

## EFFECTIVENESS OF INTERNAL AUDIT IN RURAL BANK

ETI KUSMIATI<sup>1</sup>, WAHYUNINGSIH<sup>2</sup>

*Faculty of Economics and Business, Universitas Garut, Indonesia<sup>1,2</sup>*

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**Correspondence:**

Eti Kusmiati

etikusmiati@uniga.ac.id

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### ABSTRACT

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*The goal of this research is to evaluate how effective internal auditing is. The survey-descriptive method is used in this study, which uses a quantitative approach. Respondents were selected using a proportionate stratified random sampling method. From a total population of 110 people, 59 were selected. Independence, professional capacity, scope of work, inspection activity implementation, and administration of the internal audit department are the internal audit factors assessed. Data analysis was conducted in many phases. The questionnaire's findings are graded using a Likert scale after verifying the instrument for validity and reliability. The final step is to categorize every answer element. Professional Ability, Implementation of Examination Activities, Scope of Work, Management of the Internal Audit Section, and Independence were ranked highest to lowest in the results, indicating that the internal audit at PT BPR XXX was carried out efficiently. Other findings show that respondents from the elements of the Branch Head, Head of Section, and employee representatives gave good feedback on the efficacy of PT BPR XXX's internal audit. The effectiveness of PT BPR XXX's internal audit has consequences on the accuracy and reliability of BPR financial reporting, which impacts adding value and increasing organizational performance.*

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## INTRODUCTION

Rural Banks (BPRs) are anticipated to compete with commercial banks in their business operations, even though BPRs' activities are significantly narrower than commercial banks'. Of course, BPRs must be able to execute strong governance in management activities, services, and functional operations to compete with commercial banks. Furthermore, recent technical breakthroughs are boosting corporate competitiveness, requiring every organization, including commercial and rural banks, to be ready to react to changes or increasingly dynamic technological innovations.

BPR is a Bank that carries out business activities conventionally or based on sharia principles, which in its activities does not provide services in payment traffic. The activities of BPRs are much narrower than those of commercial banks because BPRs are prohibited from accepting demand deposits, foreign exchange activities, and insurance. The number of BPRs nationally as of September 2021 is 1,646 units, consisting of 1,481 conventional BPRs and 165 Sharia BPRs. This number has decreased from the previous year, which was 1,709 units in 2019, and 1,669 units in 2020. Based on the location of the BPR head office, West Java has 263 units (ojk.go.id).

The lack of a Minimum Capital Adequacy Ratio (KPMM) of less than 4% contributed to the fall in the number of BPRs caused by the cancellation of business licenses by the Financial Services Authority (OJK). Terminating the BPR's license is frequently linked to its degree of soundness, characterized as unhealthy banking and the lack of KPMM ratio. The BPR's unsoundness mainly was caused by credit disbursement that failed to adhere to prudential standards and good banking practices (pikiran-rakyat.com)

According to the Deposit Insurance Corporation (LPS), 39 Rural Banks have been liquidated or are liquidated between 2015 and 2019. Several causes contributed to the BPR's downfall, including internal bank fraud (Sudirman, Sasmita, Djabir D, et al., 2021; Rashid et al., 2021), as well as managerial failure owing to a lack of good corporate governance (Shamsuddin & Bakar, 2020). Therefore, human resources, processes, and procedures, as well

as supervision or internal control, are all critical to consider while creating an effective Rural Bank. All three must be accomplished to meet the company's objectives (Yudianto et al., 2021).

According to statistics, there was an increase in the ratio of non-performing loans at PT Bank Perkreditan Rakyat (BPR) XXX from 2018 to 2019, with non-performing loans increasing significantly in 2019. For the year, non-performing loans increased by 7.03 percent of total productive assets at PT BPR XXX. Non-Performing Loans (NPL) statistics from the Financial Services Authority (OJK) in its banking industry profile report for the same year revealed a level of 5.22 percent. The report indicates that the NPL at PT BPR XXX is greater than the national NPL for BPR. In addition, there is a Bank Indonesia regulation Number 17 of 2015 concerning amendments to Bank Indonesia Regulation Number 15 of 2013, which states that the ideal NPL ratio for conventional commercial banks is 5%.

