



Operational Audit Vs Performance Audit and Internal Audit Result Report In Public Sector and Chemical Companies

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Abstract :

One of the things that can create good governance is that it can be seen from the success of every government administrator in providing good service to the community. The success of the government can also be seen from the achievement of predetermined goals, as well as compliance with applicable regulations. To see whether government administrators are working properly, audits are needed, in the form of operational audits, performance audits, and internal audits. Operational audit is an operational activity of an organization that aims to check the efficiency and effectiveness of the operation of the budget that has been issued by the government. Operational audit will be of great benefit to public organizations because it can support the smooth running of the implementation. Performance Audit is used to assess the extent to which the government's performance in serving the community. Meanwhile, Internal Audit is an independent activity that provides assurance and consultancy designed to provide added value and improve organizational activities. This research method is library research method. Examine the theory and the relationship or influence between variables from books and journals both from Mandeley, Scholar Google, and other online media methods. From this research it can be concluded above that internal audit will encourage the achievement of good corporate governance within the scope of the Inspectorate so that later in general it will encourage financial governance within the district government to run well. To assess the extent to which local government performance has been achieved in serving the interests of the community, it is necessary to conduct a performance audit and operational audit.

Keywords : Internal Audit, Operational Audit, Performance Audit

1. Introduction

There are many problems that occur at this time, both in the form of irregularities, fraud, and abuse of authority as a result of the presence of state administrators who are still committing fraud by practicing corruption, collusion, and nepotism. So that efforts to eradicate corruption, collusion and nepotism are urgently needed in order to achieve good governance and provide good service to the community. The government is also highly expected to carry out its administration in a transparent and accountable manner (Habbe et al., 2019). One of



the efforts that must be made to eradicate this abuse is to increase supervision carried out by the Government Internal Supervisory Apparatus (APIP).

Regulation of the Minister of State for Administrative Reform Number: PER/05/M.PAN/03/2008 concerning Standards for Auditing the Government's Internal Supervisory Apparatus explains that Internal supervision is the entire process of auditing, reviewing, monitoring, evaluating, and other supervisory activities in the form of socialization assistance and consulting on the implementation of organizational duties and functions in order to provide adequate assurance that activities have been carried out in accordance with established benchmarks effectively and efficiently for the benefit of the leadership in realizing good governance. The main task and function of APIP is to supervise the administration of government. Inspectorate operational inspection is basically an operational activity of a public organization that aims to check the efficiency and effectiveness of the operation of the budget that has been issued by the government.

Operational audit will be of great benefit to public organizations because it can support the smooth running of the implementation. According to Sukrisno Agoes (2012) defining an operational audit is an examination of a company's operational activities, including accounting policies and operational policies that have been determined by management, to find out whether these operational activities have been carried out effectively, efficiently, and economically." So it can be said that an operational audit is a systematic, selective and analytical audit of management in order to identify various errors or irregularities, then provide recommendations for various alternative improvements to management so that in achieving company goals the resources owned must be used sparingly. effective and efficient.

While the performance audit is to assess the extent to which the government's performance has been achieved in serving the public interest. Performance audit is an objective and systematic audit of evidence to be able to carry out an independent assessment of the performance of an organization/company (Fibrianto Wahyu Nugroho, 2005:2). Performance audit aims to assist management in auditing and encouraging the achievement of objectives effectively, efficiently and economically, improving and improving performance and providing material for consideration for decision making by the responsible party.

In accordance with Government Regulation Number 41 of 2007, the Inspectorate as regional apparatus under the governor who has the mandate to carry out functional oversight of the performance of local government organizations. so deep Inspectorate duties are the same as internal auditors in a company. According to Bastian (2014) internal audit is a managerial oversight Its function is to measure and evaluate control systems with the aim of helping all members of management in effectively managing their responsibilities by providing analyses, ratings, recommendations, and comments related to the activities studied.

An organization that has an effective internal audit function is likely to be more better than an organization that does not have this function, especially for detection and prevention of fraud. In addition to the presence of functions Effective internal audit can assist in achieving organizational objectives (Badara and Saidin, 2014). If the internal audit function is running



well, then p This can help the realization of good governance practices within an organization organization.

2. Literature Review

According to Mulyadi (2012) the notion of auditing is a systematic process to objectively obtain and evaluate evidence regarding statements about economic activities and events, with the aim of determining the degree of conformity between these statements and predetermined criteria, as well as the delivery of results -Results to interested users. Audit is part of the control function where the audit is part of the inspection and testing of an implementation of activities carried out by an independent party to provide an opinion. the general purpose of the audit is to assess whether the information or conditions examined are in accordance with the established criteria (Lubis et al, 2021).

