

## THE INTERNAL AUDIT UNIT ROLE AS ONE OF GOOD CORPORATE GOVERNANCE APPLICATION FUNCTION AT PT TIMAH (PERSERO) TBK

Burhan Hutabarat and Bambang Rudito  
School of Business and Management  
Institut Teknologi Bandung, Indonesia  
burhan.hutabarat@sbm-itb.ac.id

Abstract - Internal audit unit is a profession that helps improve good corporate governance. At this time the good corporate governance evolved into a key component for improving good corporate governance. Good corporate governance is not a concept but a thorough misunderstanding. This study aimed to determine the role of internal audit unit as one of the functions of the application of good corporate governance. Object of this study is the role of the internal audit unit as a function of the implementation of good corporate governance (GCG). This research has been conducted in PT Timah (Persero) Tbk, a company engaged in the mining of tin, the company in Jalan Sudirman No 51 Pangkalpinang, Bangka Belitung Islands Province. Methods of research conducted by the author are: field research is the collection of primary data by direct observation, and library research that secondary data collection by finding and studying materials from the literature or library / archive.

Keyword: *The Auditor Internal Unit Role; GCG; PT Timah (Persero) Tbk*

### 1. Introduction

In general, corporate governance can increase the level of confidence of investors. The increased level of confidence is due to the implementation of good corporate governance are considered able to provide effective protection to investors in acquiring investment with a reasonable return. GCG measurements by the company can be projected with some indicators of institutional ownership, independent directors, board of commissioners, and the size of the audit committee. In the administrative procedure guidelines PT Timah (Persero) Tbk, explained that the internal audit assurance and consulting services are independent and objective that are part of the process of risk management, control and governance (governance). Internal audit unit of PT Timah (Persero) Tbk is the Internal Audit Unit (IAU), this unit helps management companies to monitor, evaluate, and provide input repair or existence, adequacy and activities of internal control, risk management and corporate governance processes. Internal audit provides recommendations for change that adds value to the company. The company's policy manual PT Timah (Persero) Tbk, said that GCG is a process and structure used by companies to increase the success of business and corporate accountability in order to realize shareholder value over the long term by taking into account the interests of other stakeholders, based on legislation and ethical values.

### 2. Business issues

Since the 1997 economic crisis, the implementation of good corporate governance, better known as Good Corporate Governance (GCG) to issue raised in Indonesia. Various efforts to improve governance is done by applying the principles of good corporate governance in all lines of society. Ministry of State Enterprises is one of the institutions of the improvement program of good

corporate governance (GCG) is. Sales volume and production volume of refined tin in 2011 decreased compared to the year 2010 amounted to 6,536 metric ton or 16% of the 40,507 metric ton and 2,281 metric ton or 6% of the 40,413 metric ton. While the value of tin sales in 2011 increased 8% compared to 2010. Domestic marketing and Asia-Pacific through the central office, while European and American marketing representative office is controlled by London (Indometal London). Total net revenue for the year 2011 are shown in the table below.

Table 1 . Financial Highlights PT Timah (Persero) Tbk 2010-2011 (in millions Rupiah)

Descriptions	2011 (a)	2010 (b)	a/b (%)
Net Income	8.749.617	8.339.254	105
Gross Profit	1.973.281	1.924.142	103
Sales, Administrative & General Expenses	655.685	550.714	119
Operating Income	1.317.597	1.310.779	101
Profit Before Taxes	1.268.085	1.127.327	112
Net Profit	896.780	947.936	95

Sources: Annual Report 2011 PT Timah (Persero) Tbk and reprocessed

The increase in revenue was due to higher average selling price of tin metal by 34% or USD 6.733/mton. The main factor of increase in the price of tin ligam this is due to the depletion of supply disruptions to production in several countries and with many speculations floating stocks held by traders. Theoretically, the implementation of Good Corporate Governance (GCG) can increase the value of the company, due to the implementation of good corporate governance can reduce the risks that may be performed by the management decisions that benefit themselves-alone or in groups, such as the law of the case captivated a number of directors of state-owned enterprises (President Director PT Jamsotek, Ahmad Junaidi, [www.liputan6.com](http://www.liputan6.com), 10/07/2005) and (President Director of PT Kaltim Fertilizers, Omay K Wiraatmaja, [www.tempo.co](http://www.tempo.co), 29/08/2006).

### 3. Main Problem

The main problems faced by the internal control unit (SPI) today are: the level of completion of the audit report (LHP), employee competence in the field of audit is still lacking, senior auditor each year of retirement, and the auditors' majority-based financial knowledge (not engineering / operational).