An increase in NPL can cause problems for the health of banks because non-performing loans can result in reduced bank income. The reduction was due to additional costs arising from non-performing loans. This cost component will be added to the cost element that can diminish the bank's income, which will directly impact the bank's profitability. In the context of the NPL that occurred at PT BPR XXX, which was above the level recommended by Bank Indonesia, it could be interpreted that the NPL of PT BPR XXX showed a high level of non-performing loans.

Both internal and external factors can cause banks' non-performing loans. Internal factors that cause non-performing loans include 1. collusion between bank employees who handle credit and customers, 2. a lack of information owned by the bank about the debtor's business, 3. flaws in the monitoring and fostering of credit, standards and 4. procedures that are not implemented or fulfilled in the process of credit analysis activities of prospective debtors, and others. External factors, on the other hand, include difficulties in the debtor's business activities, which impact the debtor's capacity to meet its commitments (Hazaea et al., 2021).

This study intends to evaluate the efficiency of internal audits at PT BPR XXX in West Java based on the above phenomena and data. Practically, this study should aid in identifying the elements that contribute to deficiencies in the implementation of internal audits at PT BPR XXX so that solutions may be discovered. Finally, this study should be able to support the conclusions of earlier studies on the effectiveness of internal audits in BPR.

## LITERATURE REVIEW

Internal control is critical since every firm faces the danger of deviance or fraud while implementing goals that might result in a loss (Izedonmi & Olateru-Olagbegi, 2021; Sumito et al., 2021). every firm faces the risk of deviance or fraud while accomplishing its objectives, which can result in financial losses (Sudirman, Sasmita, & Djabir, 2021). The purpose of internal control is to provide employees adequate confidence in three areas: information reliability, adherence to appropriate laws and regulations, and operational effectiveness and efficiency (Alwi & Yuyetta, 2020). In addition, internal control is responsible for determining whether top management's policies and procedures were followed, whether organizational assets were adequately protected, the efficiency and effectiveness of organizational activity procedures, and the accuracy of information produced by various parts of the organization.

According to the Committee of Sponsoring Organizations (COSO), management must create and implement five components of internal control to offer reasonable assurance that its control goals will be met. Internal control consists of 1. a regulated environment consisting of activities, policies, and procedures that reflect senior management's, directors', and owners' attitudes toward internal control and its relevance to the business as a whole; 2. Policies and procedures that guarantee that the essential steps are made to handle risks to fulfill the entity's objectives are known as control activities. The action performed by management to identify and analyze risks related to preparing financial statements under GAAP or IFRS is known as risk

assessment of financial reporting. The accounting information and communication system's purpose is to initiate, record, process, and report transactions made by the entity. As well as to maintain accountability for related assets and monitor activities related to management's ongoing or periodic assessment of the quality of internal control to ensure that the controls are operating as expected and have been adjusted in response to changing circumstances.

The internal auditor is one of the instruments of internal control. Internal auditors play a critical role in the firm since an excellent internal audit may provide value to the organization and aid in achieving the company's objectives (Kassie, 2021). Furthermore, if the internal audit division's internal audit process operates smoothly, the risk from internal factors will be reduced (Onay, 2021). Therefore, internal auditors have evolved into a critical management tool for adequate control. The control in question is the procedure for monitoring and directing, promoting, or restricting different actions inside the firm to ensure that the company's objectives are realized (Hafizah Zainal Abidin, 2021).

Internal auditing is defined by the Institute of Internal Auditors (IIA) as an impartial and unbiased assurance and consulting activity aimed at adding value and improving a company's operations (Joshi, 2021; Tahir et al., 2019). Internal auditing activities help businesses achieve their goals by reviewing and improving risk management, control, and corporate governance systems in a methodical and disciplined manner (Albawwat et al., 2021). Internal audit provides a basis for correcting weaknesses in management operations and acts as the first line of defense before they become unmanageable or even reported in an external auditor's report by identifying them (Mohammed, 2021). An internal audit is a separate evaluation function within a company that tests and evaluates how well its operations are being carried out. Its main objective is to conduct investigation, assessment, and guidance to help members of the organization carry out their obligations effectively (Gaosong & Leping, 2021).