2.1 Operational Audit

The definition of operational audit According to Sukrisno Agoes (2017: 183) is a management audit, also called operational audit, functional audit, systems audit, is an examination of the operating activities of a company, including accounting policies and operational policies that have been determined by management, to find out whether these operational activities have been carried out effectively, efficiently, and economically.

It can be concluded that this operational audit is an assessment of the operational activities of an organization or company to objectively obtain and evaluate evidence regarding economic activities and events, determine the degree of conformity between reality and standardized criteria, and measure operational performance related to efficiency and effectiveness.

2.2 Performance Audits

The definition of performance audit according to Indra Bastian (2007:47) performance audit is an objective and systematic examination of various kinds of evidence to be able to make an independent assessment of the performance of the entity or program/government activity being audited. the purpose of a performance audit is to provide conclusions and recommendations on the management of government agencies economically, efficiently and effectively. the objective of the performance audit is also to detect weaknesses in the internal control system as well as non-compliance with laws and regulations, fraud and inappropriateness (abuse).

According to Nordiawan and Hertianti (2010) there are three principles of value for money which include economic, efficient and effective indicators, namely as follows:

- a. Economics, this concept relates to the acquisition of resources to be used in the process with the correct cost, time, place, quality and quantity
- b. Efficiency, this concept is an optimal relationship between input and output. an entity is said to be efficient if it is able to produce maximum output with a certain amount of input or is able to produce certain output by utilizing minimal input.



- c. Effectiveness, this concept is basically the concept of achieving goals. effectiveness is related to the relationship between the output produced and the objectives achieved (outcomes).

2.3 Internal Auditing

According to the Institute of Internal Auditors (IIA) quoted by Messier (2995), defines internal audit as follows:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. This internal audit helps an organization achieve its objectives by taking a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The work unit or internal oversight function is responsible for assisting the directors in ensuring the achievement of goals and business continuity by:

- a. Evaluate the implementation of company programs,
- b. Provide advice in an effort to improve the effectiveness of the risk control process,
- c. Facilitate the smooth implementation of audits by external audits.

The purpose of internal auditing is to help members of the organization carry out their responsibilities effectively. to achieve this objective, internal audit is expected to fulfill it with analysis, assessment, recommendations, consultation and information about the activities reviewed.

2.4 Audit Result Report

According to Mulyadi quoted by (Wahyudi: 2016) an audit report is a medium used by auditors in communicating with the public in their environment. in the report the auditor expressed his opinion regarding the fairness of the audited financial statements. a good internal audit report has the following characteristics:

- a. Objective, namely factual, impartial, and free from distortion either caused by errors and omissions or elements of prejudice.
- b. Clear and concise, that is easy to understand and logical, where reports are prepared using clear, coherent sentences and focus on the subject matter by reducing unnecessary details, and containing incomplete information.
- c. Useful, namely the information presented in the audit report can be used as a basis for the relevant management to take the necessary corrective actions.

Meanwhile, according to (Mariani, 2013) there are eight characteristics that must be met by a good audit report, namely:

- a. Important meaning. This means that the things that are found in the audit report must be things that according to the auditor's consideration are important enough to be reported
- b. Timely and usability reports. Report usability is very important. For this reason, reports must be timely and prepared in accordance with the interests and needs of receiving reports.



- c. Accuracy and adequacy of supporting evidence. Report accuracy is necessary to maintain fairness and impartiality so as to provide assurance that reports can be relied on for truth. Reports must be free from errors of fact or reasoning.
- d. Convincing nature. Findings, conclusions and recommendations must be presented convincingly and explained logically from the facts found.
- e. Objective. The audit report must present findings objectively without prejudice, so as to provide the right perspective (perspective).
- f. Clear and simple. In order to carry out the communication function effectively, reporting must be presented as clearly and simply as possible.
- g. Brief. The audit report should not be longer than necessary, should not be burdened with too many details (words, sentences, articles or parts) that are not clearly related to the message to be conveyed.
- h. Complete. Even though reports should be concise as much as possible, their completeness must be maintained, because a summary that is not informative is not a good thing.
- i. Constructive tone. In line with the aim of improving or increasing the quality of the implementation of the activities of the object of the audit, the audit report must be prepared in a constructive tone so as to evoke a positive reaction to the findings and recommendations submitted.

The systematic reporting in the internal audit report is different from the external audit report. In the internal audit report, internal auditors are permitted to make variations as long as they do not violate the Internal Audit Professional Standards (SPAI). In practice, the format of the audit results report may vary depending on the needs and adapted to the guidelines that apply to the organization concerned. The examples of audit report systematics in internal audit guidelines and first-level health facility management review meetings are quoted from (Subagiyo, 2018) from, namely: 1. Background. 2. Purpose of the audit. 3. Scope of the audit. 4. The object of the audit. 5. Standards/criteria used. 6. Auditors. 7. Process audits. 8. Results and analysis of audit results. 9. Recommendations and deadline for completion agreed with the auditee.

