

Management Audit of the Financial Functions at the Inspectorate Office of South Konawe Regency, Southeast Sulawesi, Indonesia



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ABSTRACT: The purpose of this research is to determine the management audit of the financial function at the Regional Inspectorate Office of South Konawe Regency. The data used in this research was secondary data. Primary data is data that comes from direct research objects, this data was obtained by conducting interviews and direct observation or asking questions to the head of the government sector concerned. Secondary data is data sourced from research objects that have been processed in the form of documents or government archives related to this research. The analysis technique used in this research was descriptive qualitative. In conclusion, the management audit of the financial function of the SouthKonawe Regency Inspectorate Office has not been carried out efficiently and effectively. This is due to weak planning, implementation, and management control systems in the financial sector. Financialfunctions must run effectively and efficiently to meet standards, whereas those implemented in government did not reach the standard and did not run efficiently and effectively.

KEYWORDS: Management Audit, Financial Function.

INTRODUCTION

Management functions and controls need to conduct audit (inspection) activities. The audit is also needed to assess management's accountability to various parties in the company's agencies. From the results of the audit, it can also be seen whether the reports provided by management are on what happened or whether operations are running by the provisions, regulations, and policies set by government agencies.

Management audit is an evaluation of the efficiency and effectiveness of company operations. Various types of audits are carried out to ensure that the operational processes within the company are running by applicable regulations and policies and that the management of resources in these processes is running effectively and efficiently. Apart from that, a management audit is also an investigation of an organization in all aspects of management activities from the highest to the lowest as well as the preparation of an audit report regarding the effectiveness of the organization's activities. Management audits aim to identify program activities that still require improvement so that with the recommendations provided, improvements can be achieved in the management of various programs and activities in the government (Bayangkara, 2016).

The financial function focuses on the company's assets and liabilities, with emphasis and decision-making more focused on the future. As for the basics of management, the responsibilities and duties of financial managers differ from one company to another. The main task of a financial manager concerns decision-making.

Management audits of financial functions are carried out with the consideration that management plays an important and even strategic role in the life of the company, as with audits of other functions, the target of this audit is to assess the effectiveness of work units that manage government finances by name or work unit, such as departments, divisions, and other sections. As for the financial function to operate efficiently and effectively, the situation is the opposite, caused by unintended consequences, in the sense of not achieving the financial function objectives that have been previously determined.

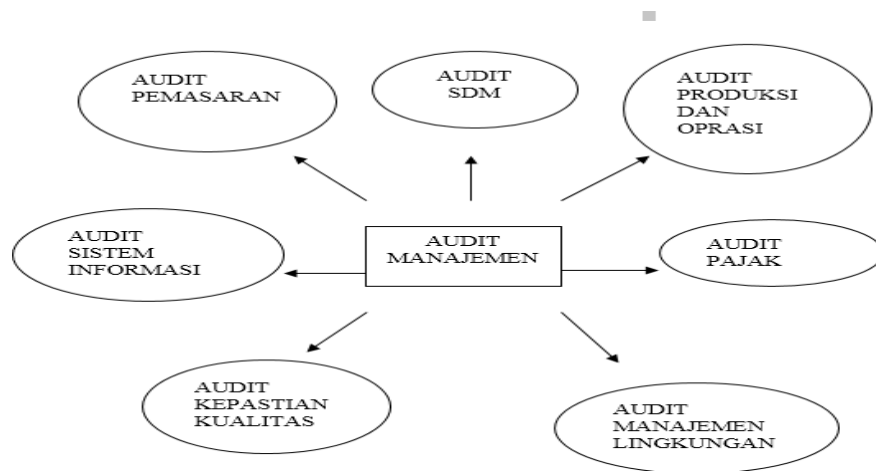
This can occur because of a lack of direction and mutual support between parts and people in the organization of the management of the financial function regarding the goals and objectives of the function itself and the goals of the overall organization, as well as the worst assumption are the occurrence of deviations and planning, policies and regulations that have been established in the financial function. The term financial management means that the company's financial management is directed according to a plan that can support the achievement of company goals. In general, the company's goal is to make a profit from the sale of goods and services, and improve the welfare of the company owner and the employees who work for the company, although it does not rule out the possibility of other goals. In the current development of the business world, financial management has a strategic role in