According to Dinh et al. (2021), the goal of an internal audit is to assist organizational members in carrying out their obligations efficiently. Internal audit employees must provide analysis, evaluation, suggestions, consultation, and information on the activities under examination to meet this requirement. One of an internal audit's responsibilities is to assist management in carrying out its responsibilities by evaluating and ensuring that the company's operations comply with its objectives. Such as ensuring that accounting practices adhere to generally accepted accounting standards and that fairness criteria are met (Izedonmi & Olateru-Olagbegi, 2021; Albawwat et al., 2021). According to the IIA, an internal audit aims to ensure that financial and operating information is accurate and reliable, that risks to the company have been identified and minimized, and that external regulations and acceptable internal policies and procedures have been followed. In addition, satisfactory operating criteria have been met, resources have been used efficiently and economically, and organizational goals have been effectively achieved (Tahir et al., 2019).

According to Cohen et al. (2010), internal auditors are a vital link in a company's business and financial reporting procedures and a significant player in monitoring the company's risk profile and identifying opportunities for risk management improvement (Hamad & Yusuf, 2021). According to Ibama (2021), an internal audit's function is to assist managers in managing the organization when they encounter issues in operations that they cannot control. Internal audit oversees activities that cannot be supervised solely by top management, and the chief audit executive prepares a unique audit schedule plan for the activities supervised each year. Internal audit also identifies and mitigates risks, and many large organizations now have a proactive risk management function. Internal auditors extend their view of risk management and step up their efforts to ensure that all sorts of organizational hazards are adequately assessed and managed.

The effectiveness of an internal audit can be implemented if the following aspects have been fulfilled: independence (Joshi, 2021; N A A Sunnari & Nirwana, 2021), professional

ability (Oladejo et al., 2021), the scope of work for carrying out audit activities (Singh et al., 2021), and management of the internal audit department (Sunnari & Nirwana, 2021). The independence component states that the internal auditor must be objective, devoid of outside influence, and distinct from the numerous activities being investigated when carrying out their duties (Ayboga & Ganji, 2021). The professional competence component outlines each internal auditor's obligations, where the examination must be carried out correctly and responsibly and is aided by the assignment of persons with diverse talents, knowledge, and disciplines to assist in the examination process (Nugroho et al., 2021). The scope of work aspect is intended to ensure that the internal auditor can carry out tests and evaluations effectively following the process flow of the internal control system within the organization (Singh et al., 2021). Aspects of the implementation of audit activities include understanding that supervisors should review and review the planning and implementation of audit tasks carried out by internal auditors (Kassie, 2021). Finally, the management aspect of the internal audit section explains that the leader or head of the internal audit section has responsibility for managing the internal audit section with the aim of every inspection work process in the internal audit section. (Ayboga & Ganji, 2021).

Internal audit studies have been conducted in several nations. For instance, Hafizah Zainal Abidin (2021) investigates the impact of internal audit quality on risk management and internal control disclosure. The findings revealed that the quality of internal audits boosted risk management and internal control disclosure substantially and favorably. Furthermore, Dinh et al. (2021) investigate the internal audit variables that influence the efficacy of internal audits in Vietnamese steel enterprises. Internal variables such as the internal audit's size, the internal audit's scope, the internal audit's capacity, and the internal audit's independence have an impact on the efficacy of the internal audit. Finally, Islam & Bhuiyan (2021) investigates the aspects that determine the efficacy of a sharia-based auditing system. According to the findings, job autonomy, skill level, and audit work performance all had a substantial impact on the success of the sharia-based internal audit.

