



## The position and function of an internal auditor in an Indonesian company

Dadang Prasetyo Jatmiko <sup>1\*</sup>, Yudrika Putra <sup>2</sup>, Cynthia Kirana Puteri <sup>3</sup>

<sup>1</sup> Analyst at Badan Standardisasi Nasional, Indonesia

<sup>2-3</sup> Auditor at Badan Standardisasi Nasional, Indonesia

\* Corresponding Author: **Dadang Prasetyo Jatmiko**

### Article Info

**ISSN (online):** 2582-7138

**Volume:** 04

**Issue:** 01

**January-February 2023**

**Received:** 30-12-2022;

**Accepted:** 15-01-2023

**Page No:** 284-287

### Abstract

This study was conducted to identify whether an internal auditor in PT. Tatalestari Rimbabuana, Indonesia can contribute to the achievement of a good internal audit, as well as to find out whether the position of the internal auditor in the company is truly independent so that it can achieve objective audit objectives. To test the hypotheses, observation and literature study were used. The results of the study showed that the internal auditor has adequately served its purpose, owing to support from top managers. Furthermore, the internal auditor in carrying out the audit program has been independent because it is under the supervision of commissioners and the president director.

**Keywords:** internal audit, observation, literature study

### A. Introduction

Companies, both state-owned and private, as an economic actor cannot be separated from the current conditions of economic globalization. Globalization will intensify the competition between companies, and therefore, more critical thinking is needed on the optimal utilization of various sources of funds and existing resources. Policies enacted by management include improving supervision within the company (internal control). Furthermore, supervision can be carried out directly by the owner himself or through an internal control system. Internal control can be defined as a process and procedure carried to provide reasonable assurance that the control objectives are being met (Romney and Steinbart, 2015) <sup>[7]</sup>.

To ensure that this internal control system is truly implemented, internal auditors or internal audit department are required. This audit function is an effort to take preventive measures, find deviations through continuous guidance and monitoring of internal controls. To realize the function of internal audit, an internal auditor must be someone who really understands the audit procedures set by the company. Also, this department must have sufficient freedom or independence towards the department being audited.

According to PSAK (2006) <sup>[6]</sup>, audit is a systematic process that objectively obtains and evaluates evidence regarding assertions about economic activity to further ensure the level of linkage between assertions or statements and the reality of predetermined criteria and conveys the results to interested parties.

Furthermore, according to Sukrisno (2012:2) <sup>[1]</sup>, audit is a form of attestation. Attestation, in general, can be defined as a communication from an expert regarding conclusions about the reliability of one's statements.

Considering the contributions of an internal auditor to the management, the researcher attempted to look closer at the importance of the role of an internal auditor in assist management in carrying out company activities. Therefore, the researcher conducted a review and study on PT. Tatalestari Rimbabuana entitled "The Position and Function of an Internal Auditor in an Indonesian Company".

### B. Problem Formulation

The researcher formulated several problems in the form of questions below

1. Does the internal auditor at PT. Tatalestari Rimbabuana play an important role in achieving a good internal audit?
2. Is the internal auditor position in the company fully independent to achieve objective auditory goals?

The research objectives based on the background and formulation of the problems that have been described are as follows:

1. To determine whether the function of the internal auditor at PT. Tatalestari Rimbabuana has a role in achieving good internal audit.
2. To determine whether the position of the internal auditor at PT. Tatalestari Rimbabuana is completely independent to achieve objective auditory goals.

### C. Hypotheses

Based on the problems formulated above, the researcher put forward the following hypotheses

1. The internal auditor within the company have functioned quite well because of the support from top managers.
2. In carrying out the auditory program the internal auditor has been completely independent because it is positioned directly under the commissioners and the president director.

### D. Research Methods

#### 1. Research Design

The study conducted was literature study and field study. The literature study was carried out by reading the literature related to internal auditors. The field study was conducted by examining the role and function of the internal auditor within the company, namely PT. Tatalestari Rimbabuana.

