




The Role of The Internal Audit Unit in the Indonesia Civil Pilot Academy Public Service Agency

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Abstract

The Indonesia Civil Pilot Academy Public Service Agency is an educational institution under the Ministry of Transportation. A Public Service Agency is responsible for managing finances and budgets effectively and efficiently. A unit that supports the effectiveness of the Public Service Agency's financial management is the Internal Audit Unit. This research examines the role of the Internal Audit Unit in improving financial efficiency at the Public Service Agency of the Indonesia Civil Pilot Academy. The method used is qualitative research with a field study approach. Data were collected through interviews, observation, and document study. The research included interviews with three participants who are directly involved with the Indonesia Civil Pilot Academy's finances: the Head of The Internal Audit Unit, The Expenditure Treasurer, and The Program and Activity Plan Analyst. The research results show that internal unit audit plays an important role in the Public Service Agency of the Indonesia Civil Pilot Academy. The internal audit unit can ensure that the use of Public Service Agency funds is carried out effectively and efficiently, as well as maintaining accountability and compliance with laws and regulations. Results suggest that a competent and well-communicating Internal Audit Unit is vital for optimal financial management.

Keywords *Internal Audit Unit, Financial Efficiency, Public Service Agency, Accountability, Compliance*

INTRODUCTION

A Public Service Agency is responsible for managing finances and budgets effectively and efficiently. A unit that supports the effectiveness of the Public Service Agency's financial management is the Internal Audit Unit (Iskandar et al., 2014). In managing Public Service Agency finances, the Internal Audit Unit plays a substantial role in ensuring efficient use of the budget and maintaining accountability in financial management. Internal auditors or Internal Audit Units play a very crucial role in an organization (Wijayanti et al., 2020). The existence of an Internal Audit Unit is critical in efforts to increase accountability, transparency, and effectiveness of public financial management (Kurniawan, 2018). The internal audit unit is an important element in the internal control system of public organizations that aims to ensure effectiveness, efficiency, accountability, and compliance with the implementation of public policies (Saputra, 2020). These quotes show how substantial the Internal Audit Unit's role is, especially in maintaining efficiency, accountability, transparency, and compliance in financial management.

Governmental internal auditors play an important role in central and local governments; however, internal audits are still ineffective and require improvement (Gamayuni, 2018). The existence of an Internal Audit Unit as an internal control unit is an effort to monitor the internal control system in detecting the risk of fraud and corruption (Wijayanti et al., 2020; Kongrungchok & Stanton, 2014). The risk of fraud and corruption can affect a public service agency's financial efficiency and effectiveness.

Efficiency is a draft that is very important because it can describe the success of an organization in reaching its goal. Efficiency is the degree of achievement of an objective from an

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action held compared with an objective that has been set previously (Julianto, 2021). Meanwhile, effectiveness is a condition that shows the extent to which goals are achieved, where these goals have been determined first (Syam, 2020).

On the basis of these definitions of efficiency and effectiveness, it can be concluded that efficiency refers to how well an organization achieves its goals most efficiently, while effectiveness refers to the extent to which the organization achieves its mandated goals. These two concepts are important for assessing the success of an organization in achieving predetermined goals.

The Public Service Agency's financial efficiency and effectiveness will likely influence the quality of services provided by the Public Service Agency's Indonesian Pilot Academy. Therefore, to provide good service, supervision of effective and efficient financial management needs to be carried out by the Internal Audit Unit as the internal control unit. This is a justification for choosing the problem as the topic of this research, namely to identify the role of the internal audit unit in the financial efficiency of the Public Service Agency Indonesia Civil Pilot Academy.

This research analyzes the role of the internal audit unit in the financial efficiency of the Public Service Agency Indonesian Civil Pilot Academy Banyuwangi. A basis of this research analysis is The International Auditing and Assurance Standards Board, which regulates international audit standards (Roussey, 1999). The problem formulations answered in this research include the following: (1) what is the role of the Internal Audit Unit in increasing financial efficiency at the Public Service Agency of the Indonesia Civil Pilot Academy? (2) what are the obstacles faced by the Internal Audit Unit in increasing financial efficiency at the Indonesia Civil Pilot Academy Public Service Agency? and (3) how to overcome the obstacles faced by the Internal Audit Unit in increasing financial efficiency at the Indonesia Civil Pilot Academy Public Service Agency?