The internal audit report can be a powerful and well-used instrument. Internal audit reports can create an impression of auditing professionals. Such reports can inform clients or senior management of important events that they would not otherwise be aware of unless they were notified. Internal audit reports can change views. Internal audit reports can prompt action. In their reports, auditors should try to: 1. Inform, namely by telling the things they encounter. 2. Influence, namely by convincing management regarding the value and validity of audit findings. 3. Providing results, namely by moving management towards change and improvement (Indah, 2017)

3. Methods

This research method is the method of literature review (Library Research). Examining the theory and the relationship or influence between variables from books and journals both from Mendeley, Scholar Google, and other online media methods. In qualitative research, literature



review must be used consistently with methodological assumptions. This means that literature review must be used inductively so that it does not lead to questions raised by researchers.

4. Result and Discussion

4.1 Result

Based on the results of research by Suhati, Ely (2011) that performance audits of the government sector can help the public in knowing more complete performance in government organizations. However, it is also known that the development of performance audits is slower than financial audits.

Based on the results of Rahmawati and Rusli's research, Andika (2014) that the presence of an internal audit will encourage the achievement of good corporate governance within the scope of the Inspectorate so that later in outline it will encourage financial governance within the scope of the district government to run well, although many other factors will support it. which have not been studied in depth such as the characteristics of the auditor itself, auditor ethics and other factors. According to Mardiasmo (2005: 189) there are three main aspects that support the creation of good corporate governance, namely supervision, control and inspection. To assess the extent to which local government performance has been achieved in serving the interests of the community, it is necessary to conduct a performance audit. Performance Audit aims to assist management in auditing and encouraging the achievement of objectives in an effective, efficient and economical manner, improving and enhancing performance as well as providing material for consideration for decision-making by the responsible party.

Based on the results of Hernawati's research (2019) that in the statistical analysis in this study the performance audit regression coefficient value was 0.304. This shows that performance audits have a positive effect on public accountability. The significant value of performance audit is $0.000 < 0.05$. This shows that the performance audit has a significant effect on public accountability. Thus the first hypothesis (H1) is accepted which states that performance audit has a positive and significant effect on public accountability. This means that the better the performance audit, the higher public accountability will be at the Central Jakarta City Education Sub-Department. With regard to performance audits, the inspectorate, which is the government's internal auditor, is responsible for conducting performance audits. Where by conducting a performance audit, the auditor carries out an audit process to obtain and evaluate evidence to carry out an independent assessment of the economic, efficiency and effectiveness aspects of the activities carried out by the government. In this case, is the government carrying out activities in accordance with applicable regulations, laws and policies, and is there a match between the performance achieved and the established criteria (Pratama et al., 2021). Thus the performance audit is aimed at carrying out the duties and functions of the organization in order to provide adequate assurance that activities have been carried out in accordance with established guidelines as a form of accountability to interested parties.



Based on the research results of Arifah, D. A (2012) that internal auditors often carry out operational audits for the benefit of their organization, where the structure or stages of the audit are not much different from auditing financial statements. Without good audit quality, problems will arise such as fraud, corruption and collusion.

Based on the results of Hura's research, Aricitra (2017) that operational audit (X1) has a significant effect on employee performance (Y) of 14.5%, the internal audit effectiveness variable (X2) has a significant impact on employee performance (Y) of 56.6% . The results of the calculations show that the average variable X is in the fairly high category, due to the auditor's ability or expertise and adequate technical training, internal audit works in accordance with sound corporate principles and is not influenced by outsiders and internal auditors can be guaranteed independence.

Based on the results of Rahmi's research, T. R. (2018) it is known by the t test for each variable X1 (Operational Audit), X2 (Inventory Control) and (Effectiveness of Internal Audit). From the results of the Operational Audit tcount test on the effectiveness of internal audit tcount 2.584 > ttable 2.21. From the results of the tcount test of Inventory Control on internal effectiveness tcount 17.323 > ttable 0.21. So from the results of testing the hypothesis the researcher concluded that the research hypothesis was accepted (Ho was accepted, Ha was rejected) meaning that there was an influence between operational audit and inventory control on the effectiveness of internal audit.

4.2 Discussion

Changes in the government system from centralization to decentralization encourage the need for improvements in management and accountability, so in the current era of regional autonomy the regions are given the authority to manage and regulate all government affairs outside of the affairs of the central government, the granting of regional autonomy is expected to increase efficiency, effectiveness and public sector accountability in Indonesia. The implementation of regional autonomy must always be oriented towards improving people's welfare by always paying attention to the interests and aspirations that grow in society (Darmawan et al., 2021). For this reason, regional autonomy is expected to be able to create efficiency and effectiveness in managing regional resources, improve the quality of public services and people's welfare, civilize and create space for the community to participate in the development process.