### 4. Conceptual Framework

GCG management mechanisms ensure that management actions will always be directed to increasing the value of the company, as well as paid attention to stockholders, employees, creditors, stakeholders and surrounding communities. For more details can be seen in Figure 1 (Circle of Good Corporate Governance Mechanism) as follows:

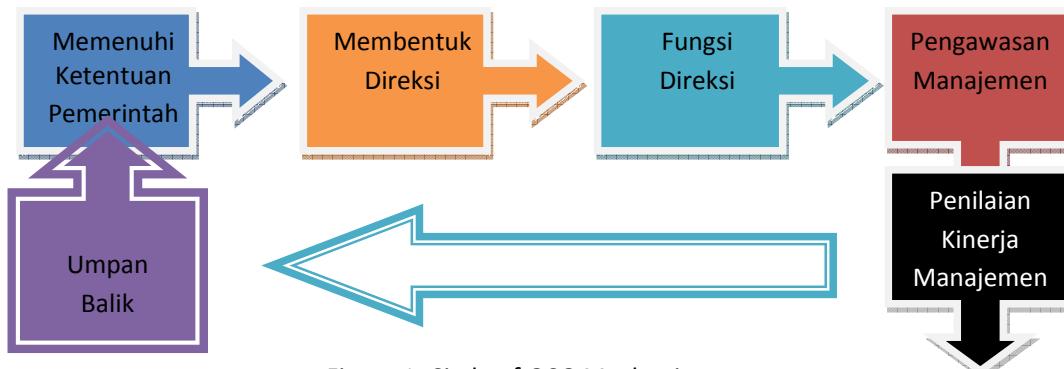


Figure 1. Circle of GCG Mechanism

*Sources: Biro Research Indonesia 2002 and reprocessed*

The Internal audit unit role of the implementation of good corporate governance are enormous. The role of internal audit is to establish the level of compliance with the state implementation of existing regulations and the principles of Good Corporate Governance. In fact it has been clearly stated in the Internal Audit Professional Standards, Performance Standards in precisely the scope of the standard sub Assignment "internal audit function to evaluate and contribute to the improvement of risk management, control, and governance, using a systematic approach, regular and thorough ". Of these standards is clear that the role of SPI one of which is to create an atmosphere of good corporate governance in state-owned enterprises or government agencies. Based on the decision of the Minister of SOEs numbers: KEP-117/M-MBU/2002 on the Implementation of Good Corporate Governance of State-Owned Enterprises, GCG elements of transparency, independence, accountability, responsibility, fairness. GCG is a pattern of good performance in an agency to achieve agency objectives effectively and efficiently by taking into account the stakeholders. GCG presence in a state, then the purpose of the state can be achieved effectively and efficiently. An agency can be seen to have effectively implement corporate governance or not, through some indicators.

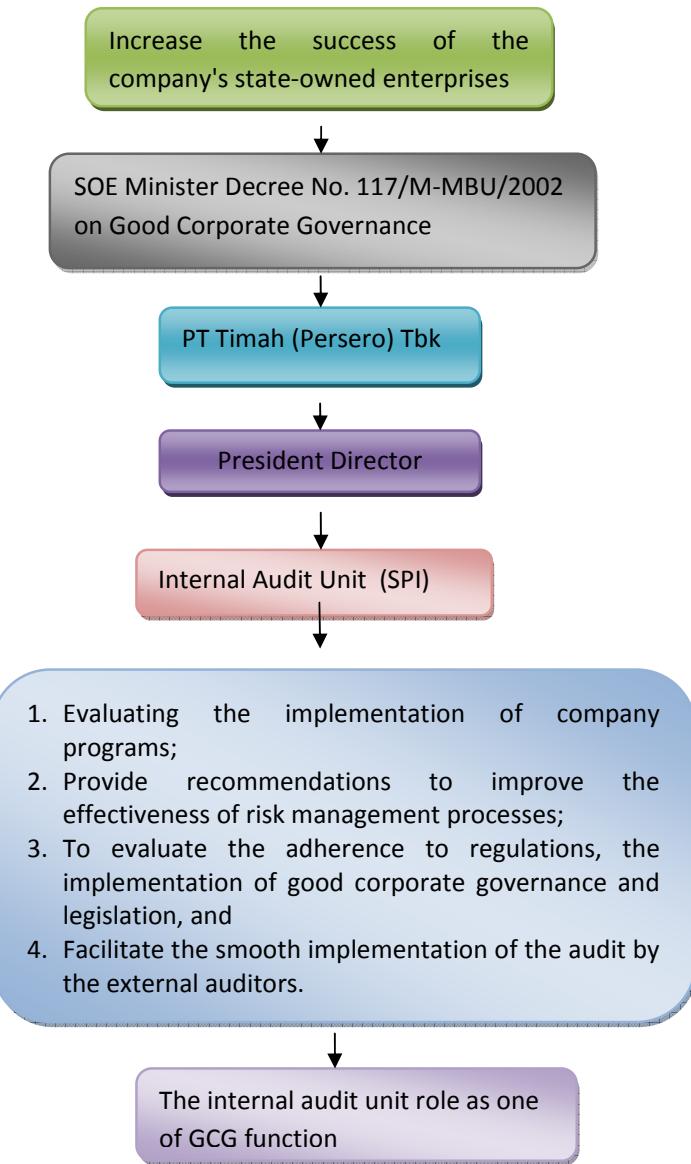
GCG elements has its own specifications, which must be fulfilled all. Transparency with regard to the publication of information and decision-making. Relating to the management of state-owned enterprises of independence without conflict of any party and in accordance with the legislation in force. Accountability with regard to the clarity of the operational functions of the SOEs. Accountability relating to the management of SOEs in accordance with the laws and principles of healthy corporate. While the element of reasonableness is more focused on justice in fulfilling the rights of stakeholders.