The benefits of this study are expected to provide input and knowledge to public institutions in improving their financial efficiency through the role of the Internal Audit Unit. In this context, the Internal Audit Unit's role is considered essential and strategic in maintaining the Public Service Agency's financial position and improving service quality.

LITERATURE REVIEW

A Public Service Agency is a type of government agency that has autonomy in managing its finances. Public Service Bodies are legal entities formed based on laws or regional regulations that have the aim of providing a type of public service independently and professionally by using the resources they have to finance its operations (Indonesia Government Regulation No. 23 of 2005 on Financial Management of Public Service Bodies). As economic agents, the Public Service Agency is one of the business organizations established to achieve their fundamental goals and objectives (Pembi & Ali, 2024). However, this also requires effective and efficient management of Public Service Agency finances to provide the best service to the community.

The Indonesia Civil Pilot Academy is one of the Public Service Agencies under the Ministry of Transportation, which is responsible for organizing vocational education, research, and community service programs in the aviation sector (Regulation of the Minister of Transportation of the Republic of Indonesia No. PM 96 of 2021). As a public service agency, the Indonesia Civil Pilot Academy must be able to ensure effective and efficient use of funds to provide the best service to the public. Therefore, proper control is needed in financial management. One of the important controls in Public Service Agency management is the role of the Internal Audit Unit.

In general, the Internal Audit Unit is regulated by laws and regulations in Indonesia, especially Government Regulation Number 60 of 2008 concerning the government's internal control system (Indonesia Government Regulation, 2008). Article 2 of the regulation states that to achieve effective, efficient, transparent, and accountable management of state finances, government agencies are obliged to exercise control over the implementation of government activities

(Indonesia Government Regulation, 2008). Therefore, an internal audit unit should exist in every government agency in Indonesia. However, the implementation of an Internal Audit Unit in each government agency may vary depending on the policies and practices implemented by that agency.

Based on the International Auditing and Assurance Standards Board (IAASB) Handbook, the auditor has the objective of being independent and conducting an audit following the International Standards on Auditing (ISA). Internal auditing is a disciplined and methodical approach to assess and enhance the efficacy of an organization's risk management, control, and governance procedures. It is an objective assurance and consulting role that is independently managed within an organization and driven by the philosophy of adding value to improve the operations of the organization (Diamond, 2002).

Auditing by the Internal Audit Unit should be performed by a competent and independent auditor using any method. Independent auditors must maintain a high level of independence to maintain the confidence of users relying upon their reports. The key to auditing is to accumulate and evaluate evidence about information to determine and report on the degree of correspondence between the information and established criteria (Arens et al., 2012).

RESEARCH METHOD

This type of research uses qualitative research methods with a field study approach. This research classifies data based on research formulas (Darmalaksana, 2020). Information collection methods include interviews, observation, and document study. These three data collection techniques can be used simultaneously to obtain a comprehensive and complete understanding of the phenomenon under study. Researchers should be careful and thorough in collecting data and performing data analysis to obtain valid and reliable results (Sugiyono, 2015). For the proper implementation of case studies, the researcher's accuracy and thoroughness in determining qualitative research is essential (Nurahma & Hendriani, 2021).

A case study approach was used to recruit human resources with a positive work attitude, and qualitative analysis was employed (Adula et al., 2023). Purposive sampling was used to select participants whose knowledge and experience were relevant to the research questions (Kilag & Sasan, 2023). This research approach was suitable because it looked at three primary resources, the Head of The Internal Audit Unit, The Expenditure Treasurer, and The Program and Activity Plan Analyst, who are directly involved with the Indonesia Civil Pilot Academy's finances.

