

THE EFFECTIVENESS OF INTERNAL AUDIT IN IMPROVING GOOD UNIVERSITY GOVERNANCE AT THE UNIVERSITY OF NORTH SUMATERA

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Article Info	Abstract
Article History Received : 12/01/2024 Reviewed : 05/02/2024 Accepted : 15/02/2024 Published : 31/03/2024	<p>The effectiveness of internal audit is needed to realize good university governance because in internal audit there is a mechanism to ensure that the management carried out by the institution is effective and in accordance with good governance. Good governance is the foundation for creating a healthy institution and one of the keys to successful institutional management. Knowing the level of internal audit effectiveness, the implementation of university governance, and how internal audit effectiveness realizes the implementation of good university governance at the University of North Sumatera is the purpose of this research. This research uses a descriptive quantitative method with data collection techniques by distributing questionnaires and interviewing key informants. The data analysis technique used is descriptive analysis. The results showed that the effectiveness of internal audit and the implementation of university governance were in the effective or good category. If internal audits are effective, then university governance will be good. University governance can run well if internal audits are effective.</p>
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1. INTRODUCTION

Universities numbered 4.600 in 2021 and only a few are of good quality. A quality gap has emerged between private and public universities, with the largest gap in private universities. The number of campuses in Indonesia is huge, but most have poor quality management and only a handful of campuses are globally competitive. Even in the World University Rankings in 2021, only one campus was included in the top 200 (Jemadu, 2021)

Based on the Audit Result Report from The Audit Board of Indonesia are still problems in the management of higher education institutions including lack of state revenue due to uncollected income amounting to Rp. 1,112,898,425 originating from a cooperation agreement on the utilization of fixed assets and rental income income of State-Owned Assets that occurred at the University of Jakarta. Revenue that was directly used without being reported first amounting to Rp. 97,392,372,537.90 occurred at University of Yogyakarta, University of Palangkaraya, University of Lambung Mangkurat, University of Semarang, University of Malang, University of Sultan Ageng Tirtayasa, University of Surabaya, Surabaya State

Polytechnic of Shipbuilding, State of Polytechnic Samarinda, and State of Polytechnic Batam Controls on the implementation of expenditures for COVID-19 handling programs such as internet quota subsidies, and honorary salary assistance at the Ministry of Education and Culture are inadequate. The budget that should have been used for purchasing goods was used for non-purchasing activities amounting to Rp. 125,946,511,872 at the Ministry of Education and Culture (BPK, 2020).

Based on the description above, it shows that there are still weaknesses or problems in university management for various reasons. Meanwhile, the implementation of good university governance with the principles of improving quality, relevance, equity, and efficiency is a mirror of the success of universities in producing quality graduates and being able to compete globally (Shofa, 2021). For university governance to run well, internal audits at a university must run effectively. Internal audit is an important content of improving the governance mechanism of universities (Chen, 2023). Internal audit in higher education institutions plays a very important role in avoiding conflicts of interest of institutional management. Apart from that, reports produced by higher education internal auditors can also help management and stakeholders in the decision-making process (Intan, Sari, and Nuswantara, 2023).

The University of North Sumatera operates with the principles of good university governance, but the implementation of good university governance is not yet optimal. This is because the organizational structure is too bureaucratic and inflexible, causing difficulties in adapting to changes in the global environment. In addition, integrated information and technology systems are not yet fully developed. This system will later integrate financial, academic, human resource management systems, etc. (USU, 2020).

Previous research that is similar to this research includes research conducted by Maulina and Kartikasari (2021) which found that the implementation of good governance was in accordance with applicable regulations and that internal audit played a role in achieving good governance at the Batam State Polytechnic. Sulistiani, Puspitasari, and Hasanah (2023) found that the effectiveness of internal audits has a positive influence on the achievement of good university governance in State Islamic Religious Universities. Iryani and Arsanti (2013) found that if the effectiveness of internal audits in universities is good, the implementation of good university governance in universities can be realized well.

