

OPERATIONAL AUDIT FROM THE PROCEDURES PROVIDING LOAN CREDIT FOR PREVENTING PROBLEMS CREDIT (The Case of Bank Sumsel Babel)

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ABSTRACT

The purpose of this research is to know the procedure of giving working capital loan at Bank Sumsel Babel, to know whether the procedure of Working Capital Credit at Bank Sumsel Babel has been run in accordance with prevailing regulation in Bank Sumsel Babel, and also effort to prevent problem loans through operational audit. The research method used in this paper is descriptive analysis with data collection techniques in the form of observation and interview with Credit Division Bank Sumsel Babel. The results of this study indicate that from the five stages in the provision of working capital loans, there are several findings that exist at the stage of credit analysis and in the credit supervision stage. In the credit analysis phase of credit application instrument documents (PAK) in the form of MPK and FIP is not prepared in accordance with the guidance book of credit (BPP) of Bank Sumsel Babel. In the credit supervision stage, credit analyst of Bank Sumsel Babel does not compose FRP where the document is an important document to monitor the progress of the debtor in terms of future business prospects. The weakness has a significant impact on the provision of Bank Sumsel Babel where the weakness can lead to the risk of bad debts as a result of the wrong rating of the working capital creditors of Bank Sumsel Babel.

Key Words: Non Performing Loans, Operational Audit, Procedure, Working Capital Loan

1. INTRODUCTION

The economic activities of a country can not be separated from the cycle of money circulation, where the banking sector plays a very important and strategic role in the economic system. The economic development in Indonesia has made many banks compete to show their best performance (Tumurang, 2013).

Bank is one form of service company, where one of its main activities is to channel back funds that have been collected from the community and back to the community in the form of credit (Tumurang, 2013). This is according to Law Number 10 Year 1998, about the Amendment of Law Number 7 of 1992

concerning Banking, states that the main function of Indonesian banks is to collect funds from the public in the form of savings and distributors of public funds in the form of credit that aims to support the implementation of national development towards the Indonesians prosperity.

Credit is a very important thing for the bank, but in every lending, the bank is faced with the risk of loss where the debtor is not able to repay the loan. In order to reduce the risk in the provision of credit, the bank management would be increasingly required to be able to further improve the supervision of their credit activities so that bank lending activities run effectively and efficiently (Giovini, 2014).

To ensure that the bank's lending activities are running well, the bank needs to conduct an audit of the undertaken lending activities. One of the tools that can be used by banks in ensuring that the bank's activities are running well and supporting the realization of the effectiveness of bank lending activities is management audit or operational audit (Rajagukguk, 2003).

Operational audit aims to identify activities, and programs that still require improvement so that the recommendations will be achieved later on the management improvement of programs and activities at the company. Based on these objectives, the emphasis of the audit is directed to various objects that are expected to require future cultivation. In addition, operational audits are conducted to prevent possible losses (IBK Bayangkara, 2008).

Bank Sumsel Babel as one of the regional development banks in South Sumatera Province in the last five years that has a level of Non-Performing Loan credit above the maximum limit set by Bank Indonesia. As we know, Bank Indonesia Regulation No.17 / 11 / PBI / 2015 states that the non-performing loan ratio that Bank Indonesia can tolerate is <5%.

Table 1.1 Non-Performing Loan Gross Bank Sumsel Babel

YEAR	NPL LEVEL
2012	6,82%
2013	9,01%
2014	7,10%
2015	7,41%
2016	6,03%

Source: Data and Statistics of the Financial Services Authority

Referring to the non-performing loan data above where Bank Sumsel Babel has the non-performing loan level above the established level by Bank Indonesia, an operational audit of the crediting function of Bank Sumsel Babel is required to assess the suitability between credit operational procedures and their implementation. An operational audit of the credit function is necessary to follow up any irregularities that may occur in the bank's activities. In addition, the existence of operational audit is expected to prevent the occurrence of non-performing loans at Bank Sumsel Babel.

2. METHODOLOGY

Data analysis technique used in this research was descriptive research with case study approach. The author tried to collect data with the actual situation, then present and analyze the data so as a fairly clear picture of the object under study can be provided.

The descriptive research of this case study was conducted by conducting operational audit in accordance with the stages of management audit. According to IBK Bhayangkara, the stages of management audit are as follows:

a. Introductory Audit

A preliminary audit was conducted to obtain background information on the performed audit object. In addition, this audit also examines the various rules, regulations and policies related to the audited activity, and analyzes the various information that has been obtained to identify potential weaknesses in the audited company.

b. Review and Testing of Management Control

The purpose of this stage was to assess the effectiveness of management controls as a support for achieving company goals.

c. Detailed Audit

In this stage, the authors gathered enough and competent evidence to support audit objectives that have been done. Then, the authors identified the obtained data and group them into four elements in audit objectives, namely:

1) Describe the condition

Describe the conditions is a description of the real state of the program or activity of providing Working Capital Loan at Bank Sumsel Babel.

