

Digital Transformation and Trust in Public Sector Auditing: Roles of Efficiency, Compliance, and Fraud Prevention

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Abstract

Purpose: This study examined the relationship between digital transformation and public trust in the context of public sector auditing by specifically focusing on how five (5) audit-related factors (digital transformation in auditing, efficiency of digital auditing, internal controls, fraud prevention, and compliance with regulations) influence the perception of forensic digital auditing frameworks.

Design/ Methodology/ Approach: A quantitative approach was employed in this study. A structured survey was administered to 407 public sector auditors in Malaysia. Structural equation modelling (SEM) was used to assess the direct effects of the five (5) constructs on audit effectiveness and to evaluate the moderating role of public trust. The study is theoretically anchored in digital governance and public trust perspectives.

Findings: All five (5) constructs were found to have a significant positive impact on the perception of forensic digital auditing frameworks, with digital transformation and compliance emerging as the most influential predictors. Public trust significantly moderates all relationships, indicating that high levels of public trust enhance the effectiveness of digitally enabled audit practices. These findings underscore the crucial interplay between technological advancements and stakeholder confidence in public sector governance.

Research Limitations/ Implications: The study was limited to the Malaysian public sector and focused solely on the selected constructs, potentially limiting the generalisability of the findings. Future research could adopt cross-country

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comparisons and incorporate variables such as digital competency, regulatory environment, and institutional readiness.

Practical Implications: Audit institutions should integrate advanced digital technologies with trust-enhancing measures, including transparent audit reporting, third-party validation, and citizen engagement, to strengthen the credibility and performance of forensic audits.

Originality/ Value: This study focuses on Malaysia, a developing country undergoing rapid digitalisation. The study offers timely insights into how digital transformation and public trust interact to influence the effectiveness of forensic audits in the public sector.

Keywords: Digital auditing, public trust, forensic audit framework, fraud prevention, compliance with regulation