Additionally, Abdulai et al. (2021) studied the elements that predict how many internal audits contribute to excellent financial reporting. Internal audit avoided fraud and created high-quality financial reports as a result of the findings. Internal audit study also looks at the characteristics of internal audit (Rashid, Salim, & Ahmad, 2021), the quality of organizational governance (Ratmono & Darsono, 2022), public sector management (Izedonmi & Olateru-Olagbegi, 2021), and management system (Hassan et al., 2021). Meanwhile, Hazaea, Tabash, Zhu, Khatib, & Farhan (2021); Joshi (2021); and Ha (2021) have explored the efficiency of internal audits.

## **RESEARCH METHODS**

This study takes a qualitative approach with a survey-descriptive technique (Sugiyono, 2018), in which primary data is gathered via respondents' responses to questionnaires, and then the data is analyzed. The research object is PT BPR XXX, the largest BPR in Garut Regency. In addition, PT BPR XXX is a regionally-owned company, the largest of which is the Garut Regency Government. The respondents in this survey were divided into two groups: leaders and employees at PT BPR XXX Garut Regency. A proportional stratified random sampling approach was used to pick respondents (Jr. et al., 2010). Fifty-nine persons were chosen as responses from a population of 110, with the following details: 3 branch leaders, 22 department heads, and 34 personnel.

The data in this study was collected via a closed questionnaire. The answers were previously known, and the respondents had to choose one of the question items aimed at determining internal audit effectiveness indicators. In this study, the instrument is a questionnaire created utilizing data from the Likert model interval scale. Internal audit factors

suggested by Joshi (2021), Sunnari & Nirwana (2021), Singh et al. (2021), and Oladejo et al. (2021) were combined to operationalize variables in this study (2021). The efficacy of internal auditing is one of the dimensions of this study. While the indicators assessed are 1) independence, 2) professional capacity, 3) scope of work, 4) inspection activity implementation, and 5) internal audit management.

It is the least important of the five indicators in the survey's questions. There are a total of 21 questions in the questionnaire. The questions Organizational Status and Objectivity are used to assess indicators of independence. The following questions assess professional ability indicators: adherence to professional standards, knowledge and skills, human interactions and communication, continuing education, and professional completeness. The following questions assess Scope of Work indicators: information reliability, policy compliance, property protection, resource efficiency, and goal achievement. The following questions are used to assess indicators of audit activity implementation: planning inspection, testing and analyzing information, submitting inspection results, and following up on inspection results. Finally, the following questions are used to assess the Internal Audit Section Management indicator: Authority and responsibility objectives, planning, various policies and procedures, personnel management, and quality control.

Several steps of data analysis were completed. The first step is to put the instrument to the test by determining its validity and reliability. The Pearson product-moment correlation model was used to conduct the validity test. The significance level for decision-making is set at 5%. Meanwhile, Cronbach's alpha technique was used to conduct the reliability test. If the alpha coefficient is equal to or better than 0.600, the instrument is deemed dependable. The following step is to calculate the questionnaire score. The questionnaire's score is calculated using a Likert Scale with a value range of 1 to 5. For example, a score of 1 indicates "Strongly Disagree," while a value of 5 indicates "Strongly Agree." The next step is to use the formula to determine the categorization:

$$\begin{aligned} \text{Instrument Maximum Score} &= \text{Number of Questions} \times \text{Largest Scale Score} \\ &= 21 \times 5 = 105 \end{aligned}$$

$$\begin{aligned} \text{Instrument Minimum Score} &= \text{Number of Questions} \times \text{Smallest Scale Score} \\ &= 21 \times 1 = 21 \end{aligned}$$

$$\begin{aligned} \mu &= \frac{1}{2}(\text{Maximum Score} + \text{Minimum Score}) \\ &= \frac{1}{2}(105 + 21) = 63 \end{aligned}$$

$$\begin{aligned} \sigma &= \frac{1}{6}(\text{Maximum Score} - \text{Minimum Score}) \\ &= \frac{1}{6}(105 - 21) = 14 \end{aligned}$$

Classification or categorization of the level of internal audit based on the following provisions:

