ANALYSIS OF INTERNAL AUDITOR POSITION AND FUNCTIONS IN THE COMPANY

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Abstract

The implementation of supervision can be carried out directly by the owner himself and can also be carried out through an internal control system. With the company's development, the activities and problems faced by the company are increasingly complex, so it is increasingly difficult for the leadership to carry out direct supervision of all company activities. This research is in the form of literature searches and field research. Library Research was passed by reading literature related to internal auditors. The field research was conducted by examining the roles and functions of the company's internal auditors, namely Company X. The data was done by observation, interviews, literature, and data analysis methods used were descriptive and comparative methods.

The research results are (1) the position of the internal auditor in the company's organizational structure is under the president. (2) The implementation of the supervisory function carried out by the Internal Auditor has significantly contributed to the Company's management by knowing how the activities have been carried out. (3) Internal auditors in carrying out their functions independently of the company's routine tasks. (4) The Internal Auditor first prepares an inspection program and work document during the inspection. (5) Each report on the inspection results produced by the internal auditors is submitted to the director for each object of inspection verified. The presence of the internal auditor's report can contribute to the determination of plans and policies.

Keywords: Internal Position, Internal Function, Auditor

INTRODUCTION

State-owned and private enterprises as economic actors cannot separate from the current conditions of economic globalization. The era of globalization will result in competition between companies. Therefore, it requires a more critical reflection of the optimal use of various sources of funds and resources. As a logical consequence of increasing competition, there are three possibilities, mainly backward, survive or stay ahead and even grow. For the company to survive or even develop, it is necessary to improve and improve productivity, efficiency, and effectiveness in achieving company goals. Various policies and strategies are continuously implemented and improved to face this situation.

In the company, the implementation of supervision can be carried out directly by the owner himself or through the internal control system. With the company's development, the activities and problems faced by the company are increasingly complex, making it increasingly difficult for the leadership to carry out direct supervision of all company activities. Thus, the need for professional assistance from managers is consistent with existing areas within the organization, such as marketing, production, finance, and others. There should be an adequate organizational structure to create a healthy working atmosphere. Each staff member can find out their powers and responsibilities and to whom they are responsible. In addition, with the
increase in the company's size, better supervision is needed so that the company can manage effectively. One of the excellent monitoring systems is the internal control system.

For this internal control system to be implemented, it is necessary for internal auditors or internal examination sections. This inspection function is an effort to prevent measures and find deviations through the development of internal controls and continuous monitoring. This section must make a systematic program by conducting direct observations, reviewing and evaluating the implementation of leadership policies, and supervision of accounting and financial information systems.

For the internal inspection function to run correctly, the internal auditor must be a person who understands the audit procedures prescribed by the Company, and this section must also have sufficient freedom or independence to be examined.

The internal auditor evaluates whether the internal control system determined by management runs well and efficiently in a company. The financial statements show a particular company's financial situation and performance, and each party is indeed valid. Policies follow the planned plans and procedures. Internal reviews provide appropriate and objective information to assist management in making decisions to increase management capacity and reduce opportunities that can affect the community.

Every organization has its own unique set of challenges to overcome to reach its goals. The problems faced by each company vary depending on the company's scope of activities. So the author tries to formulate several problems in the form of questions: 1) Can the internal auditor's function in the company play a role in achieving a good internal audit? 2) Is the position of the internal auditor in the company genuinely independent so that it can achieve the objective of an objective audit? Internal auditors play a critical role in a firm. This study aims to gain an accurate image of roles and responsibilities while comparing this information to the theories that the author has learned through lectures and other sources. 2) To find out whether the position of the internal auditor in the company is truly independent so that it can achieve the objective of an objective examination and as a comparison, possible suggestions are proposed for interested parties.

**Definition of Auditing**

Auditing comes from the Latin, namely "audire" which means to hear or pay attention. Listening, in this case, is paying attention to and observing the financial accountability conveyed by the financial person in charge, the company management. In the latest
developments in the development of the business world, these listeners are known as auditors or examiners. While the task carried out by the auditor is called "auditing".

To gain a better understanding of what auditing entails, it is necessary to state the opinion of WW. Cooper (2004) states that auditing is a critical and exploratory review by a professional account of the internal control and accounting records underlying a business enterprise or other economic unit, which precedes the auditor's statement of an opinion about the propriety (fairness) of its financial statements.