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making decisions about investment, funding, and asset management which can determine the company's survival in the future. Considering the importance of good financial management, usually in a company's organizational structure there is always a separate work unit that specifically handles the financial sector, by whatever name the work unit is known, such as department, division, bureau, section, and so on, depending on tradition, company and organizational structure used. The finance section at the South Konawe Regency Inspectorate Office is tasked with collecting, analyzing, and monitoring various types of data obtained from work units and other functional areas within the company to create financial reporting that is easy to understand and use by the parties concerned. The finance department must be able to carefully analyze every report that comes in from other functional areas and make careful financial planning to avoid wasting funds within the company. The importance of the tasks of the financial work unit makes controlling and supervising the work of this unit very important for the company, therefore a tool is needed to assess the performance of the work unit that manages the financial sector in the company. One tool for assessing this performance is a management audit.

MATERIALS AND METHODS

Image: Audit Scope



A. Data collection techniques

The data collection is: 1) interviews, namely questions and answers directly to the informant with research subjects about problems related to the things that the writer will research. 2) Documentation is the collection of data obtained from notes or documents contained in the company, for example the main tasks and functions, organizational structure, as well as the division of tasks and responsibilities in each section.

This research was carried out by reading books or literature related to this research. Apart from that, researchers also used the internet to search for information on theories and research data that had been carried out.

B. Analysis Techniques

The analysis technique used in this research was descriptive qualitative. The qualitative descriptive method is a method for investigating the object or subject under study, to describe it systematically, by explaining the stages of a management audit, namely as follows:

1. Preliminary survey

This preliminary survey is to obtain information and background regarding all aspects of the organization of program activities to be examined so that adequate knowledge or description of the object of inspection can be obtained.

2. Review and Testing of Management Controls The purpose of reviewing and testing management controls is to obtain evidence regarding the three elements of the interim audit objectives, namely, conditions, criteria, and recommendations by testing company transactions related to the management control system.

3. Detailed Testing

This stage is intended for the auditor to collect sufficient competent, material, and relevant evidence to be able to determine what actions were taken by management and government employees what the consequences of these deviations were, and the size of these consequences which caused losses for the company.

4. Report Development

Audit findings must be accompanied by conclusions and recommendations and must be reviewed by the audit manager before being discussed with the audit. Comments from the audit regarding what is presented in the draft report should be obtained.

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RESULT AND DISCUSSION

Details Realization Fund Budget Shopping For Period Ends on 31 December 2022

(In rupiah)

Types of Shopping	Budget	Realization	% Realization
Personel Expenditure	4,521,161,760	4.252.656.485	94,06
Goods and Service Expenditure	2.148.406.076	2.114.841.748	98,44
Capital Expenditure	110.000.000	107.470.000	97,70
Total	6,779,567,838	6,474,968,233	95.51

Data source: South Konawe Regency Inspectorate 2023

Budget Realization Report, which includes elements of personnel expenditure, expenditure goods and services, and capital expenditures during the period 1 January to 31 December 2022. Realized Income for the period ending 31 December 2022 is in the form of personnel expenditure amounting to IDR 4.252.656.485 Realization of expenditure on goods and services for the period ending 31 December 2022 is IDR 2.114.841.748 and realization capital expenditure amounting to IDR Rp.107.470.000 or reaching 95.51 % of the budget allocation of IDR 6,779,567,838. Summary of Budget Realization Report for the Period Ending 31 December 2022 as follows

Balance Sheet Summary 31 December 2022 (Indonesian Rupiah)