This research is a development of research conducted by Maulina and Kartikasari (2021). The difference between this research and previous research is that the subject of this study was at The University of North Sumatera, while previous research was at State of Polytechnic Batam, the measurement of implementing good university governance and internal audit use different dimensions. This study aims to determine the level of effectiveness of internal audit and the implementation of good university governance, and how the effectiveness of internal audit can realize the implementation of good university governance at the University of North Sumatera.

2. LITERATURE REVIEW

Stewardship Theory

This theory assumes that managers are motivated to act in the interests of the principal. This theory also says that humans are likened to servants whose behavior prioritizes organizational interests rather than personal interests. Even when there are differences in interests, the Steward will work together not oppose because he feels that common interests are a rational consideration. This theory refers to behaving for the common good (Davis, Schoorman, and Donaldson, 1997). Stewardship theory in this study is very important in improving good university governance. This theory can also describe how the existence of State Universities as institutions that can be trusted to act in accordance with the interests of many parties by carrying out their functions and duties properly, being accountable for the performance entrusted to them so that economic goals, public services, and community welfare can be fulfilled to the fullest (Wardhani and Suhdi, 2020).

Stakeholder Theory

Stakeholder theory will extend corporate responsibility to all stakeholders, not just to the company's shareholders (Donaldson and Preston, 1995). If it is connected with tertiary institutions, then tertiary institutions must be able to manage their resources for the benefit of stakeholders. The process of good

governance is essentially about the relationship between stakeholders and the management of State Universities. Organizers of tertiary institutions must provide accountability to all stakeholders. Stakeholder involvement is very vital for the implementation of good governance (Wardhani and Suhdi, 2020).

Good University Governance

Every institution is required to achieve efficiency and effectiveness in its management, including universities. To achieve this goal, good governance is needed, which is one of the keys to successful institutional management. The application of good governance is the foundation for creating healthy institutions (Maulina and Kartikasari, 2021). In addition, the implementation of good university governance is even believed to be able to minimize the occurrence of fraud because, in good university governance, a supervisory and accountability scheme emerges for the management of higher education institutions (Sukirman and Sari, 2012). Good university governance is the structure, systems and processes used by university organs as an effort to provide added value to the university on a sustainable basis in the long-term (Putra and Roni, 2021).

The implementation of good university governance is very important for several reasons, including (Hamid, 2020);

- a) Increasingly tight competition among universities
- b) Good university governance has become commonplace in the world of universities.
- c) Good university governance is a derivative of good governance
- d) The task of universities as educational institutions
- e) Demands to provide satisfaction to stakeholders
- f) Encouraging the effective and efficient implementation of university

Good university governance is a concept and an important element because it is used to anticipate, design, implement, monitor and assess the effectiveness and efficiency of a university. Therefore, the aim of good university governance is to improve the quality of higher education, increase competitiveness between universities, improve the internal quality of higher education management, and achieve efficiency as expected (Hénard and Mitterle, 2010).

The principles of good university governance refer to Directorate of Institutions and Cooperation of the Directorate General of Higher Education (2014), namely:

- a) Transparency means that universities must implement information disclosure in the field of finance, new student admissions, accounting, financial reporting, recruitment of lecturers and staff, the election of senate positions, and other information accurately, timely, and adequately to stakeholders (Wijatno, 2009).
- b) Accountability is the commitment and ability to account for all activities carried out by the university in accordance with the provisions of laws and regulations to all stakeholders (President Republic of Indonesia, 2012).
- c) Responsibility is an effort to be responsible for all actions taken by each individual involved with university management in accordance with the job description (Wijatno, 2009).
- d) Independence is that every individual involved in the management of the university must be free from various conflicts of interest that arise in carrying out their duties and responsibilities (Wijatno, 2009).
- e) Fairness is the ability of higher education managers to provide fairness values to all stakeholders. The principle of fairness encourages all parties related to an institution to be able to get a sense of fairness, and there is no difference in the services or facilities they get (Pujiono and Satyawan, 2011).
- f) Improving quality and relevance is important so that college graduates have the knowledge and abilities in accordance with the rapid developments in science and technology so that they can work in the business and industrial world in accordance with their fields of work. The relevance of tertiary institutions is highly dependent on the accountability of the respective tertiary institutions. If a tertiary institution does not have a commitment to social responsibility and scientific responsibility, relevance will never materialize (Ambarita, 2010).