## **5. Business Solution**

Internal Audit Unit (IAU or SPI) PT Timah (Persero) Tbk is one of the organs of the company to ensure the implementation of good governance and pereusahaan is true, as stated in Decree No. SOE. KEP-117/MBU/2002 on the Implementation of Good Corporate Governance in State-Owned Enterprises and the Chairman of Bapepam No. & Financial Institutions. Kep-496/BL/2008 on the Establishment and Development Guidelines for Internal Audit Charter. In carrying out its duties and functions refer to the principles of good corporate governance, namely: transparency, independency, fairness, accountability and responsibility. In the smooth execution of the duties of supervision and inspection, it needs to make and set the SPI Working Guidelines (Internal Audit Charter), in order to work in a professional manner and in line with the overall corporate governance organizations.

Business solutions on the subject matter to carry out the SPI role as one GCG application function at PT Timah (Persero) Tbk:

- a. So that the SPI role (duties and responsibilities) to support the implementation of good corporate governance at PT Timah (Persero) Tbk and stakeholders as a strategic business partner and consultant catalyst performance can be optimized and adequately advised:
  - 1) SPI plus the number of personnel of the company's internal operations that have had enough experience and with more varied backgrounds.
  - 2) Director of accelerating the process of audit and follow-up relating to the management and supervised by the audit committee so that a strong control environment.
  3. SPI existing personnel quality education and training in particular continuing to audit and certification levels such as PIA (Professional Internal Auditor), QIA (Qualified Internal Auditor) attended seminars and training audit.
- b. Commitment to the implementation of good corporate governance practices by Tin man needs to be increased again with socialization continues to run in a more planned and scheduled, so it can be implemented in a more conscious and entrenched.



Sources: Moh Wahyudin Zarkasyi (2008:103) and reprocessed

Figure 2 Scheme Implementation Process Framework Internal Audit Unit (SPI) oversees GCG

## 6. Conclusion

- a. The internal audit unit (SPI) role to determine the level of implementation of the company's compliance with existing regulations and the principles of good corporate governance, so it should function as an independent assessment to help management carry out its responsibilities.
- b. The Internal audit unit (SPI) are required to provide information on the adequacy and effectiveness of internal control systems that exist within the company.
- c. GCG is a means of internal control, which are crucial to reducing the problems that arise within the company, as GCG beneficial for communication improvement, minimizing impact, focus on key strategies, as well as increase customer satisfaction and gain the trust of investors (stakeholders).
- d. In the course of time and the development of the company's business, SPI will always be faced with the demands of professional personnel and are always dynamic work capacity in a variety of

conditions. Challenges and the SPI role in performing its duties and functions forward is to ensure that:

- 1) management program to implement and develop the good corporate governance (GCG) and risk management in the scope of the company perform better and transparent. SPI realize that this will require an active role in running the SPI consultative and assurance activities and other activities, either directly or indirectly related to the program. Including the internalization process within the organization GCG Company. One of internalization, as mandated in the guidelines GCG GCG PT Timah (Persero) Tbk and management commitment, namely GCG be one compulsory subject in internal training. In this internal training activities in 2010 have been made to the 121 (one hundred and twenty-one) of employees with a duration of nine (9) hours. But it is still not enough and even become a challenge in the future.
- 2) program is an investment management company in respect of the development can be properly managed in accordance with applicable regulations. As SPI goal is to provide added value to management in the development of the company's operations and other related parties (stakholders), then SPI realized the need for an active role to assist management in implementing and developing procedures and policies Investment Decision Making, and control of the implementation of investment activities.
- 3) Changes in regulatory provisions both directly and indirectly related to the Company's business scope can be absorbed. This requires SPI to always update knowledge of relevant laws and regulations in performing its functions. For example: mining law, taxation regulations, employment laws, rules mining, industry and trade regulations, local regulations and other regulations.

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