

The Role of Internal Control Unit (SPI) On Financial Management of Halu Oleo University

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Abstract: *This research titled “The role of Internal Control Unit (SPI) on financial management of Halu Oleo University (UHO)”. The purpose of the research is to determine how adequate the role of Internal Control Unit (SPI) on financial management of Halu Oleo University. Data analysis method used in this research is descriptive statistical analysis. The results of this study indicate that the role of Internal Control Unit (SPI) on financial management of Halu Oleo University has been adequate. It is considered to be adequate because based on the results of the analysis that has been done, it can be seen that the obtained percentage is equal to 80.75%. The role of the Internal Control Unit (SPI) is adequate on the financial management of Halu Oleo University. It is seen from the independence, professional ability, and implementation of internal audit in providing consulting services and assurance services to the work units within the scope of Halu Oleo University.*

Keyword: *Role of Internal Control Unit*

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I. Introduction

Education is a very important thing that must be perceived by every human being. Education is a conscious effort to cultivate human resources through good teaching activities in the family, school, and community environments. The teaching activities are conducted by all units and education's level. University is an institution that plays a role in educational practice. Higher institutions have more features than other institutions lies in their basic functions, namely in terms of education, teaching, and discovery or innovation (research).

University is a work unit of the Ministry of Research, Technology, and Higher Education. Through the university, it is expected to give a positive contribution to Good Governance for the Ministry of Research, Technology, and Higher Education. Seen from some of the audit opinions received by the Ministry of Research, Technology, and Higher Education from BPK-RI since 2014, the Ministry of Research, Technology, and Higher Education is no longer get an unqualified opinion. It is happened not only caused by the low quality of the Ministry of Research, Technology, and Higher Education's performance, but also it is because the work units under the ministry itself, including university.

From 2006 to August 2016, Indonesia Corruption Watch (ICW)^[1] revealed that there are 37 corruption cases related to university. Corruption trends in university are increasing. Of the total of corruption cases, ICW noted there were at least 65 perpetrators consisting of 32 employees and structural officials at the faculty and university level, 13 Rectors and Vice Rectors, 5 lecturers, 2 local government officials, and 10 private parties. Corruption cases that occurred in the scope of university above show that the university management in Indonesia, especially in the field of finance is still not maximized. It is related to the role of internal audit as one of the contributing factors in the process of financial management at a university.

Kurniawan (2014)^[2] states that internal audits conducted in government and private environments have a major role to ensure that the function of organizational governance, risk management, and risk control has been going well. In an attempt to create a good management, especially on financial management, every educational institution requires an internal audit function in charge of researching and evaluating an accounting system and assess the implemented management policies.

University of Halu Oleo (UHO) as one of the universities in Indonesia that has established Internal Control Unit (SPI) which performs internal audit function in 2008. The university was designated as Public Service Agency (BLU) in 2010 that provides services to the public in the form of goods provision and/or services sold in the educational field without prioritizing profit and in carrying out its activities based on the principles of efficiency and productivity. Therefore, UHO is required to be able to perform its functions in the management especially on financial management in accordance with prevailing standards.

Internal Control Unit (SPI) as an internal audit function at University of Halu Oleo (UHO) is expected to assist the university in achieving a better financial management. However, the limited resources possessed by

the UHO's Internal Control Unit as an internal audit function makes the potential for activities carried out by the work unit at UHO is not in accordance with prevailing higher standards. It will certainly affect the UHO's management process, especially in the financial sector.

Based on this background, thus the formulation of problem in this research is: "Is the role of Internal Control Unit (SPI) on financial management of Halu Oleo University adequate?". The purpose that needs to be achieved in this research is to know the role of Internal Control Unit on financial management of Halu Oleo University has been adequate.

II. Literature Review

Definition of Internal Audit

The Institute of Internal Auditors (IIA) as an internal auditor consortium institution internationally has defined an internal audit (Zamzami, 2014: 1)^[3], as follows:

“ Internal auditor is an independent, objective assurance and consulting activity designed to add value and improve an organization’ s operation. It helps an organization accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process” .