**Table 1. Categorization of Internal Audit Effectiveness Levels**

Provision	Score	Category
$X \leq M - 1,5SD$	$X \leq 42$	Very Ineffective
$M - 1,5SD < X \leq M - 0,5SD$	$42 < X \leq 56$	Ineffective
$M - 0,5SD < X \leq M + 0,5SD$	$56 < X \leq 70$	Neither Ineffective nor Effective
$M + 0,5SD < X \leq M + 1,5SD$	$70 < X \leq 84$	Effective
$M + 1,5SD < X$	$X > 84$	Very effective

The assessment and opinion of each responder on the five variables tested, namely independence, professional capacity, scope of work, implementation of inspection operations, and administration of the internal audit department, is used to categorize the efficacy of the internal audit. In addition to the five indications, the efficacy of the internal audit will be classified based on the gender, age, and educational level of the respondents.

## RESULTS AND DISCUSSION

The respondents in this study included numerous representatives from each division, including branch leaders, division heads, and staff members, with a total of up to 60 respondents employed as research samples. Unfortunately, only one of the 60 questionnaires was returned and could be processed, while the other 59 were returned and could not be processed. Based on gender, age, and educational level, the following are the characteristics of respondents:

**Table 2. Respondents' Data by Gender, Age, and Education Level**

Respondent	Amount	Percentage
<b>Gender</b>		
Male	41	69,5%
Female	18	30,5%
<b>Total</b>	<b>59</b>	<b>100%</b>
<b>Age</b>		
< 25	1	1,7%
26-35	24	40,7%
36-45	20	33,9%
46-55	13	22%
>55	1	1,7%
<b>Total</b>	<b>59</b>	<b>100%</b>
<b>Education</b>		
Senior High School	2	3,4%
Diploma	46	78%
Bachelor	9	15,2%
Master	2	3,4%
<b>Total</b>	<b>59</b>	<b>100%</b>

Source: Data processed

Before discussing the study's findings, it is vital to mention the respondents' profiles as the significant data source. According to the data, most responders were males in each gender group. Furthermore, most respondents are between the ages of 26 and 45. Also, almost respondents have a Diploma level of education. Therefore, almost responders are regarded as mature enough to act maturely as workers of PT BPR XXX, appropriately skilled in managing their job, and capable of overcoming difficulties that emerge in the workplace. Furthermore, according to the Education Level category, most responders had senior high school diplomas, and some even had bachelor's and master's degrees. The data shows that the respondents have completed their primary education and are deemed capable of comprehending the fundamental ideas of internal control in general and internal audit in particular, as well as their application in business operations.

The validity of the instrument will be tested next. The  $r$  count  $>$   $r$  table value is used to make decisions in the validity test. The  $r$  table has a value of 0.252 at the 5% confidence level with a sample size of 59 persons. The minimum determined  $r$ -value is  $0.305 > 0.252$  in the tenth question, indicating that all question instruments are legitimate. The second test is decision-making reliability; the questionnaire is considered reliable if Cronbach's Alpha is more than 0.60. The Cronbach's Alpha value is 0.879, indicating that the questionnaire is credible, according to the findings of the analytical test. Table 3. below is a recapitulation of the results of data analysis based on each dimension and indicator studied:

**Table 3. Recapitulation of Assessment Results on Indicators**

Statements Per Indicator	Respondent Rating					Score
	Strongly Disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly Agree (%)	
<b>Indicator: Independence</b>						
1. Organizational Status		3,4	5,1	69,5	22	242
2. Objectivity		11,9	11,9	61	15,2	224
<i>Amount (%)</i>		<b>7,6</b>	<b>8,5</b>	<b>65,3</b>	<b>18,6</b>	
<b>Indicator: Professional Ability</b>						
3. Conformity with professional standards			1,7	67,8	30,5	253
4. Knowledge and skills				71,2	28,8	253
5. Human relations and communication			3,4	67,8	28,8	251
6. Continuing education		1,7	17	62,7	18,6	235
7. Professional thoroughness				64,4	35,6	257
<i>Amount (%)</i>		<b>0,3</b>	<b>4,4</b>	<b>66,8</b>	<b>28,5</b>	
<b>Indicator: Scope of Work</b>						
8. Information reliability			5,1	83	11,9	240
9. Conformity with RPPP policy			6,8	79,7	13,6	240
10. Protection of property				84,7	15,2	245
11. Economical and efficient use of resources		1,7	20,3	54,2	23,7	236
12. Goal achievement		5,1	3,4	69,5	22	241
<i>Amount (%)</i>		<b>1,4</b>	<b>7,1</b>	<b>74,2</b>	<b>17,3</b>	
<b>Indicator: Implementation of Inspection Activities</b>						
13. Examination planning		5,1	3,4	67,8	23,7	242
14. Testing and evaluating information			10,2	66,1	23,7	244

