

Regional Good Practices: Malaysia (State Audit Office), Singapore (AGC), Thailand (OAG)

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ABSTRACT

Public sector audits play a crucial role in achieving transparency and accountability in state financial management. This study aims to analyze public sector audit practices in Malaysia, Singapore, and Thailand and their implications for Indonesia. The method used is a literature review with a descriptive analytical approach to the profile of audit institutions, their practices, and the cases they encounter. The results show that each country has distinct advantages, namely transparency in Malaysia, independence and technology in Singapore, and the legal framework in Thailand. These differences influence audit effectiveness and follow-up actions. Furthermore, the quality of internal control and the relationship between internal and external audits significantly determine the success of oversight. In conclusion, strengthening independence, utilizing technology, and improving internal control systems are key to improving the quality of public sector governance in Indonesia.

Keywords: Public Sector Audit, Accountability, Transparency, Governance, Internal Control

BACKGROUND

Public sector audits are a crucial instrument for achieving accountability and transparency in state financial management. Through audits, the government can ensure that public resources are used efficiently, effectively, and in accordance with applicable regulations. Public sector accounting also plays a role in supporting quality public services, the success of which can be measured by the level of access and benefits experienced by the public. In this context, the state audit institution, as the highest institution, plays a strategic role in conducting independent oversight to maintain public trust in the government.

The Supreme Audit Institution (SAI) is the highest audit institution in a country, with the primary task of independently auditing and supervising state financial management. The Supreme Audit Institution (SAI) serves as an independent institution tasked with overseeing state financial management to ensure accountability, transparency, and efficient use of public resources. The SAI conducts financial audits, compliance audits, and performance audits to assess whether government activities comply with regulations and achieve established objectives. Furthermore, the SAI serves as a checks and balances mechanism in the governance system, providing recommendations for improvements to government entities. This role is increasingly important in the context of good governance, as the SAI can bolster public trust in the government through objective and independent audit reports. The effectiveness of an SAI is significantly influenced by its level of independence, institutional capacity, and adequate regulatory support. Therefore, SAIs function not only as supervisors but also as agents of change in improving the quality of public sector governance (OECD, 2020; Cordery & Hay, 2021; INTOSAI, 2019).

In Southeast Asia, several countries have demonstrated good audit practices with diverse approaches, particularly Malaysia, Singapore, and Thailand. Differences in independence, transparency, technology utilization, and the effectiveness of audit follow-up are factors that influence the quality of oversight in each country. This situation is interesting to study as a learning resource for improving the quality of public sector audits, particularly in developing countries like Indonesia. Based on this, this study aims to analyze the profile of audit institutions, identify the best practices implemented, and examine their implications for strengthening the public sector audit system in Indonesia.

RESEARCH METHODS

This research employs a qualitative approach using a literature review method. The data used are secondary data obtained from various sources, such as books, scientific journals, reports from international audit institutions, and official documents related to public sector audits in Malaysia, Singapore, and Thailand. Data collection was conducted through documentation techniques by reviewing various references relevant to the research topic.

Data analysis was conducted using a descriptive-analytical approach, systematically describing the profiles of audit institutions, their audit practices, and cases in each country. Furthermore, the data were analyzed by comparing audit practices across countries to identify differences and similarities and draw implications for strengthening the public sector audit system in Indonesia.

RESULTS AND DISCUSSION

1. Audit Institution Profile

The Supreme Audit Institutions (SAIs) in Malaysia, Singapore, and Thailand have distinct characteristics but share the same goal of improving public sector accountability. In Malaysia, the State Audit Office is based on the Federal Constitution and the Audit Act 1957. It is led by the Auditor General and reports to parliament. Its organizational structure is hierarchical, with divisions into financial, compliance, and performance audit units. In terms of independence, the Auditor General enjoys legal protection, but in practice, it remains influenced by political dynamics. The types of audits conducted include financial audits, compliance audits, and performance audits (Iskandar & Harymawan, 2021).

In Singapore, the Auditor-General's Office Singapore is based on the Constitution of Singapore and the Audit Act. This institution is led by the Auditor-General, who reports directly to the President, thus enjoying a very high degree of independence. Its organizational structure is leaner and function-based, with an emphasis on the use of technology and data analytics. The types of audits conducted include financial audits and compliance audits, as well as performance audits to a limited extent. The high quality of internal controls ensures relatively minimal audit findings (Tan & Low, 2022). Meanwhile, in Thailand, the Office of the Auditor General of Thailand has a strong legal basis in the constitution and the Organic Act on State Audit. This institution is led by the Auditor General and has a more formal organizational structure supported by a state audit committee. Its independence is constitutionally guaranteed, although its implementation remains influenced by domestic political conditions. The types of audits performed include financial and compliance audits, with the development of performance audits being continuously enhanced (Suttipun & Stanton, 2020).

2. Good Practice

Good practices of state audit institutions in Malaysia, Singapore, and Thailand demonstrate diverse approaches to strengthening public sector accountability. In Malaysia, the State Audit Office stands out for its transparency through the publication of the Chairman of the State Audit Office's publicly accessible Report. This transparency attracts media attention and increases pressure on the government to follow up on audit findings. Furthermore, the Public Accounts Committee (PAC) in parliament plays a crucial role in deliberating audit findings and ensuring government accountability. Malaysia has

also developed performance audits to assess the effectiveness of government programs, not just regulatory compliance (Iskandar & Harymawan, 2021).