The interview process involved asking a range of questions to gather information about the role and effectiveness of the Internal Audit Unit in improving financial efficiency at the Indonesia Civil Pilot Academy, as well as information about what obstacles exist and how to overcome them. Content validity and expert validity were suggested in the study with applicable regulation as part of the reliability of the guide question (Samala Jr., 2023).

During the observation process, the authors observed the business processes of the Internal Audit Unit and the Finances of the Indonesia Civil Pilot Academy Public Service Agency. The documents selected and analyzed in this research include the Handbook of International Auditing and Assurance Standards Board, Internal Audit Unit Charter, Government Regulation, and several Standard Operational Procedures regarding audit and financial processes. The documents that have been selected are then reviewed and analyzed, and then compared with statements from sources as a clarification process regarding the role of the Internal Audit Unit.

FINDINGS AND DISCUSSION

Regulation Perspectives

Based on the results of the document study, which are the applicable rules, the Internal Audit Unit is part of the organizational structure of the Indonesia Civil Pilot Academy Public Service

Agency, which is a supervisory element that performs non-academic supervisory duties according to the law ([Regulation of the Minister of Transportation of the Republic of Indonesia Number PM 96 of 2021](#)).

Meanwhile, according to the Decree of the Minister of Transportation of the Republic of Indonesia Number KM 144 of 2019 ([Minister of Transportation, 2019](#)), the Internal Audit Unit is a Public Service Agency work unit that performs the internal inspection function formed by the Public Service Agency leadership. The Internal Audit Unit also has an internal monitoring function whose implementation follows legal and regulatory provisions. In this regulation, the internal audit unit has objectives including; (1) understanding the effectiveness and efficiency of Public Service Agency operations; (2) understanding the integrity and reliability of public service agency performance and financial data; (3) securing Public Service Agency assets; and (4) ensuring compliance with laws and regulations.

In achieving its objectives, the Internal Audit Unit has the task of conducting internal audits of operational and non-operational activities, including:

1. Develop and implement an internal audit plan;
2. Test and evaluate the implementation of internal control and risk management systems;
3. Perform inspections and assessments of effectiveness and efficiency in the fields of finance, accounting, operations, human resources, marketing, information technology, and effective and efficient activities; and
4. Provide suggestions for improvements and objective information about supervised activities at all administrative levels;
5. Make an internal audit conclusion report and submit it to the Public Service Agency Leader and Supervisory Board;
6. Provide recommendations to improve/strengthen management processes and efforts to achieve Public Service Agency business strategies;
7. Monitoring, reviewing, and reporting recommendations for internal audit unit inspections, external government monitoring tools, and Public Service Agency advisors;
8. Review/examination of financial reports;
9. conducting special inspections if needed; and
10. Perform other duties arising from assignments by laws and regulations.

In conducting the duties, functions, responsibilities, and authority of internal audits, the Internal Audit Unit has guidelines, namely the "*Internal Audit Unit Charter*". The Internal Audit Unit Charter is a document that confirms the commitment of the organization's leadership to the importance of the internal control function and the implementation of internal audits in the context of implementing added value to achieve goals and targets ([Regulation of the Minister of Transportation of the Republic of Indonesia Number PM 42 of 2018](#)).

Source Perspectives

The Internal Audit Unit's role as an Internal Auditor

Question 1: What is the role of the Internal Audit Unit in increasing financial efficiency at the Public Service Agency of the Indonesia Civil Pilot Academy?

"The Internal Audit Unit has a role as an internal auditor which has two main roles, namely the role of assurance and consulting" – Head of the Internal Audit Unit

“The Internal Audit Unit’s role in this matter is to review or audit the organizational planning sector by performing reference analysis or proposals for work plans and budget plans, which must be submitted to the Input Cost Unit of Government. Through internal checks carried out by the Internal Audit Unit, the risk of fraud can be detected and prevented.” Program and Activity Plan Analyst

“The role of the Internal Audit Unit at the Public Service Agency Indonesia Civil Pilot Academy is very vital, especially in terms of financial efficiency. They can help ensure that the use of finances is carried out effectively and efficiently.” Expenditure Treasurer

The results of the interview explained that the Internal Audit Unit functions as an internal auditor whose role is to provide assurance and consulting. The purpose of an internal audit is to ensure good management of business risks and effective functioning of internal controls (Arum, 2015). Effective internal controls maximize the reliability and timeliness of information for decision making.