It means that an internal audit is independent and objective assurance and consultation activities designed to add value and to improve the organization's operational activities. An internal audit helps an organization achieve its objectives through a systematic and regular approach to evaluate and to improve the effectiveness of risk management, risk control, and management process.

The definition stated by the IIA have further encouraged internal auditors to report the results of their work either to the management or to the audit committee within the broader scope of the work in the form of guarantee or consultation services on the implementation of the process of organizational governance, risk management, and risk control. In addition, the above definition also seems clear that the purpose of the internal audit function is to assist management in managing the organization so that objectives can be fulfilled.

Standards of Internal Audit Profession

Government of Indonesia Internal Audit Standard set out two major parts of the audit standard as follows (Sawyer, 2013)^[4]:

1. Attribute Standards

Attribute standards manages the general characteristics that include the responsibilities, attitudes, and actions of internal audit assignments and the organizations and parties that performing internal audits, and it is generally applicable to all internal audit assignments. The standard is divided into Basic Principles and General Standards.

2. Performance Standards

Performance standards describes the specific nature of internal audit activities and provide performance to assess the performance of internal audit. The standard is divided into Standards for Performance of Internal Audit and Internal Audit Communication Standards. The scope of activities set forth in the Internal Audit Standards include the provision of Assurance and Consulting services.

Paradigm of Internal Audit

The old internal auditor paradigm mentions the internal auditor's duties as a watchdog and this paradigm started in the 1940s. In this paradigm, the auditor will perform inspection, observation, calculation, and transaction testing activities in order to ensure compliance, regulation, or established policies. (Kurniawan, 2014: 12-13)

Subsequently, the role of the internal auditor transformed into a consultant for the organization that began in 1970. Based on the role of a consultant, the internal auditor is expected to provide benefits in the form of recommendations on the resources management owned by the organization so as to assist the directors at the operational level. In this era, an audit conducted by internal audit mainly in the form of operational audit that is to provide confidence to the organization whether its resources has really utilized effectively, efficiently, and economically.

According to former researcher, the difference between the internal audit of the old paradigm and the internal audit of the new paradigm is as follows:

Table 1. Differences of Internal Auditor Paradigm

No.	Description	Old Paradigm	New Paradigm
1.	Function	- Watchdog - Reveals findings - Disturbs object	- Watchdog, consultant, andcatalyst - Problem-solving - Proactive

		- Reactive	
2.	Property/ recommend ation	- Post audit - Corrective	- Post auditand pre audit - Corrective, Preventive, and Predictive
3.	Attitude	- Rigid - Passive	- Flexible and constructive and Active and communicative
4.	Approach	- Subject- object - Win-lost	- Subject-subject Win-win
5.	Type of Staff	- Vague	- Complete
6.	Organizatio n	- Complement/ meets requirement	- Tools Management Excellence center
7.	Measure of success	- Total findings	- Total assistance - Level Achievement of Good Coorporate Governace
8.	Approach	Detective (detects problem)	Preventive(prevents problem)
9.	Attitude	Like a cop	Like a business partner/customer
10.	Obedience/ Compliance	Allpolicies	Only relevant policy
11.	Focus	Weakness/De viation	Constructive solution
12.	Communica tion with managemen t	Limited	Regular
13.	Audit	Financial and Compliance Audit	Financial, Compliance, and Operational Audit
14.	Career path	Limited (only to be auditor)	Broad (can work at different section/ function)

Source: Arief Effendi (2006) in Kurniawan (2014)

Internal auditor in performing its role as a catalyst, tus the work of internal auditors will be related to the provision of quality assurance and will be acted as a facilitator and agent of change within the organization. The role is relevant to the IIA's view of the internal audit function.