Additionally, Arens and James (2016) define auditing in a broader sense, stating that it is a process that involves capable people collecting and evaluating quantifiable information evidence from economic units. To consider and report on the level of adequacy of information that can be obtained and measured using established criteria.

**Internal Audit**

When examined in various books, there is no fundamental difference regarding the meaning of internal auditing. Experts agree that internal auditing is an independent assessment function within an organization to examine or study and evaluate company activities to provide suggestions to management. This assessment is independent, not absolute, which means it is free from all dependencies like an external auditor. Still, it means that the internal auditor is free from the influence or power of the party being examined. It is expected to be able to provide an objective assessment.

The Institute of Internal Auditors, an organization in the United States, defines internal auditing, namely: an organization's independent evaluation activity to review operations, as a service provided to management. Therefore internal audit is controlled by management, which performs its function by measuring and evaluating the effectiveness of other controls (Arthur W. Holmes and David A. Burns, 2004). This definition implies that internal auditing is an independent assessment activity within the organization whose duties cover all areas of the company's operations. This definition also emphasizes that the primary purpose of the audit is emphasized the aspect of management supervision.

**Functions of Internal Auditor**

At first, the internal auditor of a company had a limited function, namely monitoring books, but under the improvement of the accounting information system, the activities of the internal auditor no longer turned on accounting supervision alone. But it includes a review and assessment of the adequacy and effectiveness of the organization's systems, internal control systems, and the quality of management documents in carrying out its responsibilities.
From the internal auditor's function described above, it can conclude that basically, the internal auditor's function in the company is to oversee the implementation of the internal control system and provide advice on improving management if weaknesses and irregularities are included in the company's system and implementation. For the effectiveness of this internal auditor function, several audit targets must be determined and checked regularly. The target of this internal audit, according to Arthur W. Holmes and David C. Burns, can be divided into two parts, namely:

1. Suggestions for accounting supervision are carried out by:
   a. Identify the types of accounting errors and fraud that may occur.
   b. Establish procedures to prevent or discover such irregularities.
   c. Examine transactions and procedures to determine whether required procedures have been outlined and complied with satisfactorily.
   d. Evaluating all types of errors and abuses that are not sufficient with existing internal control procedures will help determine their effect on the nature, timing, or extent of other audit procedures that may be required.

2. The objectives of administrative supervision are carried out by:
   a. Evaluation of the organization's efforts as reflected by reporting relationships within the company.
   b. A careful review of organizational maps and job descriptions explains these efforts' distribution. This review should show if the respective supply or control within the company is adequate or may not be in a position to conflict with sound internal control policies.
   c. Evaluation of communication channels within the company, especially communication with top management and the audit committee, must be clearly defined so that reporting remains current and objective.
   d. The testing and evaluation of the organization's job description policies.

**Position of Internal Auditor**

The success or failure of an internal auditor in a company is strongly influenced by its position in the ranking organizational structure. Internal auditors should be placed in such a way as to enable them to carry out their powers and responsibilities properly and to guarantee their freedom. In this case, The Institute of Internal Auditors states that: an internal audit is a staff or advisory function rather than a line operations function. Therefore internal auditors do not exercise direct authority over other people in the organization. (Moenaf H. Regar, 2015)
So the position of the internal auditor in a company is a staff position. This staff position means that this position is held to provide information, advice, and recommendations to management, who are responsible for achieving company goals. Conflicts between internal auditors and managers often occur because both parties do not have a mutual understanding. After all, they must be in each other's position and visualization. Managers perceive that internal auditors have too strict a view of the rules and evaluation of transactions and act as researchers who often seek information about minor differences from prescribed procedures. Meanwhile, the internal auditors feel that these managers do not pay attention to the procedures that have been previously appropriately established and do not want to accept the suggestions given.

There are three alternative positions of internal auditors in the organizational structure, namely:

1. Directly responsible to the board of commissioners. This activity is primarily done in banking and insurance companies. In these companies, the internal auditor is the guardian of the board of commissioners. Theoretically, the internal auditor can investigate the entire organization, including the president's director.

2. Responsible to the principal director. This method is rarely used, considering that directors with heavy duties usually do not have time to study the internal auditor's report and then take corrective actions based on the report.