- g) Effectiveness and efficiency are that every activity carried out by a tertiary institution must make the best use of resources so that it produces results according to the needs of the institution (UNDP, 1997).
- h) Non-profit is the principle of activities whose purpose is not to make a profit so that all remaining business results from activities must be reinvested in tertiary institutions to increase the capacity and/or quality of education services (President Republic of Indonesia, 2012).

Internal Audit

An internal audit is an independent and objective assurance and consulting activity designed to add value and improve an organization's operations. Internal audit helps organizations achieve goals through a systematic and regular approach to evaluate and improve the effectiveness of risk management, control, and governance (The Institute Internal Auditor, 2013). The purpose of an internal audit is to help members of the organization carry out their responsibilities effectively (Tugiman, 2019).

Internal audit effectiveness is the ability of internal auditors to achieve the goals set in the organization (Badara and Saidin, 2013; Hamdi and Sari, 2019). Internal auditor effectiveness is the auditor's ability to achieve the function of internal audit (Alzeban and Sawan, 2015). The effectiveness of the internal audit function can be interpreted as the success of the internal audit function in carrying out its duties and responsibilities to auditee as users of their services in accordance with applicable standards (Rozali and Alfian, 2014). Measuring the effectiveness of internal audit through.

- a) Internal audit quality is a way for auditors to find and convey findings/deviations in audit implementation (DeAngelo, 1981). Mihret and Yismaw (2007) say that internal audit quality is the ability of internal auditors to provide useful audit findings and recommendations. Audit findings and recommendations will not be of much use unless management is committed to implementing them.
- b) Audit evaluation is management's evaluation of the internal audit report and management's satisfaction with the implementation of the internal audit (Demeke, Kaur, and Kansal, 2020). Client satisfaction is a person's feeling by comparing performance with his expectations. Clients will be satisfied if the performance is good (Ismail, 2015).

Internal audit's additional contribution is in the form of benefits and cost-saving activities for carrying out internal audits (Demeke, Kaur, and Kansal, 2020). Internal audits in higher education aim to improve management procedures and methods, achieve educational benefits and goals, and provide advice for making economic decisions (Chen, 2023). Internal audit works for the interests of universities, where with reports from internal auditors, universities can find out their performance and correct organizational deficiencies (Intan, Sari, and Nuswantara, 2023)

3. RESEARCH METHODS

The research object consists of the effectiveness of internal audits and implementation of good university governance. This research was conducted at the University of North Sumatera from November to December 2022. This research used a quantitative descriptive method. Respondents in this study were Heads, Managers of Audit and Monitoring, Staff of the Internal Supervisory Board, Deans/Vice Deans of Faculties, and Lecturers of the University of North Sumatera, totaling 15 people. Selection of respondents with a quota sampling technique. Quota sampling is a technique for finding samples that have certain characteristics until the quota number is met. Usually, the subjects contacted are subjects who are easy to find so data collection is easy (Hikmawati, 2020). The Head, Audit and Monitoring Manager, and Internal Supervisory Board Staff are the people who carry out internal audits or supervise governance, while the Dean/Deputy Dean of the Faculty is the party being audited, and the Lecturers are the parties who feel the benefits of carrying out internal audits and implementing good university principles government. This study uses primary data. The data collection technique was by giving questionnaires to respondents and conducting interviews with key informants to obtain more detailed information on dimensions that have a low category. Questionnaires are not for quantitative research, but as a tool to support interviews with key informants. Respondents will fill out a questionnaire consisting of 19 questions related to the effectiveness of internal audits, and 22 questions related

to good university governance. The questionnaire is divided into 5 (five) scales, namely 1 = strongly disagree, 2 = disagree, 3 = quite agree, 4 = agree, and 5 = strongly agree.