Estimate Name	31 DECEMBER 2021
Asset	
Current assets	
Cash	0
Supply	26,282,300
Fixed assets	
Land	8.319.580
Building	103.627.000
Accumulated depreciation	15.300.000
Buildings (roads, irrigation, networks)	71.564.400
Machine	
Other Assets	43.521.734
Decreasing asset	2.088.159.056.97
Total assets	944.110.812,35
Liabilities	
Short Term Liabilities	6.445.829
Amount of Liabilities	6.445.829
Equity	
Equity	937.664.983.35
Total Equity	937.664.983.35

Data source: agreedinspektoratkab.konsel 2023

The balance sheet describes the entity's financial position regarding assets, liabilities, and equity as of 31 December 2022. Asset value as of 31 December 2022 is recorded and explained as IDR 944.110.812,35 consisting of Current Assets of IDR 26.282.300, Fixed Assets of IDR 198.810.980 and Other Assets (net after accumulated depreciation) of IDR 2.088.159.056.97. The total value of liabilities is presented at IDR 6,445,829 which is a short-term liability. The Equity Value is explained as IDR 937.664.983.35.

Operational Report

For the Period Ending December 31, 2022 (In rupiah)

Description	31 December 2021
Operational Activities	
Operational Expenses	6,724,004,805.39
Employee Expenses	3,889,116,485
Goods and services	2,476,615,237
Depreciation and Amortization Expenses	358,273,083.39
Surplus/Budget deficit	(6,724,004,805.39)

Data source: agreedinspektoratkab.konsel 2023

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The Operational Report presents various elements of Operational Expenses, expenses, employee expenses, goods and services, Depreciation and Amortization Expenses, and LO surplus/deficit, which are necessary for fair presentation. Operational expenses for the period up to 31 December 2022 are IDR 6.724.004.805.39, while total employee expenses are IDR 3.889.116.485, goods and services worth IDR 2.476.615.237. Depreciation and amortization expenses amounted to IDR 358,273,083.39 so a LO-Deficit occurred (IDR 6.724.004.805,39).

Statement of Changes in Equity

For the Period End on 31 December 2022 (Indonesian Rupiah)

Description	31 December 2021
Initial Equity	1,142,495,180.74
Surplus/Deficit LO	(6,724,004,805.39)
Cumulative Impact of Policy Changes	6,474,968,233
Final Equity	893,458,608.35

Data source: agreedinspektoratkab.konsel 2023

The Equity Changes Report presents information on increases or decreases in equity for the reporting year compared to the previous year. The initial equity on 31 December 2022 is IDR 1.142.495.180,74 plus a deficit-loss (IDR 6.724.004.805,39), and the cumulative impact of policy changes is IDR 6.474.968.233, so the ending equity on 31 December 31, 2022 is equal to IDR 893,458,608.35.

The summary of the Statement of Changes in Equity for the Period Ends on 31 December 2022, is explained in Table 4.4

REVIEW AND TEST RESULTS

Control system strengths	
1	The number of employees at the South Konawe Regency Inspectorate's office is 84 Employees
2	The office also has a fairly clear organizational structure and is accompanied by <i>job descriptions</i> for each activity
3	The office has duties and functions (TUPOKSI) which describe in detail the workflow of each sub-section in the office
4	There is an adequate <i>job description for the finance function</i>
5	All employees of the South Konawe Regency Inspectorate office have carried out their respective duties

Weaknesses of the control system			
No	Weaknesses of the control system	Errors that can occur	Tests that can be taken
1	The office does not report it to the person concerned if something happens to the office's financial condition	If something is not reported to the person concerned if something happens to the financial condition, then an agency, especially in the finance department, will always have problems, because the employee in charge of reporting the financial condition will always make mistakes in preparing financial reports if the party concerned does not know about it.	Employees in the finance department should report to the person concerned if something happens to the financial condition
2	The office growth ratio did not increase	If the office ratio does not increase, then the office will not experience development every year	The head of the South Konawe Regency Inspectorate office tries to develop and supervise his employees to carry out their work so that the office's growth ratio can increase every year.