#### b. Company organizational structure or chart

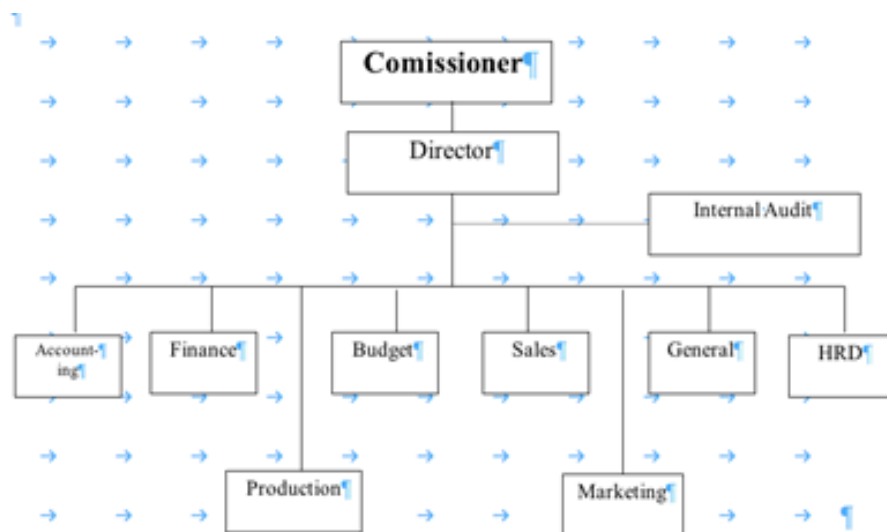


Fig 1: Company organizational structure

#### c. Data related to the internal auditor

According to Experis Finance (2016) [2], in the internal audit process, data analytics can help an internal auditor find additional risks, understand existing risks better, provide more in-depth assurance, and provide a point of view to management. To be able to implement data analytics properly, we need a framework that contains four important elements, namely Data, Tools, People, and Process (KPMG, 2019) [4].

Furthermore, now the term Computer Assisted Audit Techniques or in known as Computer Assisted Audit Techniques in Indonesia is becoming increasingly unpopular in the international world, being replaced by the term Data Analytics, which by some auditors is deemed identical, even

### 2. Data Type

The types of data that the researcher collected were primary data and secondary data. Primary data were collected directly from the research object (PT. Tatalestari Rimbabuana), including:

- a. Brief history of the company
- b. Company organizational structure or chart
- c. Data related to the internal auditor

While the secondary data were collected from books, lecture notes and literature related to internal auditing.

#### a. Brief history of the company

PT. Tatalestari Rimbabuana is a wood manufacturing company producing and selling Plywood, LVL, Blockboard and Bare Core using *Paraserianthes falcataria*. With these quality and eco-friendly products, the company supplies the international and local market. Since 1991, the products are mainly sold to the Japanese market and some volume also goes to Singapore, Malaysia, Hong Kong, Taiwan, China, Middle East, Australia and to the Indonesian market. PT. Tatalestari Rimbabuana uses timber from legal and sustainable plantations of small holder farmers which is proved with a Legal Verification Certificate (V-Legal), and in addition, the company holds JAS certificates for low emission on glue usage. Year of Foundation: 1991 and Employees: 1153.

though there are some fundamental differences in the working principle. According to Hunton *et al.* (2004) [3] and MAP, Inc (2008), the working principle of DA is to take (extract) a set of data from an information system belonging to the auditee/client to then be analyzed by the auditor using the GAS and DA applications, hoping to exceed risk control testing to help understand known and unknown business risks.

### 3. Data Collection Technique

#### The data were collected by means of

- a. Observation, by conducting a series of direct observations on the internal auditor at PT. Tatalestari Rimbabuana.

According to Sugiyono (2018:229)<sup>[8]</sup>, observation is a data collection technique that has specific characteristics when compared to other techniques.

- b. Literature, by collecting information about internal audit theories and other supporting theories.

Literature study can be defined as a series of activities related to methods of collecting library data, reading and recording and processing research materials.

#### 4. Data Analysis Methods

- a. Descriptive method, by first collecting data from the research results to be classified, analyzed and interpreted to generate a clear picture of the circumstances written.
- b. Comparative method, which is an analytical method executed by comparing theories and the practice in the company, then drawing conclusions and providing suggestions formulated from the results of the comparison.

#### E. The position and function of the internal auditor

This analysis and evaluation are the result of observations based on theoretical descriptions and comparisons with the facts found in practice at PT. Tatalestari Rimbabuana. To facilitate discussion analysis and evaluation, some aspects need clarification, namely:

- a. The Functions of the Internal Auditor
- b. The Position of the Internal Auditor
- c. Reports of the Internal Auditor

##### 1. The Functions of the Internal Auditor

As described in the theoretical argument, supervisory function is one of the elements that plays an important role in every company, especially for companies that have a fairly large operating scale. An oversight that is based on an appropriate and accurate policy, accompanied by the implementation of a good quality of internal control will bring enormous benefits to the company, especially to reduce and avoid fraud, waste and other things that can harm the company.

In general, the functions of the internal auditor at PT. Tatalestari Rimbabuana are as follows:

1. Carrying out financial audits to review the implementation of financial records, especially for safeguarding company assets, as well as to detect misuse of company assets and other irregularities.
2. Carrying out management checks whose purpose is to ensure that the regulations made by the leadership have been implemented.
3. Suggesting improvements to the company's internal control system, if deemed necessary. The proposal is submitted to the management of the company after an evaluation of the existing internal control system is carried out.
4. Carrying out a special inspection in the event of an urgent problem based on the instructions of the leadership.
5. Analyzing reports from every division.
6. Analyzing inputs and suggestions to the leadership in preparing program plans and decision making.