The paradigm of internal audit as the party that provides guarantees for the quality of activities that occur within the organization and the agent of change is in accordance with the definition of internal audit that has been made by IIA which states that the internal audit is the party who has two kinds of guarantee and consulting functions.

Internal Control Unit (SPI)

1. Definition of Internal Control Unit

Regulation of the Ministry of Education and Culture of the Republic of Indonesia No. 43 of 2012 on the Statute of Halu Oleo University^[5], defines that the internal control unit as an university organ which performs internal control functions in non-academic fields for and on behalf of the rector.

Regulation of the Ministry of National Education No. 47 of 2014^[6] Article 1, stipulates that internal control is the whole process of audit activity, review, evaluation, monitoring and other control activities on the organization of tasks and functions aimed at controlling activities, securing properties and assets, implementation of good financial statements, improving effectiveness and efficiency, and early detection of irregularities and non-compliance with statutory provisions.

Some of the above understanding, it can be concluded that the internal control unit is an organizational unit that carries out an independent control function to examine, evaluate all activities, provide suggestions, refinement to improve the value of the business, and report the results of its work to the leader of the organization.

2. The Role of Internal Control Unit on Financial Management of Halu Oleo University

Regulation of the Ministry of Education and Culture No. 43 of 2012 on the Statute of Halu Oleo University, Internal Control Unit is an university organ that performs the function of internal control of non-academic fields, one of which is the financial field for and on behalf of the rector. The internal control function is the entire process of audit activities, review, evaluation, monitoring and other control activities on the organization of tasks and functions that aims to control activities, secure properties and assets, the performance of good financial statements, improve effectiveness and efficiency, and detect early incidences of irregularities and non-compliance with the provisions of legislation.

The function of internal control on financial field will work effectively depending on the ability of the internal audit function in performing its duties. Internal Control Unit which is also an internal audit function at University of Halu Oleo must meet the criteria in performing its function. According to Tugiman (2006: 16)^[7] cited from the International Standards of Internal Audit, criteria of an adequate internal audit are

1) Independency

An independent auditor is an auditor who is unaffected by the various forces that come from outside the auditor's self in considering the facts he or she encounters in the audit. With the existence of independence, the performance of internal audit can be implemented effectively and audit results will be objective.

Tugiman (2006: 20) stated that the internal auditors are considered independent if he or she able to carry out their work freely and objectively. The independence of the internal auditors may provide impartial and unbiased judgments, which are indispensable or essential for the examination as appropriate.

2) Professional Ability

Professional ability is the responsibility of the internal audit division and any internal auditor. The head of the internal audit in each examination shall assign the people together or in whole who possess the knowledge, abilities, and various disciplines that are necessary to carry out a proper and appropriate examination. (Tugiman, 2006: 27)

Tugiman (2006: 27) also stated that internal auditors should:

- a. Know the professional standards in conducting examination.
- b. Have the knowledge, ability, and various disciplines that are important in conducting examination.
- c. Have the ability to deal with other people and communicate effectively.
- d. Increase their technical ability through continuing education.
- e. Perform an appropriate professional precision in conducting examination.

3) Performance of Internal Audit

Examination activity conducted by internal auditors should include examination planning, information testing and evaluation, and results notification and follow up. (Tugiman, 2006: 53)

Standard of Internal Audit Profession mentions in the performance of the internal audit function, the activities scope arranged in the performance of internal audit are:

a. Consulting Service

An internal auditor has a function as an examiner in the provision of consulting services as well as also acts as a management partner. Basically, all levels of management can be clients of internal auditors. Therefore, an internal auditor must serve clients well and support the clients interests while maintaining loyalty to the organization.

The role of consultants run by internal auditors is expected to assist operational units in managing risk by identifying problems and providing suggestions for corrective actions that add value to strengthen the organization.

Messier (2014: 322)^[8] states that the role of the internal auditor as a consultant is generally advice and suggestion and it is done on the specific request of the client or auditee. The attribute and scope of consultancy services is based on an agreement with the client. In addition, consulting service is also a professional service provided by integrating proficiency of technical, educational, observational, experiential, and practitioner knowledge of the consultation process.