Internal audit plays a consulting and *assurance role*. In conducting audits, the Internal Audit Unit guarantees financial performance by ensuring that financial spending efficiency is carried out properly and correctly (Rito et al., 2019). An effective internal control system can ensure that company operations are efficient and comply with the rules, resulting in accountability (Suriyani & Ismail, 2021). Financial spending is said to be efficient if it is properly spent, while it is said to be effective if it is fulfilled and used to support organizational performance. In short, efficiency is related to nominal value, and effectiveness is related to usefulness. Implementing effective and efficient finance will, of course, affect the quality of services. Public organizations perform efficiency to increase the value and quality of public services to the community (Putri & Mutiarin, 2018).

1. Assurance role of the Internal Audit Unit

One of the facts is that the Internal Audit Unit performs an *assurance role* at the Public Service Agency of the Indonesia Civil Pilot Academy, namely in reviewing and auditing organizational plans. The Internal Audit made any corrections before implementing the organizational plan system because corrections after implementing the system are much cheaper (Chrismastuti & Sitawati, 2010).

In conducting planning reviews, the Internal Audit Unit plays a role in straightening out plans that are not part of the business plan or other plans in the organization, as well as providing comments on whether the planned program is feasible or not. Effective planning is when an activity can be carried out according to planning according to time, cost, and quality (Wijayanti et al., 2020).

2. Consulting role by the Internal Audit Unit

The consulting role at the Public Service Agency of the Indonesia Civil Pilot Academy is related to honorarium payments. The compensation paid by the Public Service Agency of the Indonesia Civil Pilot Academy must follow applicable regulations. In contrast to the assurance role, which is carried out by the Internal Audit Unit after the activity has been carried out, in the consulting role, especially in honorarium payments, the Internal Audit Unit is involved from start to finish to ensure honorarium payments are made according to applicable regulations.

The Internal Audit Unit, as the first gate in the honorarium disbursement process, is tasked with verifying whether the compensation is suitable for processing or not. The honorarium verification process by the Internal Audit Unit is carried out by ensuring that the data supporting the honorarium application are complete, paid according to the rules, and the payment mechanism

is correct. If an application for honorarium payments is not appropriate, the honorarium payment will be reduced according to the existing realization data.

The honorarium disbursement process at the Indonesia Civil Pilot Academy Public Service Agency is listed in Standard Operation Procedure number: 273/SOP/API Banyuwangi/05/2021, which was ratified on May 17, 2021. The honorarium disbursement process begins by proposing a recapitulation of honorarium disbursement by the Head of the Unit, then recapitulating the honorarium. This is verified by the Internal Audit Unit before the Head of the Academic, General Administration and Educational Facilities Section checks budget availability. After that, the honorarium application is continued to the Commitment Making Officer to issue a Payment Request Order to the Expenditure Treasurer. The Expenditure Treasurer then checks the recapitulation of the compensation and checks the availability of funds. If appropriate, the Expenditure Treasurer issues a Fund Request Letter to the Public Service Agency Leader as the Budget User Authority and submits it to the Payment Order Signing Officer to issue a Payment Order. Then, the Payment Order Signing officer checks the files, and if appropriate, the Payment is issued and submitted to the Public Service Agency leadership. If the Payment Order has been approved by the Public Service Agency Leadership, the Public Service Agency Leadership will issue a Fund Transfer Order to the Revenue Treasurer. Then, funds from the Revenue Treasurer's operational account are transferred to the Expenditure Treasurer's operational account under the Fund Transfer Order for use by the Expenditure Treasurer, who then makes the transfer to the honorarium recipient through a banking mechanism.

