

The Effect of Operational Audit and Internal Control on Performance

Siti Mariani Basannang¹, Novi Darmayanti², 3Tri Lestari³

¹ Universitas Yapis Papua, Indonesia

² Universitas Islam Darul' Ulum Lamongan, Indonesia

³ Universitas Bhayangkara Surabaya



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ABSTRACT

This study aims to examine the influence of operational audits and internal control on company performance, focusing on UD. Cipta Karya Abadi in Lamongan Regency. Objective: The research explores both the individual and combined effects of these factors on company performance. Methods: Utilizing a quantitative approach, data was collected through questionnaires distributed to 38 employees selected using the Slovin formula and convenience sampling. The analysis employed multiple linear regression, supported by validity, reliability, and classical assumption tests, with a significance level of 5%. Results: The findings reveal that operational audits and internal control collectively have a significant positive impact on company performance. Individually, operational audits positively and significantly affect company performance, while internal control does not exhibit a significant individual effect. Novelty: This research highlights the critical role of operational audits in driving company performance and underscores the limited individual impact of internal control, suggesting areas for managerial improvement. The study contributes to understanding how specific internal mechanisms enhance operational efficiency and overall organizational outcomes.

INTRODUCTION

The national business world, both legal entities such as PT, CV, UD, BUMN, Cooperatives and MSMEs, is a pillar of the national economy that plays an important role in the progress of a nation and state, especially the Indonesian nation. Its presence in various regions is not only a production unit in providing goods and services for the needs of the community and also providing job opportunities. Meeting the openness of the national market in the current era of globalization has made the entire Indonesian business world an increasingly competitive field. This condition then often causes various problems that arise in the company's performance. In line with the development of the business world, there are many problems faced by a company in increasingly competitive and complex business competition, so this situation requires company leaders or management to be able to manage their companies effectively and efficiently to achieve the goals that have been set [1].

The company's performance is said to be good if the desired goals can be achieved successfully. Considering that many domestic companies are vulnerable to changes in the increasingly uncertain business environment, the performance of the country's business world today remains one of Indonesia's real problems [2]

Competition, economic and monetary crises often cause problems in the performance of the national business world. Every company is obliged to provide good service to consumers, and to provide good service, it is necessary to conduct inspection

and evaluation activities on operational audit and internal control activities carried out by the company. The results of operational audits and internal controls can be used as a reference for improvement so that the company can always provide effective and efficient services.[3]

Operational audit is a tool used to evaluate the effectiveness of a company's management. Definition of operational audit based on Institute of Internal Auditors (IIA) quoted by Benny Prawiranega [4] is as follows: "Operational auditing is a systematic process of assessing the effectiveness and efficiency of an organization under management control and reporting to the right person for the results of the assessment and recommendations for improvement".

Meanwhile, the definition of internal control based on publications International Standards of Audit quoted by Robert Odek [5] are policies and procedures to help ensure that the direction from management is properly implemented, i.e. the necessary actions are taken to address risks that threaten the achievement of the target entity.

Operational audits and internal controls in the company are very important, because the larger the company, the higher the company's performance level. Therefore, effective and efficient operational audits and internal controls are needed in achieving the company's goals. Operational audit and internal control in the company can affect employee performance, in the component of operational audit and internal control has a very important relationship so it needs to be considered in the company [6].

The reason for the researcher to conduct research on UD. Cipta Karya Abadi Lamongan is a researcher looking at the development of more and more household appliance product companies in the Lamongan area, both newly established and long-established with many products or innovations from each company to get a large number of consumers. The company also has standards regarding operational audits and internal controls to provide maximum results to the company. The profits generated from these activities are inseparable from the role of an auditor in the central company located in the city of Surabaya who serves as an operational audit and internal control as well as company performance as the main role in carrying out the company's activities. So that UD. Cipta Karya Abadi Lamongan Branch is also no less competitive with other companies to create good and high operational audits and internal controls.

RESEARCH METHOD

Research Approach

This study uses a quantitative approach, namely by conducting hypothesis testing. According to Sugiyono (2019:7) Quantitative research methods are scientific/scientific methods because they have fulfilled scientific principles such as concrete/empirical, objective, measurable, rational, and systematic.

