study are derived from the KPMG framework for adopting GIAS by introducing key structural changes to the previous standards (KPMG, 2024). Significant updates to the new standards based on this framework include Domain III (Standards 6.1 to 8.4), Domain IV (Standards 9.4, 9.5, 10.3, 11.1, and 12.2), Domain V (Standards 14.3 and 14.5), as well as the implementation of GIAS in the public sector. Meanwhile, Domains I and II did not undergo significant changes.

The approach to data analysis in this study is qualitative and involves several stages. Data is collected primarily through interviews. The aim of these interviews is to gather information on GIAS implementation process and identify any related challenges. This study employed semi-structured interviews, which combine elements of both structured and unstructured interviews. A structured set of interview questions is provided to facilitate the discussion while allowing room for dynamic exchanges during the interviews, as interview instrument development presented in table 1.

No.	Reference	Scope of Interview
1	Domain III: Governing the Internal Audit Function	How to evaluate the effectiveness of the roles and responsibilities of the Chair of the Audit Committee and Chief Audit Executive in overseeing and carrying out internal audits.
2	Domain IV: Managing the Internal Audit Function	How to assess the strategic planning and implementation of internal audit activities.
3	Domain V: Performing Internal Audit Services	Analysis of findings from internal audits and how conclusions are drawn.
4	Applying the Global Internal Audit Standards in the Public Sector	How to understand the laws and regulations influencing compliance, along with the public sector governance structure that may complicate reporting relationships, oversight mechanisms, and the funding of the audit function.

Table 1.
Interview
Instrument
Development

Source: Data Processed (2025)

In addition to interviews, the study included a review of primary documents such as the Annual Work Program, audit charter, and relevant reports. This process involved examining existing documentation to assess compliance with the principles outlined in GIAS and to provide contextual support for the interview findings. The collected documents and reports undergo triangulation analysis, where the findings from interviews are compared against the primary documents to verify alignment and consistency. This method enhances the validity of the data by analyzing it from multiple perspectives, thereby ensuring more robust results than relying on a single source.

After conducting the triangulation analysis, conclusions are drawn based on which standards have been met and which ones require further improvement. This process also uncovers the underlying causes for any unmet standards, identifying challenges faced during GIAS implementation by the internal audit function. Following this, recommendations are formulated to improve the adherence to these standards, aimed at enhancing the overall internal audit process within the public sector.

RESULTS AND DISCUSSION

GIAS introduces new standards that were not previously included in the International Professional Practices Framework (IPPF). Accordingly, an implementation analysis of these new standards has been conducted for the internal audit function of Social Security Administrative Body X. A summary of the analysis results regarding the implementation of the new standards in GIAS is presented in Table 2. A detailed explanation of the areas that require further improvement will be presented in the discussion of the GIAS implementation analysis for each respective area, as outlined below.

Domain	Areas of Improvement
Domain III: Governing the Internal Audit Function	<ol style="list-style-type: none"> a. Approval by the President Directors of the advisory guidelines aligned with GIAS. b. Establishment of qualification requirements for external quality assessment assessors and provision of input by the audit committee on the terms of reference. c. Strategic engagement with budget authorities to align with the needs of the internal audit function

Table 2.
Summary of
Implementati
on Results
and Areas of
Improvement

Domain	Areas of Improvement
Domain IV: Managing the Internal Audit Function	a. President Director's approval of the long-term internal audit planning and strategy, formalized in an official document b. Completion of the integration process for the audit information system in 2025.
Domain V: Performing Internal Audit Services	Formulation of procedures for drawing conclusions in audit engagements.