The effectiveness of internal audit is measured using dimensions, namely audit quality, evaluation of auditee, and added contribution of internal audit referring to research conducted by Cohen and Sayag (2010), Deliana and Mahyuni (2018), and Demeke, Kaur and Kansal (2020). Good governance university is measured through transparency, accountability, responsibility, independence, fairness, quality assurance and relevance, effectiveness and efficiency, and nonprofit according to Directorate of Institutions and Cooperation of the Directorate General of Higher Education (2014). The dimensions and indicators are as follows.

Table 1. Dimensions and Indicators of Internal Audit Effectiveness

Dimensions		Indicators
Audit Quality	1	Audit implementation based on internal audit standards
	2	The audit is based on systematic and clear audit programs and procedures
	3	There is documentation of the audit assignment plan
	4	The Internal Auditor always communicates with the auditee regarding audit planning, implementation, and reporting
	5	The Internal Auditor always communicates with <i>the auditee</i> regarding audit findings and recommendations
	6	The Internal Auditor always monitors and communicates with officials from the unit being audited regarding follow-up/improvement of audit findings
	7	Internal Auditor ensures that the management determines and uses audit criteria
	8	Audit findings and recommendations that were followed up and implemented were very high
	9	The Internal Auditor identifies risks and evaluates the internal control system properly
	10	Internal Auditors perform work using modern technology
	11	Recommendations from the Internal Audit department can be implemented easily
	12	The audit department's reports and findings form the basis of management's decision making
Auditee Evaluation	1	Management appreciates every contribution and input given by the Internal Auditor
	2	Complaints about the implementation of the audit from the head of the audited section/division/authorized official are very low
	3	Audit findings are supported by reliable documents and data
	4	Auditees is satisfied with the performance/work of the Internal Auditor
Internal Audit Additional Contributions	1	Evaluation of the internal audit report is carried out by the External Auditor and uses it as a reference in the examination
	2	The Internal Audit Department contributes to the university
	3	The cost of internal auditing for the organization is lower than the benefits and savings that result from its work

Source: Cohen and Sayag (2010), Deliana and Mahyuni (2018), and Demeke, Kaur and Kansal (2020).

Table 2. Dimensions and Indicators of Good University Governance

Dimensions	Indicators
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Transparency	1	Implementation of <i>checks and balances</i> to avoid conflicts of interest and multiple positions
	2	The Academic Senate oversees the Rector and the Dean
Accountability	1	The mission and goals of the university are in accordance with and in line with the mandate of the government (community) and the implementing agency.
	2	Operational permits for tertiary institutions and implementation of study programs are always taken care of
	3	Quality Assurance System is running well
	4	Achievement of each performance indicator promised in the Strategic Plan and Work Plan and Budget
	5	The Internal Supervisory Board is under the Rector and functions to supervise university management
	6	The financial management and accounting system implemented by the university can be audited
	7	Availability of financial annual reports audited by public accountants, as well as academic annual reports. Both were announced to the public
Responsibility	1	Annual financial reports audited by public accountants and academic annual reports are announced to the public
	2	Availability of clear <i>standard operating procedures and job descriptions</i>
Independence	1	The government or the non-profit legal entity that owns it may not interfere in the college's decision-making process
	2	Higher education is not an extension of the bureaucracy
Fairness	1	Officers and employees are appointed based on <i>track record</i> and competence
	2	Employee management is based on the right <i>merit system concept</i>
Quality Assurance and Relevance	1	Implementation of an internal quality assurance system and external accreditation to guarantee the quality of the university
	2	Lecturers have professional certification
	3	Students provide <i>feedback</i> /input on the management of university
	4	Implementation of <i>tracer studies</i> to support quality assurance and relevance
	5	Conducted a survey for customer satisfaction
Effectiveness and Efficiency	1	Achievement of long-term, medium-term planning (Strategic Plan), and annual planning system (Annual Activity Plan and Budget)
Nonprofit	1	Universities must reinvest all remaining budget from activities carried out to improve the quality and development of the university