15.Submission of inspection results	1,7	72,9	25,4	250
16.Follow-up on examination results		61	39	259
<b>Amount (%)</b>	<b>1,3</b>	<b>3,8</b>	<b>67</b>	<b>27,9</b>
<b>Indicator: Internal Audit Management</b>				
17.Purpose of authority and responsibility	1,7	8,5	67,8	22
18.Planning		8,5	69,5	22
19.Various policies and procedures		8,5	72,9	18,6
20.Personnel management		17	61	22
21.Quality control	6,8	17	39	37,2
<b>Amount (%)</b>	<b>1,7</b>	<b>11,9</b>	<b>62</b>	<b>24,4</b>

Source: Data processed

According to the findings of a study on measures of independence as judged by organizational status and objectivity, 83.9 percent of respondents strongly agreed or agreed. The result indicates that the internal audit division is a self-contained organizational entity. In terms of impartiality, respondents said the internal audit job was done independently of management. The result is demonstrated by the existence of job descriptions and responsibilities that detail the organizational structure at PT BPR XXX, including commissioner duties and responsibilities, director duties and responsibilities, internal audit duties and responsibilities, and risk management and obedience duties and responsibilities. The separation of roles and responsibilities in the description and explanation of the organizational structure demonstrates the internal audit role's independence.

The benchmark in this indicator is the internal audit's professional ability, reflecting the internal auditors' professional expertise and thoroughness in carrying out audits appropriately. It is divided into five parts, each of which is divided into five statement points, starting with statement number 3 and ending with statement number 7. According to the study's findings, 95.3 percent of respondents strongly agree or agree that PT BPR XXX's internal audit's professional abilities have been doing well. This suggests that the components of professional standards compliance, knowledge and skills, human relations and communication, ongoing education, and internal audit professionals' thoroughness went well. Data indicates that PT BPR XXX's internal auditors always follow established professional standards when conducting inspections. The capacity to provide suggestions demonstrates that internal auditors have the information, skills, and disciplines required to examine. The internal audit department's recommendations give real solutions to the problems discovered. Good communication supports auditing goals, such as audit objectives, assessments, findings, and recommendations, thanks to excellent communication between the internal auditor and the audited party. Respondents said that PT BPR XXX has constantly invested in developing and training internal audit professionals in the framework of continuing education. Internal auditors benefit from it since it allows them to expand their knowledge and learn about new advances and advancements in auditing standards, processes, and methodologies.

Internal audit's professional skill is the standard in this indicator, which shows internal auditors' professional expertise and thoroughness in conducting suitable audits. Starting with statement number 3 and finishing with statement number 7, it is broken into five portions, each divided into five statement points. According to the survey findings, 95.3 percent of respondents strongly agree or agree that PT BPR XXX's internal audit has been performing well. This indicates that the aspects of professional standards compliance, knowledge and abilities, human interactions and communication, continued education, and the thoroughness of internal audit professionals went well. The data imply that PT BPR XXX's internal auditors always adhere to established professional norms when performing inspections. Internal auditors' ability to

provide recommendations reveals that they have the knowledge, skills, and disciplines to investigate. The internal audit department's recommendations provide actual answers to the uncovered problems. Good communication between the internal auditor and the audited party supports auditing goals such as audit objectives, evaluations, findings, and recommendations. Respondents noted that PT BPR XXX has consistently invested in the development and training of internal audit experts in the context of continuing education. Internal auditors benefit from it since it allows them to expand their knowledge and learn about new advances and advancements in auditing standards, processes, and methodologies.