Source: Data Processed (2025)

Domain III: Governing the Internal Audit Function

The audit committee, as part of the board, has received sufficient and reliable information from Chief Audit Executive to support the board in fulfilling its oversight function. This information was obtained through regular semi-annual meetings between the audit committee and the internal audit function. During these meetings, discussions were held regarding the implementation of internal audit activities as well as non-audit activities, such as support provided to external auditors, including those from the Public Accounting Firm, the Audit Board of Indonesia, and the Financial Services Authority. The audit committee's explanation is consistent with documented evidence in the form of meeting minutes between the audit committee and the internal audit function, which include discussions on the realization of audit and non-audit activities, audit and non-audit budget utilization, as well as the progress of internal audit performance achievements on a semester basis.

Conversely, the audit committee, in its capacity as a board, also provides support to Chief Audit Executive to enable the effective execution of their mandate in accordance with the audit charter and to achieve internal audit objectives. The internal audit function possesses audit charter approved by the Board, which outlines the vision and mission, roles and responsibilities, authority, professional code of ethics, and governance of working relationships with auditees, the board, and external oversight bodies. To achieve the annual objectives of the internal audit function, an Annual Work Program (AWP) is prepared, encompassing both audit and non-audit activities, and approved by the President Director.

In the preparation of the AWP, the audit committee provides input to enhance the comprehensiveness of the internal audit objectives and to update a advisory guideline as a preventive measure against fraud. This recommendation stems from the increasing volume of advisory activities, which correlates with the rising number of fraud-related issues involving healthcare facilities, as well as other critical matters currently affecting Social Security Administrative Body X's reputation. The concept of updated advisory guideline has been presented to the audit committee and President Director which substantially approved. Nevertheless, as of the first quarter of 2025, the advisory guideline document is still in the process of being signed by the President Director.

In the public sector, the budgeting process for the internal audit function is of critical importance, although the budget allocation depends on decisions made by the relevant authorities. Therefore, the audit committee, as part of the board, must advocate for adequate resources to fulfill the internal audit mandate. In relation to budget management, the Ministry of Finance, acting as the budget authority for Social Security Administrative Body X, made an adjustment to the initial budget proposal. Nevertheless, the 2025 Annual Work Program must continue to be implemented within the constraints of the limited budget, prompting the internal audit function to adopt the principle of value-for-money, ensuring that internal

audit activities continue to provide measurable value or benefits despite budgetary limitations.

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According to the explanation provided by Chief Audit Executive, validation has been conducted on audit reports for the years 2025, which confirmed that there was a refund from healthcare facilities for healthcare service costs that had been previously paid by Social Security Administrative Body X, based on audit findings. This demonstrates that internal audit activities not only create value and benefits for Social Security Administrative Body X and its stakeholders but also have the potential to safeguard or recover financial losses.

Standard 8.4 requires Chief Audit Executive to design and discuss the external quality assessment plan with the audit committee. This assessment is mandatory at least once every five years and must be conducted by a qualified independent assessor. The assessment may take the form of a self-assessment with independent validation, and it must ensure that at least one assessor holds an active Certified Internal Auditor (CIA) certification.

At Social Security Administrative Body X, the external quality assessment (quality assurance assessment) is conducted every three years, with the most recent assessment carried out in 2022. The planning process for the quality assurance assessment of the internal audit function is carried out by the Planning and Audit Evaluation Manager. Based on the planning documents for the 2022 assessment, it was noted that the audit committee had not been consulted for input, and there were no specific requirements for assessors to hold CIA certification or have experience in the public sector. The assessment in 2022 was still based on the International Professional Practices Framework (IPPF). These issues have been identified as areas for improvement and will be addressed by the internal audit function during the quality assurance assessment planned for 2025, in accordance with the requirements of GIAS.

Domain IV: Managing the Internal Audit Function

Referring to Standard 9.2, the development and implementation of the internal audit function's strategy must be carried out by Chief Audit Executive in a manner that supports the strategic objectives of the organization and aligns with the expectations of the audit committee, the board of directors, and other stakeholders. The internal audit function of Social Security Administrative Body X has developed an internal audit strategy that has been conceptually approved by both the audit committee and President Director. Validation of this information was conducted using a working paper, which included a profile of the internal audit function and outlined the internal audit strategy or roadmap for the years 2024 through 2029, derived from the internal audit vision with the roadmap as structured in table 3.