3. The most frequently implemented is that the internal auditor is responsible for the highest financial functionaries. The functionary may serve as director of finance and treasurer or controller (Hartanto, 2017).

Internal Auditor's Authority and Responsibilities

In addition to the position of the organization's internal auditor, other essential activities of implementing the internal review function are clearly defined in the responsibilities and authorities of the internal auditors. The details of the examiner's authority and responsibilities should be taken care and include all necessary authorities and exclude responsibilities that will not support. The authority related to these responsibilities must allow the internal auditor to deal with company assets and employees relevant to the subject matter. Internal auditors must be free to review and evaluate policies, plans, procedures, and records.

In carrying out its functions, internal auditors are not directly responsible and do not have the authority to audit the activities. Therefore, the internal review and assessment of the auditors have not released others from the corporation. In other words, internal auditors should be free to discuss and evaluate existing policies, plans, procedures, and registrations, but this
does not mean that internal auditors replace exam assignments. Internal auditor liability deviations are related to accounting standards. A significant error will affect the fairness of the financial statements to be audited by a public accountant in a financial audit. As a result, the auditor intends to comply with accounting control standards for planning controls to find significant errors.

**Internal Auditor's Report**

The Internal Auditor's report suggests the internal auditor's responsibility for inspection assignments by leadership. Because of this report, the internal auditor will reveal and describe the weaknesses and successes achieved. Conductive inspection internal auditors are always followed by making a report, which is the final result of his work. Such reports should compile, so that company management can understand the problem and take immediate decisions on the action if necessary. This report can everywhere be concise, clear, and complete. The facts reported must describe all the activities of the company being examined. The report must be objective and accountable with strong supporting evidence. This report should be on time because a late report will be less or less valid.

Furthermore, Lianto Hidayat Susanto (2014) describes various information that must be included in the internal auditor's report as follows:

1. Report number that reflects the type of report, the location of the archive, and so on
2. To whom is it addressed to?
3. The date made the Report
4. Scope of work and type of work performed
5. Opinions and conclusions
6. Internal auditor's signature (in charge of audit)
7. Suggestions if indeed found something that has been finalized.
8. Description of attachments
9. Information regarding report distribution
10. Information about the teams involved.

**METHOD**

**Research design**

For the search to function according to the direction and not deviate, the research design is one strategy that can make. Research research research can be more easily achieved. According to Silaen (2018), the research design is a design regarding the entire process required
in planning and implementing research. This research is in the form of literature search and field research. Library Research was passed by reading literature related to internal auditors. The field research was conducted by examining the roles and functions of the company's internal auditors, namely Company X.

**Data collection technique**

Several techniques must use to minimize obstacles, errors, or problems during the research. So the technique chosen must also be systematic and accurate. Data collection techniques are techniques or methods used to collect data to be studied. Data collection techniques require strategic and systematic steps for valid data and depend on reality.

Data is done by:

a. Observation, namely conducting a series of direct observations of the internal auditors at Company X
b. Interviews, namely by conducting direct questions and answers with the parties or parts authorized in the company.
c. Literature collects some information about the theories of internal audit and other theories that support it.

**Data Analysis Method**

By classifying data, breaking it down into units, and synthesizing critical components in the choice model that will be studied and concluding, Sugiyono (2019) says that data analysis techniques systematically search for data gathered from interviews, field notes, and documentation.

a. The descriptive approach by gathering data from study results is to be examined and interpreted to create a clear picture of the written condition of affairs.
b. The comparative method is an analytical process that compares theories with company experience, concludes, and finally makes ideas from the comparison outcomes.

**RESULT AND DISCUSSION**

**Functions, Authorities, and Responsibilities of Internal Auditors**

**Internal Auditor Function**

The participation of internal auditors in this company is closely related to functions. As a general rule, the assignment of the company's internal auditor is to assist the company's leadership in implementing the operations of the Company's operational activities to implement supervision of operations and finance operations. Company and determine whether the policy
has been explained. Besides that, activities related to their duties are only carried out at certain times. In contrast, time is usually used to assist the tasks of the finance and accounting department. In other words, that which is a routine task of the internal auditor in the company is to assess the effectiveness of the internal control system.