The role of internal auditor as a consultant requires and leads internal auditors to always improve their knowledge both related to the auditor profession and business aspects, so that it can assist management in anticipating the problems occurrence. (Ilyas R, 2010)^[9].

From the above description, the writer of this research can draw the conclusion that the role of internal auditor as a consultant besides controlling duty, the role also serves as a partner in managing risk and providing input, recommendation, suggestions which is expected to assist in problem solving faced by employees,

especially the problems related with the company's operational activities so that corporate objectives can be achieved.

Government of Indonesia Internal Audit Standard in the Internal Audit Performance Standards, consulting service include: conducting counseling or socialization; examine the control system of object control management; describe the audit result (which is a separate activity, not part of the audit assignment); integrated monitoring of education quality improvement; and discussion of the cause of deviation (Sukrisno, 2016)^[10].

b. Assurance Service

An assurance service is an objective evidence assessment activity by internal auditors of evidence to provide an independent opinion or conclusion about a process, system, or other material (Messier, 2014: 322). An assurance service is an independent professional service that improve the quality of information for decision makers. Decision-makers need a reliable and relevant information as a basis for their decision-making.

According to Government of Indonesia Internal Audit Standard in the Internal Audit Performance Standards, assurance service includes:

1. Audit

- a) Performance Audit, among others: 1) audit with the aim of economic, efficiency, and effective, also compliance to the rules; 2) performance audit on Budget Arrangement and Implementation; 3) performance audit on revenue, distributing, and use of funds; and 4) operational audit.
- b) Beside financial and certain financial aspects audits, there are audits with specific objectives as follows: compliance audit, investigative audit, information technology audit, and audit with the aim of staff review on review of proposed disciplinary punishments, disciplinary penalties, alleged corruption, collusion and nepotism (KKN), and authority abuse.

2. Evaluation, a series of activities that compare the results or achievements of an activity with predefined standards, plans, or norms, and determine the factors that affect the success or failure of an activity in achieving the goal.

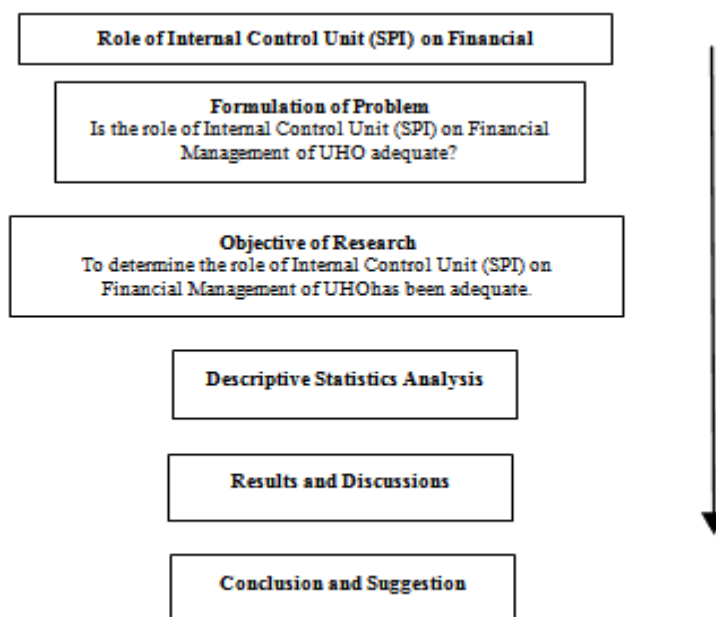
3. Review, a study of evidence of an activity to ensure that the activity has been carried out in accordance with predefined rules, standards, plans or norms.