Population and Sample

1. The population in this study is UD employees. Cipta Karya Abadi has 62 employees.

2. The sample of this study is 38 employees working at UD. Cipta Karya Abadi Lamongan Branch and calculated with the slovin formula.

$$n = \frac{N}{1 + NE^2}$$

Information:

n : Minimum number of samples

N: Number of population

e : Percentage of accuracy laxity due to sampling error (10%).

$$n = 62 / (1 + 62 \cdot (0,1)^2)$$

$$n = 38.27$$

$$n = 38$$

Sampling Techniques

The sampling technique used in this study is Nonprobability Sampling, which is a sampling technique by not giving population members to be selected as samples, with the technique used being convenience sampling techniques.

Data Collection Techniques

The data collection procedure used in this study is a questionnaire. According to Sugiyono [7] Questionnaire is a data collection technique that is carried out by giving a set of questions or written questions to respondents to answer. In this study, the score for each answer from the respondent's statement was using the Likert scale. According to Sugiyono (2019:110) with the Likert scale, the variables measured are described as variable indicators. The Likert scale used is a range of values from 1 to 5.

Data Analysis Methods

Validity Test

According to kurnianingsih [2], Validity test is used to measure the validity or not of a questionnaire. A questionnaire can be said to be valid if the statement on the questionnaire can reveal something that will be measured by the questionnaire.

Reliability Test

According to Kurnianingsih [2], reliability tests are used to measure the indicators of these variables. A questionnaire can be said to be reliable if the answers given in the questionnaire are consistent over time. To measure the reliability test, the Cronbach's Alpha statistical test is used, a variable is said to be reliable if it can give a Cronbach's alpha value > 0.6.

Classical Assumption Test

Normality Test

According to kurnianingsih [2] The normality test is used to test whether or not in the regression model, the residual variables have a normal distribution. A good regression model is one that has a normal and near-normal data distribution. Normal probability plot is comparing the cumulative distribution of the normal distribution[2]. The basis for decision-making is as follows: 1) If the data spreads around the diagonal line and follows the direction of the diagonal line, then the regression model can meet

the normality assumption, 2) If the data spreads far from the diagonal and does not follow the direction of the diagonal line, then this regression model does not meet the normality assumption.

Multicollinearity Test

According to Kurnianingsih [2], normality test is used to test whether the residual variables in the regression model follow the normal distribution. Multicollinearity can be seen from the value of tolerance and Variance Inflation Factor (VIF). The basis of analysis to determine the symptoms of multicollinearity is a VIF value ≥ 10

Heterokedasticity Test

According to Kurnianingsih [2], the heterokedasticity test is used to test whether there is a variance inequality in the regression model, if heterokedasticity occurs then the regression model can be said to be not good. The basis of analysis to determine the existence or absence of heterokedasticity is as follows: 1) The existence of a certain pattern, such as points that form an orderly pattern (wavy, widening and then narrowing), can indicate heterokedasticity, 2) If there is no clear pattern, and the dots spread above and below the number 0 on the y-axis, then there will be no heterokedasticity.

Multiple Linear Regression Analysis

According to Kurnianingsih [2], multiple linear regression tests are used to describe a relationship in which one independent variable affects a dependent variable. This test is based on the multiple linear regression equation as follows:

$$Y = a + b_1X_1 + b_2X_2 + e$$

Where:

Y : Company Performance

X1 : Operational Audit

X2 : Internal Control

a : Constant

b1 : Slope regression or regression coefficient of X1

b2 : Slope regression or regression coefficient of X2

e : Residual error (error term)

The equation was then analyzed using SPSS with a significant level of 5% ($\alpha = 0.05$).

Determinant Coefficient Test (R^2)

According to Kurnianingsih [2], the coefficient of determination is used to measure the degree of the model's ability to explain changes in bound variables. The value of the determination coefficient has a range between 0-1.

Hypothesis Test

T Test (Partial Test)

According to Aprilia [1], the t-test is used to determine the influence between independent variables on dependent variables, as well as to find out whether or not independent variables have a significant relationship with dependent variables

individually for each variable. The t-test is carried out by comparing the tcount value to the t-table with a significant value level of 0.05.

Test F (Simultaneous Test)

According to Aprilia [1] Partial influence analysis is used to find out how closely the influence of each independent variable is with the non-independent variable. If $F_{count} > F_{table}$ or the probability value < 0.05 then H_0 is rejected and H_a is accepted. So that independent variables simultaneously affect the dependent variables

RESULTS AND DISCUSSION

Validity Test

Based on the results of the validity test, the researcher will test each variable used in this study, where the entire research variable contains 24 questions that must be answered by respondents.