The many stages in the honorarium disbursement process do not rule out the possibility of unreasonable honorarium disbursement and the potential for fraud to emerge, which causes inefficiencies in the finances of the Indonesian Pilot Academy Public Service Agency. To overcome the potential for fraud, the internal audit unit as an internal auditor is essential for organizations to increase efficiency by evaluating the effectiveness of systems and procedures that are carried out systematically and carried out following standards, observations, research, and inspections (Fahmi, 2019). The Internal Audit Unit's role as the first gate in the honorarium disbursement process is the fact that the Internal Audit Unit at the Public Service Agency of the Indonesia Civil Pilot Academy conducts inspections and assessments of the efficiency and effectiveness of the financial sector (KM 144 of 2019).

Internal Audit Unit constraints

Question 2: "What are the obstacles faced by the Internal Audit Unit in increasing financial efficiency at Indonesia Civil Pilot Academy Public Service Agency?"

"There were two main obstacles faced by the Internal Audit Unit. "The first one is auditor competency, and the second one is friction with other people." - head of the Internal Audit Unit

"From what I see, most of the obstacles faced by internal audit units are friction between auditors and auditees due to differences in perception" - Program and Activity Plan Analyst

"Most of the problems faced by the internal audit unit are debates due to findings that the auditee feels are detrimental, especially when talking about finances because it is a sensitive matter" - Expenditure Treasurer

The main issue of the effectiveness of an internal audit is the competence and objectivity of

internal auditors and their impact on the audit (Arum, 2015; Messier et al, 2008). In the interview that the researcher conducted with the Head of the Internal Audit Unit, there were two main obstacles faced by the Internal Audit Unit at the Public Service Agency of the Indonesian Pilot Academy, Banyuwangi. The first obstacle is related to competency, where many Internal Audit Unit members do not come from a financial background, so there is confusion when initially reading and reviewing financial reports. If an organization's financial reports do not adequately describe the state of the organization and other problems arise due to poor internal control, then the need for a unit responsible for evaluating internal control becomes increasingly important (Andriani, 2019). Based on this statement, internal control units such as the Internal Audit Unit are required to understand financial reports to overcome financial governance problems and evaluate internal controls in an organization. An effective internal audit function is required to improve the quality of financial reporting (Collier et al., 2009). The internal audit function can be said to be viable in case it can realize its part or accomplish its objective of improving the quality of financial reporting by making strides in administration, risk management, and internal control within the handle of planning financial statements (Pickett, 2011).

The next obstacle faced by the internal audit unit at the Indonesia Civil Pilot Academy Public Service Agency was related to friction with other people. This is normal because almost all auditors, as supervisors, feel the friction between the auditee and the party being audited. Mistakes in determining the nature and quality of audits, differences in perceptions and points of view, and the skeptical nature of auditors are some of the triggers for friction between auditors and auditees. Auditing is a service that is not easy to measure objectively. There is no precise definition of audit quality, so errors often occur in determining the nature and quality of an audit (Ariyansyah & Sutandi, 2019). Internal auditors make ethical judgments, even if stricter regulations may increase ethical judgment scores because auditors will not act unethically (Ghani, 2019). Reports of unethical behavior and awareness of the consequences of unethical behavior would generally discourage such behavior.

Another cause of friction with other people is that the Internal Audit Unit's job as a supervisor is to supervise the activities of other people and units within the organization, making other people feel that they are being watched. The purpose of this supervision is to avoid actions that, in the Internal Audit Unit's view, do not conform to the rules. Supervision is one of the professional skills that Internal Audit Unit departments must have in performing internal audits (Fahmi, 2019; Tugiman, 2003).

How to Overcome Internal Audit Unit Problems

Question 3: "How to overcome the obstacles faced by the Internal Audit Unit in increasing financial efficiency at the Indonesia Civil Pilot Academy Public Service Agency?"

"To overcome auditor competency problems, the internal audit unit has a competency improvement program, while to overcome problems of friction with other people, we always try to establish good communication" - Head of the Internal Audit Unit

"The efforts that we make as the planning party to overcome the competency problems of the internal audit unit are by supporting the competency improvement activities that they propose" - Program and Activity Plan Analyst

"To help the internal audit unit's performance, of course, good communication is the best way"
- Expenditure Treasurer

In overcoming the obstacles faced by the Internal Audit Unit regarding competency, the Internal Audit Unit provides a guarantee that in the Internal Audit Unit work program, there is one main program, namely, increasing competency. One of the duties of an internal audit unit is to continuously improve one's competence not only in terms of auditors but also in terms of competence related to the technical aspects being audited.