An internal auditor is a management tool to work under the wishes of management. In contrast, management is responsible for the success of the Company, which is shown in the financial statements. The work performed by internal auditors and management is not competitive but complementary.

By the powers and responsibilities of the internal auditors, the duties of the internal auditors in this company are:

1. Plan and make short-term and long-term work programs to monitor company operations and company programs.
2. Determine the cost budget to support the implementation of activities following the work program of the internal audit section.
3. Carry out operational supervision to ensure the established work program successfully implements tasks, obligations, and activities.
4. I am researching and supervising whether the established regulations have been followed and implemented.
5. Conduct testing and evaluation (evaluation) of the periodic reports of each unit or agency within the company to achieve quality, thorough and convincing reports, and identify vulnerable places in future activities.
6. Assist in securing capital or wealth, authority, reliability, company name, and public trust in the company in increasing the effectiveness and efficiency of the company, carrying out guidance, coordination, and control over all elements and supervisory activities in the unit work environment.
7. Make reports on the results of all kinds of inspections, including testing, evaluation, suggestions, and suggestions to the leadership as a basis for action or correction and prevention of the recurrence of things that are not following applicable regulations.

The scope and targets of internal testing carried out by internal auditors cover all aspects of the Company's activities to ensure efficiency and efficiency, including:

a. Audit

Financial audit includes transactions, estimates, activities, financial functions, and accountability in every part of the organization.
That is examined according to the scope of inspection or review procedures determined to prove the fairness, accuracy, and reliability of financial data; Protect Company assets and evaluate the state and success of internal control systems designed to promote the above obligations and safeguards.

b. Operational check

An operational review is an objective analysis/evaluation of the future direction of implementing a business program or operation to help management improve the use of pigment and efficiency of economic enterprises in the community and increase the effectiveness of achieving the results/objectives set.

As the author has stated, the supervisory function is one element that plays an essential role in every company, especially for companies that have a relatively large scale of operation. Supervision based on an appropriate and accurate policy, accompanied by excellent internal control, will significantly bring enormous benefits to the company to reduce and avoid fraud, waste, and other things that can harm the company.

The company pays considerable attention to the importance of internal control, which is one part of the company in conducting supervision and inspection of all aspects of activities within the company. The internal auditor is tasked with assisting the director in assessing the management supervision system and its implementation and providing suggestions for improvement. To fulfill this task, the internal auditor functions to carry out an examination that is carried out continuously on the company's operational activities and to assess and supervise the implementation of the management supervision system. To ensure the implementation of the company's operations is under the policies, plans, and procedures that have been set.

The functions of the internal auditors in this company are as follows:

1. Carry out financial audits to find out how to implement financial records, especially to secure the company assets, and to find out any misuse of company assets and other irregularities.
2. Carry out management inspections whose purpose is to find out how the implementation regulations made by the leadership have been implemented.
3. Suggest improvements to the company's internal control system if this is deemed necessary. The proposal is submitted to the company leadership after evaluating the existing internal control system.
4. Carry out special inspections in the event of an urgent problem based on the leadership's instructions.
5. Analyze reports from each division.
6. I am analyzing inputs and suggestions to the leadership in preparing program plans and decision-making.

The functions above are sufficient for the company because they cover all sections. In addition, internal auditors also help outside parties in the sense of facilitating their duties. So from the function above, it can be seen that the audit is aimed at securing the company's assets, implementing activities, especially those concerning business efficiency and effectiveness, and compliance with policies and regulations set by the company. According to the author, the internal auditor's function at this company is quite good and has been outlined.

**Position of Internal Auditor**

The results and extent of audits expected from internal auditors are strongly influenced by their position in the organization. Theoretically, it has been stated that the higher the position of the internal auditor, the broader the scope of the audit to be carried out by the internal auditor, and it is hoped that the results of the examination will be more objective. Apart from that, the high position of the internal auditor in a company will place him in an independent state in conducting audits.

From the theoretical description, it has been stated that there are several alternative positions for the internal auditor in the company, namely:

1. Directly under the board of commissioners
2. Directly under the president director/principal director
3. Directly under the highest financial functionaries

The internal auditor is directly under the president director as a staff function of the three positions. Thus, this allows the internal audit department to conduct inspections of all departments within the company independently and objectively. So with such a position and accompanied by a clear job description, several positive things can draw on the position of the internal auditor as a staff director, namely 1) Full support from the leadership can expect, 2) The level of independence (independence) of the internal auditor is sufficient to allow can carry out objective examinations, 3) Internal auditors have the authority to conduct inspections on all business units and work units within the company.