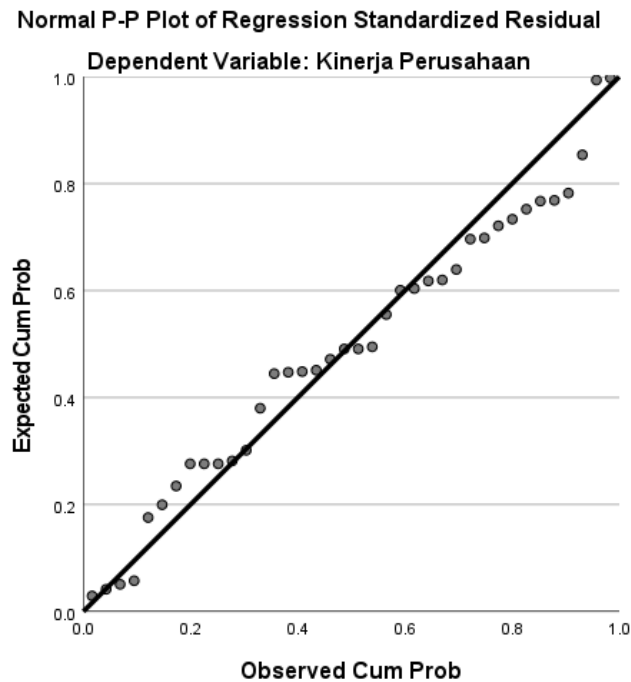
The results of the test on the validity test conducted with 9 statements from the operational audit variable (X1) were declared valid, for the statement items in the internal control variable (X2) there were 9 statement items declared valid, then the statement items for the company performance variable (Y) as many as 6 statements were valid because they were valid. All of the above variables are declared valid because the overall value of $R_{cal} > R_{table}$ with a significant level of 0.05.

Reliability Test

Based on the results of the reliability test in this study, namely by using the Cronbach Alpha statistical test, with the measurement guideline being if the alpha value is above 0.60. The value of Cronbach's alpha in the operational audit variable showed $0.821 > 0.6$, the internal control variable showed $0.836 > 0.6$, and the company performance variable was $0.798 > 0.6$. It shows that all variables have a value above 0.6 with a total of 38 respondents. It can be concluded that the answer to the question is reliable.

Classical Assumption Test

Normality Test



By looking at the display of the Normal P-plot of Regression Standardized Residual in the Figure above, it can be concluded that the dots are spread around the diagonal line and the graph shows that the regression does not violate the Assumption of Normality, so it can be concluded that the regression model in this study is qualified to be a good regression model, because it is a normal data distribution regression model.

Multicollinearity Test

Coefficients ^a								
		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	12.403	4.086		3.035	.005		
	Audit Operasional	.721	.230	.944	3.139	.003	.229	4.360
	Pengendalian Intern	-.429	.228	-.567	-1.883	.068	.229	4.360

a. Dependent Variable: Kinerja Perusahaan

Based on the table above, it is known that the VIF value of each variable has a value of $VIF < 10$ with a tolerance value of > 0.1 , it can be concluded that in this study there is no multicollinearity between independent variables.

Heteroscedasticity Test

The figure above shows that the dots are randomly spread out and do not resemble a certain pattern, and the dots are spread below and above the number 0 on the Y axis,

so it can be concluded that there is no heteroscedasticity. Meanwhile, if a certain pattern is formed, then heteroscedasticity has occurred.

Multiple Linear Regression Analysis

Multiple Linear Regression Based on the results of data processing seen in the unstandardized coefficients column of part B, a model of multiple linear regression equations is obtained as follows:

$$Y = 12.403 + 0.721X_1 + (-0.429X_2) + e$$

Hypothesis Test

Determinant Coefficient Test (R^2)

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.523 ^a	.273	.232	2.656

a. Predictors: (Constant), Pengendalian_Intern, Audit_Operasional

b. Dependent Variable: Kinerja_Perusahaan

From the calculation of the table above, the value of the determination coefficient Adjusted $R^2 = 0.273$ means that the dependent variable can be explained by an independent variable of 27.3%. While the remaining 72.7% was influenced by other variables that were outside of this study.

