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Implementation of internal control and audit in covid-19 pandemic

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Abstract

The poor economic conditions caused by the Covid-19 virus pandemic that hit all parts of the world had a significant impact on the survival of business entities. This change brings risks to the accounting profession, especially an auditor. If they are not careful in carrying out their profession, an auditor will be threatened by the continuity of his profession.

This study aims to determine the shift in the application

of internal control and audit in support of the realization of good corporate governance by reviewing journals related to the role of internal audit and then analyzed to obtain a paradigm related to the application of internal control and audit in creating good corporate governance. The results of this study indicate that there is a shift in the application of internal control and audit, namely by changing the approach through remote auditing.

Keywords: Covid-19, Internal Control, Audit and Remote Auditing

1. Introduction

The Covid-19 pandemic had made some internal auditors think not to carry out the annual audit plan. Several obstacles caused the audit plan to not be executed, among others, due to travel restrictions, employees being absent due to call to work from home etc.

Since February 2020, many companies have started to prohibit employees, including internal auditors, from traveling outside the region.

In the midst of the current Covid-19 pandemic, the use of technology is felt to be very helpful, especially in the remote audit process due to widespread restrictions on access in almost all regions.

The remote audit process is considered quite challenging and requires careful planning starting from the document checking process, field physical inspection, interviews and closing meetings.

Company must be aware of the need to implement good management to implement adequate internal controls during the pandemic covid-19. The importance of internal control is not only due to the larger and more complex operations of the company, but also because internal control is a method and procedure that can directly or indirectly minimize all forms of fraud and fraud that can harm the company. Internal control objectives can be achieved if the elements of internal control is completely filled and that control effectively and efficiently.

Internal control activity is one of the most important activities in the company, because it is a control activity within the company, especially the implementation of activities within the company. Therefore, if there is an inaccurate management it will cause great losses to the company. To avoid the possibility of irregularities, an internal audit staff is needed who can assist management in overseeing the implementation of internal control in activities carried out by management, especially management compliance, especially company management compliance (Elisabeth: 2015).

If internal control runs well and effectively, all activities, organizational resources, and data can be monitored and controlled.

To achieve the goal of internal control is not an easy thing, because there are many obstacles that will be faced by organizations during the Covid-19 pandemic, one of which is changes in tax regulations, rapid technological developments, internal and external risks to the organization

2. Theoretical framework

2.1 Internal Audit

According to the Institute of Internal Auditors regarding the definition of internal audit, "Internal auditing is an independent appraisal function established within an organization to examine and evaluate its activities as a service in the organization."

According to Sukrisno Agoes (2012: 204), Internal Audit are: examination conducted by the internal corporate audit of the financial statements and accounting records of the company as well as adherence to the policy of top management that has been determined and compliance with government regulations and provisions - provisions of bonding profession Government regulations, for example regulations in the fields of taxation, capital market, environment, banking, industry, investment and others.

From the above definitions, it can be concluded that internal audit is an activity to examine and assess the effectiveness of the activities of other units to improve company performance.

2.2 Objectives and scope of Internal Audit

There are several objectives of internal audit put forward by several experts, one of which is according to Sawyer, Dittenhofer, Scheiner, in his book *Internal Audit* Sawyer (2005: 10), there are 6 objectives of internal audit, namely:

1. To determine whether financial and operating information is accurate and reliable.
2. To determine whether the risks faced by the company have been identified and minimized.
3. To determine whether external regulations as well as acceptable internal policies and procedures have been followed.
4. To determine whether satisfactory operating criteria have been met.
5. To determine whether the resources have been used efficiently and economically.
6. To determine whether organizational goals have been achieved effectively.

1.3 Implementation of Internal Audit

According to Hiro Tugiman (2006: 53) the implementation of internal audit includes:

1. Inspection Planning, including

1. Set goals and scope of work
2. Specifies information about the activity being checked
3. Determine the sources that are important in carrying out the audit
4. Communicate with certain parties
5. Do a direct survey
6. Write an audit program
7. Determine when, to whom the audit results are communicated
8. Obtain approval and audit planning

2. Testing and Evaluating Information, including:

1. All information relating to the purpose and scope is collected
2. Audit procedures including testing techniques and samples should be selected. The process of gathering analysis and interpretation and documentation must be monitored to maintain objectivity

3. Submission of Audit Results Internal audit must report the audit results, including:

1. The report is written after the audit work is completed
2. Internal audit must discuss conclusions and recommendations with management
3. Audit reports must be objective and clear, concise and timely
4. The report shall include recommendations for maintenance and a statement of successful implementation with corrective action
5. The report states the purpose, scope and results of the

examination

4. Follow-up Research Results

Internal checks should follow up to ensure appropriate action has been taken

B. Internal Control

An arrangement of internal control / internal control (administrative control and accounting control) consists of policies-and-procedures designed to provide reasonable assurance that specific company objectives will be achieved. (SAS no. 55).

