

**THE PROFESSIONAL PROFICIENCY OF
INTERNAL AUDIT FUNCTION OF
BANK COMPANIES IN PADANG**



THESIS

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ABSTRACT

The Professional Proficiency of Internal Audit Function of Bank Companies in Padang

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According to Professional Standard of Internal Audit (IA), IA should be performed with proficiency and due professional care. Professional proficiency is the responsibility of internal audit department and each internal auditor. The research is aimed to describe the profile of internal audit function in bank companies in Padang. The population of the research is all bank companies in Padang. Sample of this research are 11 bank companies. The research used judgmental sampling. Data collected is primary data through questionnaires that given to the respondent. The variables of this research are staffing, knowledge, skill and discipline of audit department and internal auditor, supervision, compliance with standards of conduct, human relation and communication, continuing education, and due professional care. Data is analyzed using descriptive analysis. The research find that, from bank companies that being sample all of its have criteria in selecting staff to conduct audit. Its entire have supervised the audit program. Its entire have complied with professional standard, all of its have continuing education program for their internal auditor and its entire have complied plan of annual audit. Generally, bank companies that being sampled in Padang have internal audit function and have focus to the professional proficiency of its department and its internal auditors.

Keywords: Professional Proficiency, Internal Audit Function, Bank Company

CHAPTER I

INTRODUCTION

1.1 Background

Condition of most bank companies in Indonesia was anxiety after of crisis of economics, which knock over to some Asian state at July 1997. After this economic crisis, emerge paradigm about managing of good company, which is known as Good Corporate Governance. It trusted competent to support cure of stable economics in the future.

Applying of Good Corporate Governance will create value added and guaranty each party that have pertinent to the company (Hiro Tugiman: 2002). Company will relate to division of authority among all party in determining direction and performance of a company.

Achievement of good performance from a company is not quit of the function of internal role existing in the company. Independent commission can assist to give continuities and objectivities that are needed for a company to expand and prosperous (Herwidayatmo: 2000). This independent commission is authoritative and accountable for observe policy and activity conducted by a board of directors and give advice when needed. For that reason, BAPEPAM through handbill (SE) No.103/PM/2000 has obligated emitting to make audit committee and establish independent commission. SAS 61, communication with audit committees (AU 380), requires the auditor to communicate certain matters pertaining to the conduct of the audit to these who have responsibility for overseeing the financial reporting process (Boynton, 1996:735).

Establishing the independent commission parallel with developing of audit committee. Effective audit committee is capable to bring company reaches its goal. Establishing this audit committee will assist management in improving quality of company's financial statement. The 61st International Conferences of Internal Auditor held in Washington DC approve that Internal Control Structure have big role to successful of Good Corporate Governance. Known that most of companies fail to in execution of Good Corporate Governance because its Internal Control Structure is malfunction (Hardjono: 2002).

Internal audit function will be effective if it's supported by the good quality of internal auditor. The good quality of internal auditor is internal auditor that having professional proficiency in operating internal audit function. According to standard 200 Professional Standard of Internal Audit, internal audit department have to be formed with proficiency and due professional care. Department of internal audit should possess the knowledge, skill, and discipline essential to the performance of internal audit (Vallabhaneni, 1994:361).

Various method can be conducted to know the level of internal auditor, some of them are through employee's position method, level of ability and knowledge of internal auditor, internal auditor supervision, compliance to the standard, relationship and communication, continuing education and due professional care.

Professional internal auditor is believed to improve internal operation, company performance, and also support management, internal auditor and public accountant in running its duty. Complexity problem faced by the company make internal auditor to develop their skill and knowledge their professionalism.

CHAPTER V

CONCLUSION

The objective of this research is to know about profile of internal audit function of bank companies in Padang describing the professional proficiency of internal audit departments and its internal auditors, and also to assess effectiveness of internal audit function of bank companies in Padang to establish the existing of Good Corporate Governance.

Based on the result of the research that has been exposed in previous chapter, *there are some conclusions and the limitations of the research.*

5.1 Conclusion

The research of the professional proficiency of internal audit function of bank companies in Padang concludes several things:

1. The research of the professional proficiency of internal audit function in bank companies in Padang find that generally bank companies that being samples have internal audit function and have focus to the professional proficiency of its department and its internal auditors.
2. The research finds that all of bank companies that being sample has criteria in selecting staff to audit work. For this condition we know that bank companies in Padang as being samples able to provide assurance that they have good internal auditors background.
3. The research finds that 36.36% of bank companies that being sampled don't have libraries and 63.64% have libraries. This indicated that facility

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