As part of the internal audit's scope of work, the internal control system's adequacy and efficacy and the quality of responsibility implementation must be checked and reviewed. This indicator is divided into five pieces, each pouring into one of five statement points (numbered 8–12). 91.5 percent of respondents agree or strongly agree with the scope of work indicators, according to the study's results. In addition, three features or parts of this indicator receive excellent assessment ratings from all respondents, including the information's dependability, conformance with policies, plans, processes, and rules and regulations, as well as property protection. Internal auditors, for example, verify the presence of firm assets using suitable methods as part of their asset protection activities. In addition, internal auditors are recognized for assessing and identifying facilities and human resources in the context of employing resources economically and efficiently.

Planning, testing, assessment, the transmission of findings, and follow-up inspections are all indications for implementing inspection operations. Starting with statement number 13 and ending with statement number 16, four components are poured into four statements in this indicator. The study's findings suggest that 94.9 percent of respondents agree or strongly agree. Internal audit always conducts validity tests to show the veracity of each piece of information, which indicates that the execution of audit operations has been documented. In addition, the internal auditor guarantees that any reported audit findings receive appropriate action in the audit's follow-up.

Management indicators for the internal audit section are linked to the management of the internal audit section, where the management process must be carried out appropriately. The audit management indication is divided into five components, each pouring into one of the five statements in this research, which begins with statement 17 and ends with statement 21. The internal audit management poll found that 86.4 percent of respondents agreed or strongly agreed with the statement. Respondents say that the administration of the internal audit department has been successful.

Table 4 summarizes the study's findings in general. The following table shows the overall score of each factor for respondents who expressed an opinion on the efficacy of the internal audit at PT BPR XXX:

**Table 4. Effectiveness of Internal Audit of PT. BPR XXX**

Score Range	Number of Respondents			Total Respondents	%	Category
	Branch Manager	Head of Division	Staff Representative			
$X \leq 42$	-	-	-	-	-	Very Ineffective
$42 < X \leq 56$	-	-	-	-	-	Ineffective
$56 < X \leq 70$	-	-	-	-	-	Neither Ineffective nor Effective

$70 < X \leq 84$	2	6	16	24	40,7	Effective
$X > 84$	1	16	18	35	59,3	Very effective
<b>Total</b>	<b>3</b>	<b>22</b>	<b>34</b>	<b>59</b>	<b>100</b>	

Source: Data processed

Table 4 shows that 59.3 percent of respondents said PT BPR XXX's internal audit was done very well, and 40.7 percent thought it was done effectively. In addition, most respondents give the internal audit section a high evaluation based on the following criteria: independence, professional expertise, scope of work, inspection operations implementation, and internal audit section management (Branch Heads, Heads of Sections, and Staff).

Table 5. Effectiveness of Internal Audit of PT. BPR XXX by Age, Gender, and Education

Score Range	Age					Gender		Education				Kategori
	< 25	26 – 35	36 – 45	46 – 55	> 55	M	F	SHS	Dipl	Bac	Mas	
$X \leq 42$	-	-	-	-	-							Very Ineffective
$42 < X \leq 56$	-	-	-	-	-							Ineffective
$56 < X \leq 70$	-	-	-	-	-							Neither Ineffective nor Effective
$70 < X \leq 84$	1	11	8	4	-	8	16	2	21	1	-	Effective
$X > 84$	-	13	12	9	1	10	25	-	25	8	2	Very effective
<b>Total</b>	<b>1</b>	<b>24</b>	<b>20</b>	<b>13</b>	<b>1</b>	<b>18</b>	<b>41</b>	<b>2</b>	<b>46</b>	<b>9</b>	<b>2</b>	