Year	Strategy
2024	Development and strengthening of risk-based auditing through risk scoring, control self-assessment, and application system integration.
2025	Acting as a catalyst, facilitating work units in overcoming strategic barriers to achieving high-quality performance.
2026-2027	Functioning as an enabler, focusing on systemic improvements (system-based recommendations), involving the first and second lines of defense, and establishing an integrated internal oversight system within Social Security Administrative Body X, including continuous assurance.

Table 3.
The Roadmap
of Internal
Audit
Function

Year	Strategy
2028	Becoming a trusted assurance provider, wherein internal audit results are integrated into management's decision-making processes and provide assurance to external auditors regarding the effectiveness of governance, internal controls, and risk management. The internal audit function also aspires to become a role model unit within the organization.
2029	Evolving into a trusted advisor, serving as a key partner to management in the oversight of governance, internal control, and risk management, and establishing itself as a benchmarking center for peer institutions.

Source: Data Processed (2025)

Based on validation using relevant documentary evidence, the internal audit function of Social Security Administrative Body X has developed a strategic roadmap derived from its internal audit vision. However, the strategy and the basis for its formulation is still in the process of being signed by the President Director.

Standard 9.4 requires Chief Audit Executive to develop an internal audit plan that is aligned with the achievement of the organization's objectives. This plan must be based on a documented assessment of the organization's strategy, objectives, and risks, and should consider input from the Audit Committee and the board of directors. According to an interview with Chief Audit Executive, the internal audit function of Social Security Administrative Body X has developed a five-year long-term audit plan based on the organization's long-term strategic plan, the National Medium-Term Development Plan, and the organization's vision and mission.

Additionally, Chief Audit Executive conducts an annual review of the long-term audit plan by referring to the organization's current priorities, the Annual Work Plan and Budget, the organization's risk profile, and the internal audit function's resource capabilities. This process enables the internal audit function to develop a short-term (annual) work program while simultaneously reviewing the alignment of its long-term plan with the organization's strategic direction. Conceptually, the long-term internal audit plan has been presented to and approved by the President Director and the Audit Committee. However, it has not yet been formally ratified by the President Director in the form of an official long-term internal audit plan, internal audit strategy, or a review document that evaluates the alignment of the internal audit plan with the organization's long-term strategic plan.

Standard 10.3 states that Chief Audit Executive must ensure the audit function is supported by adequate technology, periodically evaluate and enhance its effectiveness, and provide training for auditors in its use. Collaboration with IT and information security teams is essential for optimal technology implementation, and any technology limitations that affect audit effectiveness must be communicated to the audit committee and the board of directors.

The internal audit function of Social Security Administrative Body X has acknowledged the importance of technological resources. Chief Audit Executive explained that Social Security Administrative Body X is currently developing an internal audit information system by integrating several existing but fragmented audit applications. Furthermore, four internal audit personnel obtained the Certified Information Systems Auditor (CISA) certification in 2024. These efforts are part of Social Security Administrative Body X's preparation for the implementation of GIAS in 2025, which require strengthened information technology support for the execution of internal audit roles and responsibilities.

Based on interviews with Chief Audit Executive and the Audit Development and Guidance Manager, validation was carried out using supporting documents, namely the CISA certificates and the AWP 2025. The certificate review confirmed that four internal audit staff members received CISA certification in November 2024. Additionally, the AWP 2025 includes a work program to strengthen the internal audit system through information technology, aimed at integrating audit applications across planning, implementation, communication, and follow-up monitoring processes. This development initiative is scheduled to be implemented in the second and third quarters of 2025.