Test T

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	12.403	4.086		3.035	.005
	Audit_Operasional	.721	.230	.944	3.139	.003
	Pengendalian_Intern	-.429	.228	-.567	-1.883	.068

a. Dependent Variable: Kinerja_Perusahaan

From the table above, the operational audit variable that affects the company's performance can be seen in the significance value, which is 0.003, less than 0.05 and thus the internal control variable has no effect on the company's performance, which can be seen with a significance value, which is 0.068 greater than 0.05.

Test F

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	92.921	2	46.460	6.584	.004 ^b
Residual	246.974	35	7.056		
Total	339.895	37			

a. Dependent Variable: Kinerja Perusahaan
b. Predictors: (Constant), Pengendalian Intern, Audit Operasional

Based on the table above, simultaneously the variables of operational audit and internal control affect the company's performance, by showing a significance value smaller than 0.05, which is 0.004.

Discussion**The Effect of Operational Audit on Company Performance.**

The results of this study show that operational audits on company performance have a positive and significant effect on company performance. The results of data management showed that the significant value of the operational audit variable was 0.003 less than 0.05, indicating that the operational audit variable had a significant effect. Thus the first hypothesis (H1) is accepted.

This research is supported by research from Kurnianingsih [2] which shows that operational audits have an effect on company performance, Sukmana's research [8] which states that operational audits have a significant effect on the company's performance. And Megawati's research [9] That operational audits also have a positive and significant effect on the company's performance so that the Implementation of Operational Audits has been carried out properly.

The influence of internal control on company performance.

The results of this study indicate that the influence of internal control on company performance has a not significant effect on company performance. The results of data management showed that the significance value of the internal control variable of 0.068 was greater than 0.05, indicating that the internal control variable had an insignificant effect. Thus the second hypothesis (H2) is rejected.

This is supported by Riyasari's research [10] which states that internal control has a negative and insignificant impact due to weak internal control within the company. Research from Al-fatlawi [11] which states that internal control has a negative and less significant impact on the company's performance. And research Lai & Li, Hungchih (2017) which states that internal controls have a negative impact on the company's performance

The effect of operational audit and internal control simultaneously on the company's performance.

The results of this study show that operational audit and internal control simultaneously have a positive effect on the company's performance. The results of the F test found that there was a significant simultaneous influence of independent variables

including operational audit variables and internal control variables on the company's performance. This is seen from the significant value of F of $0.004 < 0.05$ (5%) and greater than the table, which is $6,584 > 4.12$, so all variables, namely operational audit and internal control together, have a significant influence on the company's performance. Thus the third hypothesis (H3) is accepted. $F_{hitung} > F_{tabel}$

The results of this finding are in line with the research Aprilia [1] which states that Operational Audit and Internal Control have a significant positive influence on the Company's Performance. Mire research [13] which revealed that there was a strong positive relationship between internal control and operational audit to changes in company performance. Istiqhomah research [14] which states that operational audits and internal control systems play a role in improving company performance, research from Kurnianingsih [2] which revealed that operational audits and ITERN controls simultaneously affect the company's performance.

CONCLUSION

This study demonstrates that operational audits and internal control, when considered together, have a positive and significant effect on company performance at UD. Cipta Karya Abadi in Lamongan Regency. **Fundamental Finding:** While operational audits individually have a significant positive impact on company performance, internal control does not exhibit a significant independent effect. **Implication:** These findings highlight the importance of enhancing operational audits to improve performance and suggest that companies should prioritize follow-up actions from operational audit findings to maximize their benefits. Additionally, the limited role of internal control indicates a need for management to reevaluate and strengthen its implementation to ensure its effectiveness. **Limitation:** The study is limited to a single company with a relatively small sample size, which may affect the generalizability of the results. **Further Research:** Future studies should expand the scope by including a larger sample size across various industries to validate these findings and investigate additional factors that may influence company performance, such as leadership style or organizational culture.

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Siti Mariani Basannang

Universitas Yapis Papua. Indonesia

Email: Sitimariani78@gmail.com

***Novi Darmayanti (Corresponden Author)**

Universitas Islam Darul’ Ulum Lamongan, Indonesia

Email: novidarmayanti@unisda.ac.id

Tri Lestari

Universitas Bhayangkara Surabaya

Email: trilest15@ubhara.ac.id