4. Monitoring, a process of progress assessment of a program or activity in achieving the objectives that have been set.

Research Framework

Based on the above literature reviews, the framework scheme underlying this research is as follows:

**Scheme1.
Framework**



III. Research Methodology

The object of this research is the role of Internal Control Unit (SPI) in the non-academic field, especially the financial field at Halu Oleo University. The population in this study are functional and structural employees who are involved in financial management of Halu Oleo University. The number of samples in the research is 46 people, with the determination of samples by using Purposive Sampling Method.

The types of data used in this research are: (1). Quantitative data, in the form of questionnaire score answer. (2). Qualitative data, in the form of interview process data result. The source of data in this research is primary data and secondary data. Primary data is obtained directly from the object under the research. While secondary data is obtained through literature study and review books, references related to the title which is the support of primary data.

Data collection techniques used in this research are documentation, interview, and questionnaire. While the data analysis tool used in the research is descriptive statistic analysis that serves to describe or give an idea of the object under the research through sample data or population as is, without doing analysis and make conclusions that apply to the public. In addition, the writer of this research also do the calculation of percentage of respondents' answers using this calculation:

$$\text{Percentage} = \frac{\text{"Yes" Total Answer}}{\text{Questionnaire Total Answer}} \times 100\%$$

The percentage of scores that have been obtained then compared with the criteria of interpretation of the questionnaire score :

Score of 0% - 20%	=	Very weak / Very inadequate
Score of 21% - 40%	=	Weak / Inadequate
Score of 41% - 60%	=	Moderate/ Quite adequate
Score of 61% - 80%	=	Strong / Adequate
Score of 81% - 100%	=	Very Strong/Very adequate

Definition of Operational:

1. Independency is an impartial attitude that must be possessed by an internal control unit as an internal audit function at Halu Oleo University.
2. Professional ability is an ability and knowledge that must be owned by internal control unit in conducting internal audit function at Halu Oleo University.
3. Conseling service is expected to assist in solving problems that are being faced by employees, especially issues related to the company's operational activities so that corporate objectives can be achieved.
4. Evaluation of objective evidence activity by internal auditor to provide opinions or conclusions by conducting some audit activities related to the functions and processes run by an organization.

IV. Results and Discussion

Results

1. Description of Questionnaire Return

The data of this research are obtained from the results of the answers to the questionnaires distributed to 46 respondents who became the object of research. A description of the distribution and return of the research questionnaire is shown in the following table:

Table2.
Description of Distribution and Return of Questionnaire

No.	Description	Total (copies)	Percentage (%)
1.	Distributed questionnaire	46	100%
2.	Non-returned questionnaire	8	17%
3.	Returned questionnaire	38	83%
4.	Questionnaire can be analyzed	38	83%

5.	Questionnaire can not be analyzed	-	-
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Source: Data Result on Return of Questionnaire 2017

Table 2 above shows that the questionnaire return rate is 83%. The results of research conducted at Halu Oleo University by distributing the questionnaire consisting of 1 (one) variable as many as 19 questions on 46 respondents. The description of this research consists of 19 items of questions submitted to the respondents by giving a percentage of the answers given by respondents.

2. The percentage calculation of the role of internal control unit on financial management of Halu Oleo University based on the answers of the questionnaire

Table 3.
The percentage calculation of the role of internal control unit on financial management of Halu Oleo University based on the answers of the questionnaire

	“ Yes ” Answer	“ No ” Answer	Percent age (%)	Total Answers
Independency	93	21	81,58	114
Professional Ability	119	33	78,29	152
Performance of Internal Audit				
Consulting Service	179	49	78,51	228
Assurance Service	192	36	84,21	228
Total	583	139	80,75	722

Source: Primary Data processed in 2017

Table 3 above shows that the role of the Internal Control Unit on the financial management of Halu Oleo University is adequate, as seen from the respondents' answer percentage is 80.75% and the scale is on 61%-80%.