Chief Audit Executive must develop strategies to strengthen relationships and build trust with key stakeholders, including the audit committee, board of directors, and regulators. In principle, the internal audit function of Social Security Administrative Body X has developed approaches to establish communication with stakeholders, such as the audit committee, board of directors, regulators, and consultants. Communication with stakeholders is an essential part of the internal audit function's mandate. In the public sector, internal auditors must ensure transparency and broader information disclosure, including the obligation to regularly communicate internal audit results during public meetings. The internal audit function of Social Security Administrative Body X has ensured transparency and the dissemination of information in communicating internal audit results.

Engagement with the board of directors and audit committee is carried out through both formal and informal communication. Formal activities include regular semi-annual meetings. During the external audit process, the audit committee is also actively involved. In addition to formal meetings, Chief Audit Executive conducts informal communication with the board of directors and audit committee by requesting special sessions to report ongoing issues that require attention, such as preliminary external audit findings or other matters relevant to achieving the organization's objectives. The internal audit function also coordinates with other departments by providing advisory services related to operations to support the achievement of organizational goals.

Interview findings with the Chief Audit Executive indicate that, in addition to engaging with internal stakeholders, the internal audit function also engages with external stakeholders such as the National Social Security Council, the Audit Board of Indonesia, and regulators such as the Financial Services Authority. Chief Audit Executive regularly communicates and coordinates with the Audit Board of Indonesia to discuss organizational challenges. Communication with Financial Services Authority and the Ministry of Finance, as stakeholders, is also frequently conducted in collaboration with the accounting and actuarial divisions, particularly in the context of IFRS 17 implementation. Coordination with National Social Security Council is carried out by submitting thematic audit results, which serve as a reference for National Social Security Council in overseeing the implementation of social insurance program. Standard 11.1 requires that communication with stakeholders is an integral part of the internal audit function's mandate. Document validation for Standard 11.1 was conducted through an observation of correspondence records with stakeholders, including National Social Security Council, the Audit Board of Indonesia, Financial Services Authority, and the Ministry of Finance. Compliance documentation for National Social Security Council was fulfilled through an email submission in December 2024, which included the Audit Board of Indonesia's findings and the follow-up actions taken. Thus, these matters are in accordance with the established standards.

Nevertheless, in the public sector, it is essential to consider the limitations on the disclosure of reports and information that are restricted by laws and regulations when communicating

and maintaining relationships with key stakeholders. Internal auditors operating in the public sector must possess a thorough understanding of the laws and regulations governing the legal environment in which the organization operates, including provisions concerning the disclosure of information or reports that are legally restricted.

The internal audit function of Social Security Administrative Body X has demonstrated an understanding of sensitive information or reports whose dissemination is limited by statutory provisions. Chief Audit Executive consistently ensures that auditors are aware of which data may be disclosed and which constitute personal protected information. This principle is also applied when communicating with auditees, task assignors, and stakeholders. To reinforce this, a data confidentiality integrity pact has been established. The validation of compliance evidence documents is conducted by matching them with the integrity pacts signed by each member of the internal audit function. These pacts include clauses concerning the protection or legal restriction of sensitive information, as stipulated by applicable laws and regulations.

The influence of the government and the regulator is highly significant, primarily through the enactment and enforcement of relevant regulations. As a fully regulated organization, the internal audit function of Social Security Administrative Body X is obligated to continuously update its understanding of the evolving regulatory landscape. This is not only crucial to ensure compliance with established criteria but also to detect potential non-compliance and fraudulent activities committed by parties abusing their authority.

Regulations serve not merely as mandatory requirements, but also as a valuable support tool for auditors. In this context, regulations act as a vital instrument in executing audit functions. With a deep understanding of regulatory frameworks, internal auditors are better equipped to identify potential loopholes and contribute to effective oversight. Therefore, the role of the government or the regulator exerts a substantial influence on the internal audit function of Social Security Administrative Body X.

Domain V: Performing Internal Audit Services

Standard 14.3 states that internal auditors must assess the significance of each finding by considering its root cause, impact, and level of significance on the organization's governance, risk management, and internal control. If significant risks are identified, the auditor must document and communicate them as findings, with the priority level determined based on their significance under the direction of Chief Audit Executive. The internal audit function of Social Security Administrative Body X has identified the causes and impacts of findings and categorized them based on their significance to governance, internal control, and risk management.