2) Determine the criteria

Determine the criteria is the standards determination or norms that guide how should the parties in the organization carry out its activities as accountability of the delegated authority and become a benchmark of organizational performance so that the criteria can be determined whether the condition of the organization in accordance with the standards and whether the target of Working Capital Credit 2016 was reached. The used standard to evaluate the effectiveness of Credit Capital Credit was the Standard Operating Procedure (SOP) in Bank Sumsel Babel or often referred to the Company's Manual (BPP) by the bank.

3) Describe the cause.

Causes are all managerial or operational actions of organizational managers that lead to the occurrence of irregularities between the plan with the realization. All activities or actions will be compared with conditions so that the cause of a certain condition in the organization can be known.

- 4) Determine the effect
Determining the consequences of the implementation that the organization must bear because of the difference between real activity and its intended activity.
- d. Report
This stage aims to communicate the results of the audit in the form of review and testing of management control. Also, a detailed audit results to assess the effectiveness of the provision of Working Capital Loan at Bank Sumsel Babel. The effectiveness assessment refers to how far the procedure of working capital credit goes according to its procedures or predefined criteria. Assessment also includes how far the found weaknesses affect the impact. These are assessed to know whether the provision of Working Capital Credit run effectively. In addition, in the report, there are also recommendations that be given to various interested parties.

3. RESULT AND DISCUSSION

Based on the operational audit conducted by the author on the Division of Credit Bank Sumsel Babel, various findings are found as follows:

Table 3.1 First Findings

There were deficiencies in the preparation of the general aspects and management of the Proposal Credit Memorandum (MPK).			
Condition	Criteria	Cause	Effect
In the Credit Proposal Memorandum CV "X" was not explained how much the amount of labor owned by the CV "X" is.	In the general aspect and management of the Proposal Memorandum of Credit (MPK) was described the amount of available labor.	Due to the lack of knowledge of Credit Analyst against Credit Bank Guidebook (BPP) of Bank Sumsel Babel, the work done by Credit Analysts was only follow the work done by the former Credit Analyst.	The required time to process the Credit Proposal Memorandum (MPK) document was longer than the target date set by Bank Sumsel Babel in the Credit Manual (BPP), which is seven days.

Table 3.2 Second Findings

There were deficiencies in the preparation of the marketing aspect of the Proposal Memorandum of Credit (MPK).			
Condition	Criteria	Cause	Effect
In the Proposal Credit Memorandum CV "Y" was not explained who the	In the marketing aspect of the Proposal Memorandum of Credit (MPK), was	Due to the lack of knowledge of Credit Analyst against Credit Bank Guidebook	The required time to process the Credit Proposal Memorandum

parties or individuals who become the dominant supplier CV "Y" and the realization of sales of the CV "Y" is.	described the party who becomes the dominant supplier and the realization of CV sales "Y".	(BPP) of Bank Sumsel Babel, the work done by Credit Analysts was only follow the work done by the former Credit Analyst.	(MPK) document was longer than the target date set by Bank Sumsel Babel in the Credit Manual (BPP), which is seven days.
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Table 3.3 Third Finding

There was a shortage in the preparation of internal information aspects of the Basic Information Form (FIP).			
Condition	Criteria	Cause	Effect
In the Basic Information Form (FIP) CV "X" was not explained who the parties or individuals who become dominant supplier CV "X".	In the internal information aspect of the Basic Information Form (FIP) was explained the party who becomes the dominant supplier of CV "X".	Due to the lack of knowledge of Credit Analyst of Credit Bank Guidebook (BPP) of Bank Sumsel Babel, the work done by Credit Analysts was only follow the wrong previous work.	The required time for processing the Form Main Information Document (FIP) becomes longer than the time target set by Bank Sumsel Babel in the Credit Manual (BPP), which is three days.

Table 3.4 Fourth Findings

Supervisor did not sign a Basic Information Form (FIP).			
Condition	Criteria	Cause	Effect
There was no supervisory signature in the PT "X" Main Information Form (FIP) which has been prepared by Credit Analyst.	Supervisor signed the Basic Information Form (FIP) of PT "X" which has been prepared by Credit Analyst.	Supervisor did not supervise the Basic Information Form (FIP) form prepared by Credit Analyst.	The Basic Information Form (FIP) prepared by the Credit Analyst was vulnerable to errors due to non-supervision which is indicated by the absence of the signature of the supervisor who is entitled to supervise the process of compiling the document.