Government Internal Control System in the control environment. This element requires agency leaders to create and maintain a controlled environment that creates conducive and positive behavior involving competence (Indonesia Government Regulation, 2008). Commitment to competence is one of the elements that form the control environment within an entity (Suriyani & Ismail, 2021). Auditor competency can also influence the effectiveness of internal audits conducted by the internal audit unit. Auditor competence has a positive effect on the effectiveness of internal auditors (Wijayanti et al., 2020). These competencies include understanding or knowledge, skills, and attitudes used to perform the duties of an internal audit unit auditor. In addition, the competency of internal auditors needs to be improved, particularly in time management, communication skills, searching evidence, and explaining recommendations (Muktiyanto & Hadiwidjaja, 2016). Investments in computer-assisted auditing techniques (CAATs) are also crucial because of their effectiveness in the performance of the Internal Audit Unit and the contribution CAATs can make to the company (Tsai et al., 2015).

To deal with the second obstacle faced by the Internal Audit Unit related to friction that occurs with other people in the organization, namely, by having good communication techniques. Communication is one of the main elements of internal control (Fahmi, 2019). Communication also positively influences the effectiveness of internal audits (Setyaningrum & Kuntadi, 2019). Apart from communication, the way to deal with the obstacles faced by the Internal Audit Unit related to the friction that occurs is to have good integrity. Good integrity can provide a sense of security and trust to the auditee. Even though internal audits are conducted well, if they are not supported by good integrity, they can be in vain (Fahmi, 2019). As an auditor, the Internal Audit Unit must consider the main control elements, namely integrity with ethical values, loyalty to expertise, involvement of the board or audit committee, management views and style, organizational structure, and personnel policies and practices (Suriyani & Ismail, 2021)

CONCLUSIONS

The Internal Audit Unit plays an important role in improving the financial efficiency of the Public Service Agency of the Indonesia Civil Pilot Academy. The Internal Audit Unit acts as an internal auditor who performs assurance and consulting functions. The internal audit unit can help ensure that the use of Public Service Agency funds is carried out effectively and efficiently, as well as maintaining accountability and compliance with laws and regulations. Through internal checks conducted by the Internal Audit Unit, the risk of fraud can be detected and prevented. Thus, the Internal Audit Unit plays a role in maintaining Public Service Agency finances and improving the quality of services provided to the public.

When performing its role, the Internal Audit Unit also faced several obstacles. These obstacles can include limited human resources and friction within the organization. To overcome these obstacles, directed efforts are needed, such as increasing human resources and technology, support and a more active role from organizational leaders, and establishing a transparent and accountable organizational culture. A competent and well-communicating Internal Audit Unit is vital for optimal financial management.

LIMITATION & FURTHER RESEARCH

This research offers valuable insights into the role of the Internal Audit Unit at one of the Public Service Agencies. However, it presents opportunities for future research to delve into a broader array of factors and variables influencing the Internal Audit Unit's effectiveness and impact on financial efficiency. These areas include exploring the external environment's influence on the Internal Audit Unit, such as economic conditions, industry regulations, and government funding priorities. Additionally, a deeper investigation into organizational culture could uncover its multifaceted influence on the Internal Audit Unit, considering factors like risk tolerance, internal control environment, and openness to feedback.

Further research might also examine how human resource management practices, such as recruitment strategies, training initiatives, and performance evaluation processes, impact the Internal Audit Unit's effectiveness. Moreover, understanding stakeholder dynamics beyond management, including the audit committee, external auditors, and the broader public, could provide valuable insights into how these stakeholders interact with the Internal Audit Unit and influence its work. By exploring these uncharted areas, future research can develop more comprehensive strategies to enhance the Internal Audit Unit's effectiveness and maximize its contribution to improved financial management within Public Service Agencies.

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