Chief Audit Executive explained that audit planning is conducted based on a risk-based approach, allowing auditors to understand relevant risks and analyze them to identify findings. Auditors assess both cause and effect in each finding to provide appropriate recommendations for improvement. Principal auditor also stated that findings are evaluated based on their risk significance as explained below:

“There is a conclusion to the engagement. Some are only documented as working papers, while others may lead to new findings. After the auditor receives the follow-up results from the auditee regarding the list of findings, they conduct a risk analysis based on those follow-up results. If the follow-up actions are able to reduce the risk, the finding is considered resolved and removed from the list of findings, though the working paper remains but is not included in the audit report. However, if the risk

remains high, especially for new findings, it will still be included in the audit report and subsequently reported to the board of directors and the audit committee. The new findings will, of course, be evaluated to determine whether the risk is high or low. If the risk is high, it will be considered a focus for future audits, particularly if it involves fraud cases”.

When findings are identified, the auditor documents them in a list of audit findings. The auditee is then responsible for following up on this list. Once the auditor receives the auditee’s follow-up results, a risk analysis is conducted based on the follow-up actions. If the follow-up effectively mitigates the associated risks, the finding is considered resolved and is removed from the list of audit findings. Although documentation is retained in the working papers, the resolved finding is not included in the final audit report. However, if the risk remains high, particularly in the case of new findings, the issue is included in the audit report, which is then submitted to the board of directors and the audit committee. These new findings will subsequently be evaluated to determine whether they pose a high or low risk. If deemed high risk, they may be prioritized as focus areas in future audit engagements, especially if the finding involves indications of fraud.

Validation of supporting documents was conducted by comparing audit working papers, preliminary audit results, and the final audit report. Audit working papers are prepared based on audit programs selected through risk scoring to identify areas with significant risks. When discrepancies between actual conditions and established criteria are found during testing, they are included as findings in the preliminary audit results. The auditee is required to follow up on the findings within a specified timeframe. Once the auditor receives the follow-up results, they conduct a risk analysis to evaluate whether the follow-up actions have reduced or eliminated the identified risks. If the risk is deemed mitigated or eliminated, the finding is considered resolved and recorded only in the working papers without inclusion in the final audit report. However, if further action is required, the finding is included in the final audit report submitted to the board of directors and the audit committee. For future audits, these findings may be considered as areas of focus.

Furthermore, in accordance with Standard 14.5 on engagement conclusions, internal auditors must prepare an engagement conclusion that summarizes the evaluation results based on the audit objectives. This conclusion reflects the auditor's professional judgment on the overall significance of the findings. For assurance engagements, the conclusion must also include an assessment of the effectiveness of governance, risk management, and control processes, including acknowledgment of well-functioning processes. The internal audit function of Social Security Administrative Body X has prepared overall conclusions for its audit engagements. This was validated through the 2025 audit report, which confirmed the inclusion of engagement conclusions indicating that improvements are needed in the implementation of internal control, governance, and risk management. Additionally, a review of the internal audit guidelines and routine audit implementation manual revealed that there are no established procedures for classifying or quantifying audit conclusions. As a result, all routine audit engagements have consistently concluded with a "need improvement" status.

Challenges in the Implementation of GIAS

The implementation of GIAS at Social Security Administrative Body X has encountered several challenges, influenced by both internal and external factors. Firstly, the updated advisory guideline of the internal audit function is still in the process of being signed, which is essential as a reference for internal auditors in delivering advisory services. This guideline serves as a critical reference for internal auditors in delivering advisory services in accordance

with the new standards. The document plays a vital role in guiding the execution of advisory engagements, both for internal and external stakeholders, particularly those related to public sector issues, fraud control, and other critical matters.