Table 3.5 Fifth Finding

There was no comparison between realization and sales targets.			
Condition	Criteria	Cause	Effect
The results of the marketing aspect analysis in the Local Visit Form (FKS) of PT "Y" did not show	There was a comparison between the sales target and the sales realization in the marketing aspect	Credit analysts did not ask about the achievement of sales target PT "Y" when doing the checking	Credit Analyst of Bank Sumsel Babel does not know whether PT "Y" has been succeed in

the comparison between the sales realization and the existing sales target.	analysis of the Local Visit Form (FKS).	into the field.	reaching the sales target they specify. Yet from this information can be seen the ability of companies to pay the loan.
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Table 3.6 Sixth Findings

Financial Statements submitted by debtor candidates were not verified by Credit Analysts.			
Condition	Criteria	Cause	Effect
There was no analysis of financial aspect data in the Local Visit Form (FKS).	There were verified financial reports of verified borrowers on the Local Visit Form (FKS).	Credit Analysts did not verify the financial statements submitted by PT "Y" when doing the checking to the field.	There was a risk of Credit Analyst incorrect in the analysis of financial statements because the verification of the financial statements was provided by prospective borrowers when conducting field checks. Errors in the analysis of financial statements can lead to the emergence of problem loans.

Table 3.7 Seventh Findings

The Payment History Form (FRP) was never compiled by a Credit Analyst.			
Condition	Criteria	Cause	Effect
There was no Payment History Form (FRP) that can be used by Credit Analyst to monitor the obligor rating.	There was a Payment History Form (FRP) in the process of monitoring by Credit Analyst.	Due to the lack of knowledge of Credit Analyst against Credit Bank Guidebook (BPP) of Bank Sumsel Babel, Credit Analyst did not compile the Payment History Form (FRP) which can be used to monitor the debtor of Bank Sumsel Babel.	There was a risk that Credit Analysts are wrong in determining the Rating Obligor, as any monitoring done was never documented in the Payment History Form (FRP). Such a mistake will certainly lead to the risk of problem loans due to the wrong rating on the debtor.

Table 3.8 Eighth Findings

The preparation of documents in the Credit Apparatus Kit (PAK) exceeded the deadline determined by BPP Bank Sumsel Babel			
Condition	Criteria	Cause	Effect
The required time to process documents in the Credit App Device (PAK) such as MPK, FIP, FAK, FPR, FBA, and others exceeded the time set by the BPP Bank Sumsel Babel.	Therequired time to process documents in Apply Credit Apparatus (PAK) such as MPK, FIP, FAK, FPR, FBA, and others did not exceed the time stipulated by BPP Bank Sumsel Babel.	Because there are administrative errors committed by the analyst in drawing up the PAK document and there was also a tendency for the analyst to delay doing the tasks assigned to him.	Costs that must be Spent by Bank Sumsel Babel in processing a loan application to be inefficient. As an example of the length of required time to process the FKS due to the length of time of the field survey will certainly cause the cost of official travel to be spent Bank Sumsel Babel becomes larger.

4. CONCLUSION

Based on research conducted by the author about the operational audit of the working capital loan procedure Bank Sumsel Babel, it can be concluded as follows:

- a. Procedure of working capital loan of Bank Sumsel Babel consists of five stages: application stage, analysis phase, credit approval stage, credit disbursement stage, and credit monitoring phase.
- b. The credit application stage has been run in accordance with the BPP Bank Sumsel Babel where the debtor applicant applying for credit at Bank Sumsel Babel, the credit supervisor collects all data that must be fulfilled by the debtor candidate, and the credit analyst screening the prospective debtor as evidenced by the pre-screening of the prospective debtor Bank Sumsel Babel.
- c. Stage of credit analysis has been running well where all documents required for the next stage have been met. However, there were some drawbacks in the preparation of such documents as the MPK did not explain the amount of labor available and the FIP did not disclose information about the third party of the prospective debtor. This causes the credit analysis process was longer than the time set by BPP Bank Sumsel Babel. A very fatal mistake in the credit analysis phase was the failure to verify the financial statements submitted by the debtor candidate at Bank Sumsel Babel with the actual situation during the field survey. This will certainly lead to the risk of non performing loans because the financial analysis prepared by Credit Analysts becomes unreliable as a result of financial statements that do not describe the actual conditions.

- d. The credit decision stage has been properly implemented in accordance with BPP Bank Sumsel Babel where the PAK that discussed by the Credit Committee has received compliance opinion from the compliance unit.
- e. The credit disbursement stage has been properly implemented in accordance with BPP Bank Sumsel Babel whereas, before the Working Capital Credit is disbursed to the debtor, the debtor should comply with all requirements contained in the SP3K and sign the Credit Agreement (PK).
- f. Credit monitoring stage has been well implemented by credit analyst of Bank Sumsel Babel by making Customer Rating (rating obligor) to monitor the ability to pay the debtor and monitor the collateral value of the debtor. However, credit analysts never make a Payment History Form (FRP) which is a document to determine the rating of the debtor. This certainly raises the risk of Credit Analysts wrong in determining the Customer Rating (rating obligor). This error will have an impact on the risks of non performing loans.

By conducting an operational audit of the working capital credit procedure of Bank Sumsel Babel, various errors that exist in the crediting process either administrative errors or errors that could potentially lead to the emergence of non-performing loans can be identified such as not compiled FRP that serves as data for Credit Analysts in rating the customer. If crediting activities are effective in accordance with BPP Bank Sumsel Babel, then the non-performing loan level can be minimized.

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