In Singapore, the Auditor-General's Office Singapore demonstrates very strong audit practices, particularly in terms of its high level of independence, as it reports directly to the President. Furthermore, Singapore leverages technology through the use of data analytics and IT audits to improve audit quality and efficiency. A mature internal control system also contributes to a relatively low number of audit findings, as most risks are well managed before the audit is conducted (Tan & Low, 2022). Meanwhile, in Thailand, the Office of the Auditor General of Thailand enjoys constitutionally guaranteed independence. Audit practices in Thailand focus more on compliance audits to ensure budget utilization complies with applicable regulations. Furthermore, Thailand conducts capacity building for auditors through training and competency development, gradually improving audit quality (Suttipun & Stanton, 2020). The following table compares public sector audit practices across three countries.

Tabel 1. Perbandingan Praktik Baik Audit Sektor Publik

Aspek	Malaysia	Singapura	Thailand
Transparansi	Tinggi (laporan publik)	Sedang	Sedang
Independensi	Sedang	Sangat Tinggi	Tinggi
Teknologi Audit	Berkembang	Sangat maju	Berkembang
Tindak Lanjut	Kuat	Sistematis	Kurang Optimal

Overall, Singapore excels in independence and technology, Malaysia excels in transparency and parliamentary roles, while Thailand has a strong legal framework but still faces implementation challenges. These differences indicate that audit effectiveness is influenced by a combination of institutional, technological, and governance factors. Good practices from all three countries demonstrate that transparency, independence, technology utilization, and strengthening human resource capacity are key factors in improving public sector audit effectiveness and governance quality.

3. Case Analysis

The 1MDB case in Malaysia is an example of major irregularities in state financial management involving corruption and money laundering on an international scale. The audit successfully identified transaction irregularities, weak documentation, and low transparency. However, the audit's effectiveness was hampered by political interference

and limited access to information, demonstrating the importance of audit institution independence and strengthened internal controls in preventing irregularities.

In Singapore, audit findings were generally administrative in nature, such as weaknesses in procurement, asset recording, and oversight of public fund use. The auditor's role focused more on prevention and system improvement, with prompt follow-up from relevant agencies. This reflects a strong internal control system and a culture of good governance, preventing errors from escalating into major problems.\

Meanwhile, in Thailand, budget irregularities were still found due to internal control weaknesses, bureaucratic complexity, and limited human resources. Although auditors identified problems and made recommendations, suboptimal follow-up was a major obstacle. This demonstrates that audit effectiveness is determined not only by the legal framework but also by the government's implementation and commitment to implementing audit recommendations.

4. Relation to Internal Audit

External audits are significantly influenced by the quality of internal audits, as they are part of the internal control system and serve as an organization's first line of defense. Effective internal audits can improve the reliability of financial reports, ensure regulatory compliance, and proactively manage risks. This facilitates the external auditor's audit, reduces audit risk, and narrows the scope of testing. Conversely, weaknesses in internal audits increase the risk of misstatements and encourage external auditors to perform more extensive procedures (Arens et al., 2020; Eulerich et al., 2020).

In the context of the 1MDB scandal in Malaysia, weak internal audit and internal controls allowed large-scale irregularities to occur without early detection. This limited the external auditor's ability to identify complex and opaque transactions. In Singapore, a strong internal audit system and a strong compliance culture meant that external audit findings were relatively minor and administrative in nature. External audits served primarily as confirmation of the effectiveness of existing systems. Meanwhile, in Thailand, limited internal audit capacity and weak internal control implementation contributed to budget irregularities and suboptimal follow-up on audit recommendations.

Thus, it can be concluded that the quality of internal audits significantly determines the effectiveness of external audits, both in detecting irregularities and in improving public sector accountability. The two are complementary in supporting good governance.

5. Implications for Indonesia

Audit practices in Malaysia, Singapore, and Thailand have important implications for Indonesia, particularly in strengthening the role of the Supreme Audit Agency (BPK) as the external auditor and the Government Internal Audit Apparatus (PISA) as the internal auditor. Synergy between the two is key to improving the quality of state financial oversight. The Malaysian case demonstrates that weak internal controls and independence can trigger major irregularities, necessitating a strengthened internal oversight role. Meanwhile, Singapore emphasizes the importance of a robust internal control system and the use of audit technology to minimize findings. Thailand's experience demonstrates that a sound legal framework must be supported by effective implementation and follow-up. In general, irregularities arise from weak internal controls, conflicts of interest, lack of coordination, and a suboptimal organizational culture. Therefore, Indonesia needs to improve collaboration, independence, and audit technology capacity to strengthen accountability and governance. Horizontal lines are emphasized in the table, while vertical lines are omitted.

CONCLUSION

Based on the discussion outlined in the previous chapter, the following conclusions can be drawn:

1. Public sector audit institutions in Malaysia, Singapore, and Thailand have a strong legal basis and perform financial, compliance, and performance audit functions. However, there are differences in organizational structure and level of independence, with Singapore demonstrating the highest level of independence, followed by Thailand and Malaysia.
2. Each country has its own advantages: Malaysia excels in transparency and the role of parliament, Singapore in independence and the use of audit technology, and Thailand in strengthening the legal framework and developing auditor capacity.
3. The 1MDB case in Malaysia demonstrated weak internal controls and political influence, while Singapore experienced only administrative findings due to a mature system. Thailand demonstrated budget irregularities caused by weaknesses in audit implementation and follow-up.
4. Internal audit plays a crucial role in supporting the effectiveness of external audits. A strong internal audit system can reduce the risk of irregularities, while weaknesses in internal audit increase the likelihood of errors and fraud.

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5. Indonesia needs to strengthen synergy between the Supreme Audit Agency (BPK) and the Audit Agency (APIP), increase independence, utilize audit technology, and strengthen its internal control system to improve the quality of public sector governance.

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