V. Discussion

The internal control unit as an internal audit function at Halu Oleo University is expected to contribute to the financial management process in order to run well. Therefore, the Internal Control Unit must fulfill several elements as follows:

VI. Independency

The results of the research show that the Internal Control Unit which performs the internal audit function at Halu Oleo University has had a very adequate independency. It is because the position of the internal control unit is independent and not included in the university's management organization or it can be said that it is not tied to certain parts of the university organization structure. Thus, the audit team can express thoughts without any influence or pressure from the management.

In addition, the management (work unit) of Halu Oleo University provides full support and freedom to the Internal Control Unit in conducting the internal audit function so that the cooperation of the examined parties can run well and the Internal Control Unit can perform its duties effectively and free from interference other parties.

VII. Professional Ability

The results of the research show that the human resources owned by the Control Unit team is quite experienced in carrying out the internal audit function and have adequate education and knowledge about what they do. Knowledge not only in the field of audit, but also on policies and regulations related to university activities, especially on financial management. Based on the results of research, the team of Internal Control Unit in conducting the internal audit function communicate and interact with the parties or work units on the part of the audit object. In conducting the internal audit function, the Internal Control Unit communicates with the work unit that is examined both before and after conducting the audit. Coordination and communication made by the Internal Control Unit team to the work unit prior to the audit is essential so that the inspected work

unit prepares everything required in the inspection process so that the audits conducted by the Internal Control Unit can run smoothly.

VIII. Performance of Internal Audit

The results of the research show that in the financial management process of Halu Oleo University, the internal audit conducted by Internal Control Unit by providing consulting and assurance services to the work unit within the scope of Halu Oleo University. Internal Control Unit on the financial management process of Halu Oleo University provides consulting services in the form of giving suggestions and recommendations to the work unit to improve the performance of the work units and assisting the work unit in solving the problems. The internal control unit also provide consultation to the work unit according to the needs and demands of the work unit. The Internal Control Unit also provides assurance services to the work units within the scope of Halu Oleo University in the form of operational audits in order to check the activities of the work unit whether it meets the criteria of effective, efficient, and economical. After conducting the operational audit, the Internal Control Unit provides recommendations to the examined work units for the results of the conducted audit. The internal control unit also conduct compliance audits with the aim to check the compliance of employees and work units against applicable regulations, policies, standards, and laws.

There are three stages in the process of financial management of Halu Oleo University that are: planning stage, use stage, and accountability stage. At the planning stage, the Internal Control Unit reviews and evaluates the preparation of the Budgeting and Business Planning (RBA) by the Planning and Budgeting Bureau to ensure compliance with applicable standards and regulations before the RBA is submitted to the Ministry of Research, Technology, and Higher Education. At the stage of use, the internal control unit conducts operational audits to work units that aim to ensure that operational activities conducted by the work unit and the use of resources by the work unit have met the principles of effective, efficient, and economical. After the audit is conducted, the internal control unit provides recommendations to the examined work unit and conducted monitoring in the performance of the recommendations given by the internal control unit to the work unit. At the stage of accountability, the internal control unit reviews the financial statements from the accounting and reporting departments of Halu Oleo University. The conducted review is to ensure compliance with standards and regulations that apply before the external audit to audit the financial statements of Halu Oleo University.

IX. Conclusion And Suggestion

The conclusion that can be drawn from this research is the role of internal control unit has been adequate on financial management of Halu Oleo University that is viewed from the independency, professional ability, and performance of internal audit in providing consulting and assurance services to the work unit in the scope of Halu Oleo University.

Based on the conclusions and research results, some suggestions and recommendations submitted by the authors are as follows: (1) For the Internal Control Unit of Halu Oleo University. It is expected to further improve the internal audit function from the provision of consulting services such as socializing the use of Financial SOP as well analyzing the risks that will be faced by the work unit and assurance services in the work unit such as conducting evaluation and monitoring on the work unit so that financial management at Halu Oleo University is even better. (2) For the next researcher. It is suggested to add existing theories and develop the questionnaire and interview on the parties concerned with the studied variables for better result.

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