The components of internal control according to the COSO guidelines are:

1. Control environment (control environment): The factors include; management philosophy, integrity, ethical values, and competence, operating style, authorization and delegation.
2. Risk assessment: In the form of a mechanism established to identify, analyze, and manage risks related to company activities.
3. Control activities: Implementation of established policies and procedures to ensure that the Company's goals are achieved.
4. Information and communication: Is a system that regulates people or entities, obtaining or exchanging information needed to carry out, manage and control their operations.
5. Monitoring (monitoring): The reliability of the existing internal control system needs to be monitored, to assess the system-performance quality over time. This is done through continuous monitoring, separate evaluations or a combination of the two.

C. Fraud

The definition of Fraud / Corruption is a general term that is commonly used in the general public or in public spaces in Indonesia to describe fraud, namely the act of harming others in dishonest ways with the aim of taking advantage of individuals and groups and groups.

According to the English-Indonesian dictionary published by Gramedia Pustaka (Echols, 2002), fraud is translated as fraud, cheating or embezzlement. Meanwhile, according to the Big Indonesian Dictionary published by Balai Pustaka (2005), fraud means dishonesty and ignorance. So it can be concluded that fraud has elements -The element of an act that violates the law, is carried out by people within and from outside the organization, for personal or group gain, and directly or indirectly harms other parties

D. Good Corporate Governance

Several definitions of Corporate Governance are as follows

1. According to the Forum for Corporate Governance in Indonesia (FCGI), Good Corporate Governance is a set of regulations that establishes the relationship between shareholders, management, creditors, government, employees, and other internal and external stakeholders with respect to their rights and obligations, or in other words the system that directs and controls the company. The purpose of corporate governance is to create added value for stakeholders.
2. According to the National Committee on Corporate Governance (KNKCG) Good corporate governance is a process and structure used by corporate organs to provide added value to the company in a sustainable manner in the long term for shareholders while still

paying attention to the interests of other stakeholders, based on prevailing laws and norms. "Daniri (2004: 49).

3. Research Method

This research was conducted by applying a qualitative descriptive method. In this research, it will be more directed at describing a phenomenon of shifting the application of internal control and auditing in preventing fraud in the era of the Covid 19 pandemic which aims to gain deeper understanding and information related to the shift in the role of internal audit.

Literature article documents used from various articles. The data analysis technique used is literature study or literature review. The literature review in this study was carried out by analyzing relevant articles and focusing on the application of internal control and audits in preventing fraud in the era of the Covid-19 pandemic.

Literature review used in this study is used by looking for previous literature relating to the theme to be presented, which is then collaborated with the writer's thoughts to find a form of conceptual understanding that can provide information for the wider community in general and for writers in particular about the themes discussed.

4. Analysis and results

There are several things that are very important to support audit performance and quality during the Covid 19 pandemic, for example obtaining sufficient and appropriate audit evidence, it is emphasized that it is the auditor's responsibility to obtain sufficient and appropriate audit evidence before issuing an audit report.

The Covid-19 pandemic affected the results of obtaining audit evidence, for example, the implementation of the PSBB (large-scale social restrictions), which resulted in restrictions on access and travel. Auditors need to pay close attention to Risks that arise and identify changes that occur during the Covid-19 pandemic on the auditor's ability to obtain sufficient and appropriate audit evidence during the pandemic period.

In the midst of the Covid-19 pandemic, what an auditor can do is audit remotely to support the social distancing and new normal programs implemented by the government. However, the remote audit process also requires the following considerations and preparation:

1. Prepare visual guides and allocate twice as much time for conducting audit planning meetings.
2. To prepare documents, the auditor must record and write down the questions that will be asked during the remote interview.
3. Prepare equipment and supplies. During document inspection, the auditor must compile a list of areas of concern to be captured via video or photos, which are then reviewed by each auditor.
4. Conducting interviews with a video teleconference. Each auditor must be prepared with a list of questions and related matters. Can use zoom or google meet, etc.

Remote audit process advantages

1. Supporting government programs in social distancing.
2. Expanding the Scope of the Audit
3. Reduce travel costs. The remote audit process can provide significant savings
4. Increasing / developing the use of technology.

Limitations of the remote audit process

1. Not being able to see the whole process directly like observing body language, etc.
2. It is difficult to provide the best solution outside the

documentation process.

3. Lack of personal interaction opens up opportunities for fraud.

5. Conclusion

In addition to changing the total audit plan, some internal auditors also changed their approach through remote auditing. With remote auditing, auditors perform all or part of their audit procedures remotely.

Some data and documents should have been obtained or accessed from the company's head office. With the availability of this access then the auditor should have been able to review the document and review analytical at headquarters. Thus, during a visit to a branch office, auditors can focus more on carrying out part of the procedure, namely the interview.

Even the actual interview procedure can be done remotely, namely through WA, ZOOM, or Google Meet.

Covid-19 seems to force employees to make innovations as quickly as possible. Profesi internal audit recommends the auditor to optimize technology remote to conduct a review / analysis of documents.

Implication Remote Audit is a solution the best in the future pandemic covid-19 the audit methods that utilize information and communication technology, the analysis of data to assess the internal controls, electronic evidence gathering and interact with office branches.

The advantages of remote auditing reduce travel costs, expand audit coverage, increase document review results, increase the use of existing technology to strengthen documentation and reporting.

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