Secondly, the planning and execution of external quality assessment services. In the 2022 assessment, input from the audit committee was not solicited, and the requirements for assessors to hold a Certified Internal Auditor (CIA) certification and have public sector experience were not specified. This was due to the continued use of the International Professional Practices Framework (IPPF) at the time. However, adjustments are planned for the 2025 assessment to align with GIAS requirements.

Additionally, although the internal audit function has developed a long-term internal audit plan and strategy that aligns with the organization's strategic plan, the National Medium-Term Development Plan, and its vision and mission, the process has not yet been formally documented. This condition indicates the need for improvement in ensuring strategic alignment.

Moreover, the information system supporting internal audit activities remains partially integrated. An initiative is currently underway to integrate audit-related applications across the planning, implementation, communication, and follow-up monitoring stages, with full implementation expected by the third quarter of 2025.

Another notable issue is the absence of a formal mechanism or methodology for drawing conclusions in audit reports. Although conclusions are included in audit reports, there is no technical explanation of how these conclusions are formulated. Consequently, audit conclusions have consistently been categorized as "need improvement," potentially due to the lack of a clear classification framework.

Finally, budgetary constraints pose a significant challenge. The funding for the internal audit function is determined by an external authority. In early 2025, the budget approved by the Ministry of Finance had been adjusted compared to the initial budget proposal submitted by Social Security Administrative Body X. This situation has encouraged the internal audit function to carry out its activities based on the principle of value-for-money.

CONCLUSION

The objective of this study is to analyze the implementation of GIAS within the internal audit function of Social Security Administrative Body X in 2025 and to examine the challenges encountered during the implementation process. Based on the conducted analysis, six areas for improvement have been identified across Domain III, Domain IV, and Domain V, which require immediate resolution to ensure the effective implementation of GIAS. These areas include the ratification of advisory guidelines, internal audit planning and strategy, qualifications for external quality assessment services, funding of the internal audit function, integration of information technology, and formulation of conclusions in audit engagements.

Several recommendations are proposed to enhance the effectiveness and performance of the internal audit function. Priority should be given to the completion of the advisory services guidelines in 2025, which will serve as a reference for consistently delivering high-quality advisory services to both internal and external stakeholders. These guidelines will support the resolution of significant public sector issues and strengthen control mechanisms against potential fraud.

In the planning and implementation of external quality assessment services, the internal audit

function should involve the audit committee for feedback and ensure that at least one member of the assessment team holds a Certified Internal Auditor (CIA) designation and possesses relevant public sector experience. This will improve the quality and efficiency of the external quality assessment process. Existing internal audit plans and strategies must also be formalized in official documents to provide clear direction for future advisory services.

The integration of audit-related information systems must be completed according to the established timeline to better support internal audit activities. Regarding audit engagement conclusions, it is essential to develop a clear methodology for formulating conclusions in audit reports. This will ensure that the conclusions go beyond generic statements such as "need improvement" and are supported by a well-defined reasoning process.

Attention must also be directed toward funding, where a more strategic approach to engaging with the budgetary authority is necessary to advocate for adequate funding that aligns with the internal audit function's needs. This will enable the implementation of the value-for-money principle in executing audit responsibilities more effectively.

By adopting these recommendations, the internal audit function is expected to operate more effectively and contribute positively to achieving the organization's objectives. These findings also indicate the need to strengthen support and collaboration with the audit committee, board of directors, and key stakeholders to further enhance the effectiveness of the internal audit function.

This study has certain limitation that may be addressed in future research. One key limitation is that this study employs a case study approach, which means that the implementation of GIAS and the challenges encountered during its implementation are specific to Social Security Administrative Body X. The implementation process and associated challenges identified in this study may differ from those experienced by internal audit functions in other public sector entities or organizations. Given this limitation, it is recommended that future research conduct a broader analysis of GIAS implementation within internal audit functions across other public sector institutions or organizations. Such research would provide valuable insights into the challenges faced in implementing GIAS in different organizational contexts.

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