The level of expertise of the examiner affects the success or failure of an examination. The examiner's position who is high enough in the company will be of no use if the examiner's expertise himself does not accompany it. Good internal auditors have extensive knowledge in accounting and auditing, engineering, monetary, etc. In addition, they must also have the ability
to adapt, be wise, have a firm attitude, be honest, be objective, and have a sense of responsibility.

According to the author's observations, the qualifications of the internal auditor staff in this company are based on good disciplines. Still, it is necessary to add more personnel to carry out their duties considering the increasingly widespread development of the company and its activities.

**Internal Auditor's Report**

As indicated earlier, every inspection carried out by the internal auditor is still followed by taking a report due to the inspection assigned to him. This report is written evidence and is responsible for the internal review that the inspection work has been completed. Likewise, with this company, the examination results conducted by the internal auditors are paid as a report. This report is a crucial document for the chief director and the first lead, and the management of the audit unit.

The report is the final product in the inspection process carried out by the internal auditor, whose function is as information material and the basis for decision making for the leadership (Khaeruman, 2019). The audit conducted by the internal auditor is operational and financial. The report should be concise and precise as far as possible, but what is reported must be clear, and the report must be objective, accountable with solid evidence, and meet the requirements that have been set. In addition, the form of the internal auditor's report should adjust to the needs of the use of the report. 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 sections, 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 re-discussed with the audited section so that the audited section can provide responses and explanations for the audit findings obtained.

From the author's observations of the internal auditor's report at this company, it can say that the report meets the requirements, including the presence of:

a. Basis of assignment and scope of the examination.

b. Examination findings

c. Improvement suggestions

d. Comments from the party being examined.

According to the objectiveness of things, the report's objectivity has been seen where the report is made based on the examination results supported by sufficient evidence so that this report can account for this report. From the form of the report made by the internal auditor, it
can say that the report has met the requirements. The report contains complete, concise, and timely information.

Weaknesses or gaps in this inspection report are combined against the operational review with the financial review report. Although the benefits of both reports are equally essential to help management make decisions and wisdom, the two critical aspects of this review are different. In the operational review, reviews are still being made to find the answer which is and should be the way (which mainly involves the effectiveness and emergence of management and use of production facilities). At the same time, the financial review review is emphasized to find responses in the form of (financial transactions and financial statements).

CONCLUSION

Based on the analysis and evaluation carried out, it can conclude that the functions and positions of the internal auditors in the company have been carried out correctly for the following reasons:

1. The position of the internal auditor in the company's organizational structure is under the President Director. Concerning his direct position as the Director-General, the Internal Auditor receives full support from the Head of the Company in carrying out his duties. Apart from that, there is also a clear delegation and authority. Therefore, a degree of freedom and objectivity of inspection can establish.

2. Implementing the supervisory function made by the Internal Auditor has contributed significantly to the Company's management knowing how the activities have been carried out. Inspection activities only pay attention to finances but also company operations. The implementation of supervision carried out by internal auditors has been adapted to their duties and responsibilities.

3. In the realization of their functions, the internal auditors are independent of the company's routine tasks, which means that the internal auditors are not involved in the operational activities of the Company, which are the subject of examination. Thus, it is hoped that the examination results will be more objective.

4. The Internal Auditor first compiles the inspection program and inspection work documents during the inspection. This program is intended to make the review implementation more efficient and more targeted. Review program review and work is a tool for leadership to oversee the implementation of the review, both according to the planned plan.
5. Each report on inspection produced by internal auditors is submitted to the director for each verified object of inspection. The presence of the internal auditor's report can contribute to the determination of plans and policies.

However, there are still some weaknesses, namely:

1. There is no separation between financial and operational audit reports (management audits).
2. The use of grammar is still not good in preparing the internal auditor's report.
3. The activities of internal auditors in the company have not been maximized because the number of available internal auditors is inadequate.
4. Lack of ability and skills of internal auditors in conducting computerized audits.

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