Therefore, the trust given by the public to government administrators must be balanced with good governance. In an effort to lead to good governance or good governance is characterized by three main pillars which are the basic elements that are interrelated. The three basic elements are participation, transparency and accountability. A good government must open the door as wide as possible so that all parties involved in the government can participate or participate actively, the running of government must be carried out in a transparent manner and the implementation of the government must be accountable. In the language of accounting, accountability (ability to provide accountability) is the basis of financial reporting. A phenomenon that can be observed in the development of the public



sector today is the increasing demand for the implementation of public accountability by public sector organizations, such as the central and regional governments, government work units, departments and state institutions.

Pressure on public sector organizations, especially government organizations both central and regional as well as government-owned companies and other public sector organizations to improve their performance has prompted the need for public sector performance audits. Accountability and transparency in central and regional government financial management as public sector organizations is an important objective of public sector accounting and administration reform. To be able to ensure that the management of government finances has been carried out by government officials, the accountability and auditing functions of public sector financial reporting must work properly (Syahputra et al., 2021). Along with the demands of society for public sector organizations to improve quality, professionalism and public accountability in carrying out their activities, an audit is needed that is not only limited to finance and compliance, but needs to be expanded by conducting an audit of the performance of the public sector.

Performance Audit according to Law No. 15 of 2004 concerning Examination of State Financial Management and Responsibility Article 4 (3), namely performance audit is an examination of state financial management which consists of examining economic and efficiency aspects as well as examining aspects of effectiveness. Performance audits focus on examining economic actions and events that reflect the performance of the entity or function being audited. The performance audit includes an audit of the economic, efficiency and effectiveness aspects which are basically an extension of the financial audit in terms of its objectives and procedures. What distinguishes a performance audit from other audits is the audit report. In a financial audit, the results of the audit are in the form of an independent and objective auditor's opinion on the fairness of the financial statements in accordance with established standard criteria without providing recommendations for improvement. Meanwhile, in a performance audit, the audit does not merely convey conclusions based on the stages of the audit that have been carried out, but is complemented by recommendations for future improvements.

There are three main aspects that support the creation of good corporate governance, namely supervision, control and inspection. Examination (audit) is an activity carried out by a party that has independence and professional competence to check whether the government's performance results are in accordance with predetermined standards. However, with the existence of regional autonomy, the information and results of local government performance in a certain period of time are not fully the best results and are not in accordance with established standards, so that the role of the auditor is needed in conducting an audit of the regional government accountability reports through predetermined procedures.

To assess the extent to which local government performance has been achieved in serving the interests of the community, it is necessary to conduct a performance audit. Performance Audit is an objective and systematic audit of evidence to be able to carry out an independent assessment of the performance of an organization/company. Performance Audit aims to assist



management in auditing and encouraging the achievement of objectives in an effective, efficient and economical manner, improving and enhancing performance as well as providing material for consideration for decision-making by the responsible party (Sihombing et al., 2019).

Carrying out performance audits of local government agencies so that their aims and objectives are in accordance with the needs of those who need them and the information needed objectively, is usually carried out by local government internal examiners, in this case the Inspectorate as local government internal supervisors. The Inspectorate is a local government agency that conducts inspections and oversees the performance of local governments regarding regional financial management which aims to create good corporate governance.

With regard to performance audits, the inspectorate, which is the government's internal auditor, is responsible for conducting performance audits. Where by conducting a performance audit, the auditor carries out an audit process to obtain and evaluate evidence to carry out an independent assessment of the economic, efficiency and effectiveness aspects of the activities carried out by the government. In this case, is the government carrying out activities in accordance with applicable regulations, laws and policies, and is there a match between the performance achieved and the established criteria. Thus the performance audit is aimed at carrying out the duties and functions of the organization in order to provide adequate assurance that activities have been carried out in accordance with established guidelines as a form of accountability to interested parties.

5. Conclusion

From the results of the research above that internal audit will encourage the achievement of good corporate governance within the scope of the Inspectorate so that later in general it will encourage financial governance within the district government to run well, although there are many other factors that will support which have not been studied in depth such as the characteristics the auditor itself, auditor ethics and other factors. Along with the emergence of demands from the public for public sector organizations to maintain quality, professionalism and public accountability in carrying out their activities and to guarantee public accountability by public sector organizations, an audit of public sector organizations is needed. Without good audit quality, problems will arise such as the emergence of fraud, corruption, collusion and various irregularities in government. The quality of public sector audits is influenced by the technical capabilities of the auditors and the independence of the auditors both personally and institutionally.

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