##### 2. The position of the internal auditor

The position of internal auditors in a company is vital in determining the scope of work to be performed. The success

of the implementation of internal auditors depends very much on the internal auditor's position in the organizational structure, the response of the company leadership to the findings of the internal auditor, the understanding of the part being examined and the expertise of the internal auditor himself.

From the theoretical description, there are several alternatives to the position of internal auditors in a company, namely:

- a. Directly under the Board of Commissioners;
- b. Directly under the President Director;
- c. Directly under the senior financial functionary.

#### 3. Reports of Internal Auditors

Reports are the final product in the audit process initiated by the internal auditor, that serve as information material and a basis for decision making for the leadership. Reports should be made as concise and precise as possible, while at the same time what is reported must be clear and objective, can be accounted for with solid evidence and meets the requirements that have been set. In addition, the form of the internal auditor's report should be adjusted according to the purpose of the reports. If it is intended for a higher level of management, it should be presented in a more concise and easy-to-understand form, while for lower levels it should be presented in a more detailed form. What is important is that before writing a formal report to management, it should be discussed and reexamined with the division or department being examined, so that the division being examined can provide responses and explanations on the results of the audit findings obtained.

#### F. Conclusions and Suggestions

##### 1. Conclusions

Based on our analysis and evaluation, it can be concluded that the functions and position of internal auditors at PT. Tatalestari Rimbabuana have been executed properly for the following reasons:

- a. The internal auditor in the company's organizational structure is under the President Director. Judging from its position, the internal auditor should have full support from the company's leadership in carrying out its duties.
- b. The implementation of the oversight function carried out by the internal auditor is very helpful for company leaders in supervising the activities that have been carried out.
- c. The internal auditor in carrying out their duties is apart from the company's routine duties, meaning that the internal auditor is not involved in the operational activities of the company which is the object of its inspection. As such, it is hoped that the assessment results will be more objective.
- d. Every report of assessment result generated by the internal auditor is submitted to the President Director for each inspection object examined, and with this report the internal auditor can help make decisions in determining the next plan and policy.

Thus, the hypotheses in this study are appropriate. However, there are still some weaknesses, namely:

- a. There is no clear separation between the financial audit report and the operational audit report (management audit).
- b. Poor linguistics in the internal auditor's reports.
- c. Sub-optimal internal auditor activities due to shortage of available internal auditors.

## 2. Suggestions

Based on the shortcomings above, the author proposes the following suggestions:

- a. For assessment reports, there should be a separation between financial audit reports and operational audit reports (management audit) for the sake of effectiveness.
- b. In an effort to improve activity by the internal auditor in order to achieve better assessment results, the number of internal auditor staff needs to be increased as needed.
- c. Considering that the company has adopted computerized data management, automatic checking of data via computer must be carried out. For this reason, the company should have an auditor who understands and masters the implementation of computer audits. This can be achieved through education or training of existing auditors or recruitment of new auditors, with the hope of saving time and costs as well as improving the speed of information generated.

## References

1. Agoes Sukrisno. Auditing (Practical Guidance for Examination of Accountants by Public Accountants). Edition 4. Book 1. Jakarta: Salemba Empat; c2012.
2. Experis Finance. Data Analytics for Internal Auditors Getting Started and Beyond; c2016. [https://chapters.theiia.org/detroit/DIIADocs/Data\\_Analytics\\_Getting\\_Started\\_and\\_Beyond\\_2-9\\_2016\\_Experis\\_Presentation.pdf](https://chapters.theiia.org/detroit/DIIADocs/Data_Analytics_Getting_Started_and_Beyond_2-9_2016_Experis_Presentation.pdf).
3. Hunton James E, Stephanie M Bryant, Nancy Bagranoff. Core Concepts of Information Technology Auditing, John Wiley & Sons, Inc. New Jersey; c2004.
4. KPMG. Data Analytics in Internal Audit; c2019. <https://doi.org/10.2139/ssrn.3964559>.
5. Mestika Zed, Literary Research Methods, Jakarta: Yayasan Obor Indonesia, 1st print; c2004.
6. Statement of Financial Accounting Standards ED PSAK 50; c2006.
7. Romney, Steinbart. Accounting information System, 13th ed. Pearson Education Inc.; c2015.
8. Sugiyono. Quantitative, Qualitative Research Methods and R&D, Alfabeta, Bandung; c2018.