Transforming Audit Practices in the Digital Era: Interview-Based Insights on Capability, Compliance, and Cultural Barriers in the Public Sector

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Abstract

Purpose: The current study investigated how digitalisation transformed internal auditing practices within the public sector in Malaysia by focusing on three (3) interrelated dimensions, namely, capability development, compliance and regulatory alignment, and cultural and organisational adaptation, seeking to have a deeper understanding of how the above dimensions could collectively shape the effectiveness and sustainability of digital audit implementation.

Design/ Methodology: This study employed a qualitative exploratory design using semi-structured interviews, which were conducted with a total of 27 internal auditors from Malaysian public-sector agencies, with the collected interview data analysed through a thematic analysis to identify recurring patterns and institutional challenges associated with digital audit transformation.

Findings: The findings revealed that digital auditing could improve audit efficiency, transparency, data accessibility, and fraud detection capabilities. Nonetheless, the transformation process continued to be constrained by limited digital competencies, inadequate practical training, fragmented regulatory frameworks, cybersecurity concerns, and resistance to organisational change, which necessitated leadership support, interdepartmental collaboration, and continuous organisational learning to sustain the effort of digital audit implementations

Originality/ Value: The present study contributed to the digital auditing literature by offering a qualitative socio-technical analysis of how capability development, regulatory alignment, and organisational culture would interact to shape digital audit transformation in the Malaysian public sector, while proposing an integrated framework linking technological readiness with institutional and cultural adaptation to support sustainable digital governance.

Practical Implications: The current results highlighted the requirement to introduce structured programmes for digital capability development, harmonised digital audit regulations, stronger cybersecurity governance, and leadership-driven cultural transformation to support sustainable digital auditing practices within the public sector in Malaysia.

Keywords: Digital auditing, internal audit, digital forensic framework, public sector, Malaysia

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