4. In-depth (detailed) examination

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This activity is a significant aspect of the examination which provides the necessary recommendations for improvement of the weaknesses found, in addition to presenting the conditions and criteria in the in-depth examination as follows:

a. Field studies

Field studies have many operational manifestations, including interviews with key management personnel, identifying external sources, and observing operational activities.

b. Analysis

Analysis of management system control systems accompanied by analysis of deviations and measurement of activities, discussion of findings and alternative developments, recommendations, and suggestions to the government. Results of an in-depth examination of the financial function of the South Konawe Regency Inspectorate.

As for the evaluation of management control in the government budget, this analysis activity is still in the context of an in-depth examination. The final goal to be achieved is that aspects of budget control and financial functions have been achieved so that the information obtained during the management audit can be trusted as a reference for making interpretations of management control. One of the financial instruments that is effectively used in evaluating budget control is variance analysis.

Summary of an In-Depth Checked of the Financial Function

No	Condition	Criteria	Recommendation
1	The office does not report it to the person concerned if something happens to the office's financial condition	If something happens to the office, the office should report it to the person concerned.	The office needs to report to the person concerned if something happens to the office's financial condition so that an agency, especially the financial sub-division, can operate well without any problems.
2	The office growth ratio did not increase	If the ratio does not increase, then the office will not experience development every year	The head of the office needs to develop and supervise his employees to carry out their work so that the office growth ratio can increase every year

1. Management Audit Report

The final stage of research on the financial function of the South Konawe Regency Inspectorate office uses descriptive analysis tools with the following management audit stages:

a. General information as well as office background

The South Konawe Regency Inspectorate has established policies for implementing the program, as well as being able to assist the Regent in compiling and implementing regional policies for the preparation of guidelines and technical instructions for coaching, coordinating financial management, as well as financial control and supervision, namely:

- 1) Minister of Home Affairs Decree No. 29 of 2002, concerning guidelines for management, accountability, and financial management and procedures for preparing APBD in carrying out regional financial administration and preparing APBD calculations.
- 2) Can increase efficiency and effectiveness in regional financial supervision.
- 3) Assess operational activities carried out by the finance function.

c. Scope of inspection

The following is the scope of the inspection of the functions and duties of the finance and accounting section at the South Konawe Regency Inspectorate. This examination includes data collection and data analysis related to the office's financial functions, as follows:

1. South Konawe Regent Regulation number 12 of 2014,
2. Organizational structure and *job description*,
3. Main duties and functions of the South Konawe Regency Inspectorate office,
4. Results of interviews with heads of administrative and general sub-divisions regarding this research.

d. Procedure used

DISCUSSION

1. Management Audit

After the researcher carried out an in- depth examination of the management audit of the financial function and related sections, the researcher found that several things could result in these activities not being carried out efficiently and effectively, namely if something happened to the office's financial condition, the office did not report it to the person concerned, and the office growth ratio did not increase. According to Sukrisno Agoes (2004), a management audit is an operational audit, system audit, and functional audit. A management audit is an examination of a company's operational activities, including operational policies and accounting policies that have been determined by management. This activity is significant for the examiner because it provides recommendations needed to improve the weaknesses found in addition to presenting existing conditions and criteria to determine whether operational activities have been carried out efficiently, efficiently and effectively. This is in line with the results of research conducted by Djohariah Sarapa (2017), that management audits of the financial function have not met the applicable criteria or standards because the existing research still has many deviations, making management audits less effective and efficient.