The results of the score based on age, gender, and educational level are shown in Table 5. In terms of age, it can be stated that the older the responder, the more people said "very effective." The mature respondent is becoming increasingly aware of the importance of the auditor as a component of the organization who works professionally, according to his or her skills, with high accuracy, and is independent of other parties' interests (objective). Regarding gender, male respondents believed it was "very effective" 56 percent of the time, while female respondents said it was "very effective" 61 percent of the time. Although not statistically significant, there is a variation in judgment between female and male responders. The auditor's communication skills and correctness make a difference in this evaluation. The female respondents highly value the auditor's capacity to communicate. Because women have precise, clear, and easy-to-understand communication patterns, this is conceivable. Meanwhile, the score findings suggest that the greater the degree of education, the more respondents rate the auditor's work as "very effective." The independence, objectivity, and breadth of the auditor's job are factors in the respondent's perception.

Overall, the findings of this study are consistent with those of Dianawati, N. M. D., and Ramantha, W. (2013), who investigated the impact of internal auditors' independence, professional expertise, and work experience on the effectiveness of the internal control structure at Rural Banks (BPR) in Gianyar Regency. According to the findings, internal auditor independence, professional knowledge, and work experience had a beneficial impact on the efficacy of the internal control system. Kassie (2021) says that internal audit effectiveness was shown to have a significant positive relationship with variables such as internal auditor independence and objectivity, internal audit staff competency, and the presence of an audit committee. On the other hand, organizational structures and managerial support have minimal influence on the performance of internal audits. Another study by Onay (2021) looked into the

factors that influenced the effectiveness of internal audits in Turkey and discovered that management support, competence, independence, participation in risk management activities, and cooperation with external auditors were all factors that influenced the effectiveness of internal audits. Ratmono & Darsono (2022), who investigate the factors that influence (determinants) the effectiveness of the internal audit function in Indonesian local government organizations, find that independence, competence, and management support can improve the internal audit function's effectiveness. However, the conclusions of this study contrast with those of Joshi (2021), who investigated the key parameters impacting the efficacy of internal audits in India's Nifty 500 corporations. Even though "management support" and "internal audit independence" are not statistically significant, one study's findings demonstrate that all factors influencing internal audit effectiveness have a positive relationship.

## **CONCLUSIONS AND SUGGESTION**

According to data analysis, the internal audit of PT BPR XXX was conducted appropriately. The following are the indicators that, in order, obtain the highest to lowest rating or a highly agree and agree on the perspective from respondents: Professional Ability (95.3%), Audit Activity Implementation (94.9%), Scope of Work (91.5%), Internal Audit Division Management (86.4%), and Independence (83.9%). Out of the 21 question items divided into five indicators, the respondent gave the highest score of 259 to the follow-up component of the examination results (Indicator: Implementation of Examination Activities). The component of objectivity (Indicator: Independence) obtained the lowest grade, with a score of 224 points. The effectiveness of PT BPR XXX's internal audit received positive comments from the Branch Head, Head of Section, and employee representatives. Internal audit implementation was rated highly successful by 59.3 percent of respondents, while it was rated effectively by 40.7 percent.

The research has implications for BPR in terms of improving the components of internal audit that receive the lowest scores, notably objectivity, continuous education, and resource efficiency. In terms of objectivity, auditor independence must be strengthened by employing a variety of standards, including incentive and punishment procedures. Auditors must always enhance the quality of their audit outcomes through tiered and ongoing education and training in continuing education. The evaluation of resource utilization comprises the identification of facilities as well as the identification of human resources. Internal auditing must consider whether resources are being used effectively and efficiently. Internal audit is related to the policy of BPR management to increase or decrease the resources used.

Because this is a qualitative study with a small number of participants and items, it cannot be generalized. Furthermore, the scope of this study is limited to five indicators of internal audit effectiveness: independence, professional capacity, scope of work, audit activity implementation, and administration of the internal audit department. However, future research is intended to broaden the scope of the study and increase the sample size, allowing the findings to be generalized. Furthermore, additional researchers can add or seek other aspects that might contribute to the efficacy of the internal audit implementation.

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