2. Financial Function

Based on the analysis that has been carried out based on observations and data obtained related to the implementation of the work program and the existence of financial functions carried out by the South Konawe Regency Inspectorate, it has not run efficiently and effectively. This is due to weak implementation planning and The management audit carried out by researchers was interviews with management and employees selected in the finance function. Researchers also review and evaluate documents, reports, archives, and various policies that researchers consider important. After observing the existing data. Researchers need several things that can cause these activities to be inefficient and ineffective. management control systems in the financial sector. The following is the application of management audit according to financial function theory, namely:

1. A management audit is a systematic review used to assess the effectiveness of a unit/work compared to government and industrial standards using a scope of objects that can be analyzed to convince managers that the objectives are being implemented and that conditions require improvement.
2. The purpose of the audit is to evaluate government activities in a relationship that sets standards of efficiency and effectiveness.
 - a. Efficiency in acting in a way that minimizes loss/waste of human resources in carrying out/producing something.
 - b. The effectiveness of an operational activity in achieving its objectives can be viewed in terms of work quality and quantity.
3. The function of finance in an organization is to collect and analyze data from all functional activities in government, basically every unit of activity requires costs.
4. The scope of a management audit includes a functional program or overall condition of an organization which has limitations that are usually carried out considering the limited funds provided to fund the audit process. Management of the company's financial function has two objective objectives, including:
 - a. Examining and evaluating the effectiveness of the finance department in providing financial direction and research covering all organizational activities including the implementation of various work units at the South Konawe Regency Inspectorate office.
 - b. To regulate efficiency in financial functions, accounting, budgeting, and policy guidelines.
5. Audit working papers are records of permitted information and evidence collected by the auditor during the audit.
6. The audit report is a report that contains a description of what activities were carried out, and which ones need to receive improvements/proposed recommendations.

The financial function is one of the functional areas of government agencies and companies. The financial function is an activity related to determining a government's long-term investments, obtaining funds to pay, and leading the daily financial activities of a government (Achmad, 2008: 15). The financial function must ensure the existence of the same system for organizing activities and costs that occur outside the main activities of the government and company (Elvira, 2011: 23). Research by Nurica Puji Lestari, Kusni Hidayati, and Nova Retnowati (2017) shows that based on the data obtained, it can be concluded that the financial function at the Lagzis Peduli Foundation is actually adequate. This can be seen from the existence of clear assignments. Meanwhile, the results study show that the financial function has not been able to run effectively, efficiently, and economically. This is due to the absence of adequate, systematic, and periodic supervision and monitoring that can guarantee that the activity process is carried out without deviation. Functions that provide opportunities and facilitate deviations are inseparable, apart from inconsistent transaction authority and there are still employees whose duties and responsibilities are not by their scientific disciplinary background, which can result in efficiency, effectiveness, and economics not being achieved. Based on the analysis of the implementation of management audits on the financial function, according to theory, the financial function must run effectively and efficiently to meet standards. Meanwhile, what is implemented in government does not meet standards and does not run effectively and efficiently. By comparing previous research, the author can conclude that it still does not meet standards and is not running effectively and efficiently.

CONCLUSIONS AND RECOMMENDATIONS

A. Conclusion

Based on the analysis and discussion that has been carried out, the following conclusions can be drawn:

1. Management audits of the financial functions of the South Konawe Regency Inspectorate Office have not been carried out efficiently and effectively. This is due to weak planning, implementation, and management control systems in the financial sector. Another reason is the absence of adequate, systematic, and periodic supervision and monitoring that can guarantee that the activity process is carried out without deviation.
2. The financial function must run effectively and efficiently to meet standards, whereas what is implemented in government does not meet standards and does not run efficiently and effectively. Functions that provide opportunities and facilitate deviations are inseparable, apart from inconsistent transaction authority and there are still employees whose duties and responsibilities are not by their scientific disciplinary background, which can result in efficiency, effectiveness, and economics not being achieved.

B. Suggestion

1. The Head of the Finance Sub-Division of the South Konawe Regency Inspectorate office must provide more training, improving the quality or skills of employees.
2. The office must report to the authorities so that problems do not occur.

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