Source: Directorate of Institutions and Cooperation of the Directorate General of Higher Education (2014)

Data analysis techniques use descriptive data analysis techniques. The steps for analyzing data are a) researchers collect data according to the object of research, b) classify data based on the score range, c) calculate the lowest and highest scores, d) add up the scores of each question and make a percentage, e) and determine the score category, f) analyze the results of interviews with the results of the questionnaire, g) make conclusions and provide suggestions. How to determine the highest, and lowest scores and assessment category guidelines.

$$\text{Minimum Score} = \frac{\text{Minimum Score}}{\text{Maximum Score}} \times 100\% = \frac{1}{5} \times 100\% = 20\%$$

$$\text{Maximum Score} = \frac{\text{Maximum Score}}{\text{Maximum Score}} \times 100\% = \frac{5}{5} \times 100\% = 100\%$$

$$\text{Intervals (\%)} = \text{Maximum Score} - \text{Minimum Score} = 100\% - 20\% = 80\%$$

$$\text{Interval Length (\%)} = \frac{\text{Interval}}{\text{Category}} \times 100\% = \frac{80\%}{5} \times 100\% = 16\%$$

Table 3. Guidelines Category Mark Answer Respondents to Internal Audit Effectiveness and Good University Governance

Description /Intervals	Category	
	Number	Percentage
Maximum Score	5	100%
Minimum Score	1	20%
20%-35.99%	Very Bad/Very Ineffective	
36%-51.99%	Not Good/Not Effective	
52%-67.99%	Good Enough/Effective Enough	
68%-83.99%	Good / Effective	
84%-100%	Very Good / Very Effective	

Source : Sugiyono (2016)

4. RESULT AND DISCUSSION

Results

The results of this study are:

Table 4. Recapitulation of Respondents' Responses Regarding Internal Audit Effectiveness and Good University Governance

No	Dimensions	Average	%	Category
1	Audit Quality	4.09	81.78	good
2	Auditee Evaluation	3.98	79,67	good
3	Internal Audit Additional Contributions	4,27	85.33	very good
Internal Audit Effectiveness		4,11	82,26	good
1	Transparency	4.07	81.33	good
2	Accountability	4.36	87,24	very good
3	Responsibility	4,10	82.00	good
4	Independence	4,13	82.67	good
5	Fairness	3.73	74,67	good
6	Quality Assurance and Relevance	4.36	85,87	very good
7	Effectiveness and Efficiency	4,27	85.33	very good
8	Nonprofit	4,13	82.67	good
Good University Governance		4,14	82,72	Good

Source: Research Data (2022)

Based on the table above, internal audit has been running effectively and the implementation of good university governance has been realized (good).

Discussion

The internal audit at the University of North Sumatera has been running effectively, as evidenced by the questionnaire results which showed 82.26%.

- The quality of internal audit at the University of North Sumatera is in the "good" category with a percentage of 81.78%. This is reflected in the implementation of audits based on internal audit standards, implementation of audits based on systematic and clear audit programs and procedures,

documented audit assignment plans, Internal Auditors always communicate with auditee from planning to audit reporting, and good communication with auditee regarding findings and recommendations, Internal Auditors always monitor and communicate with officials from audited units regarding follow-up/improvements to audit findings, Internal Auditors ensure that management has determined and used audit criteria, and internal auditors identify risks and evaluate the internal control system correctly. Indicators that need to be improved to produce quality internal audits are ease of implementing recommendations from the Internal Audit Department, the need to update technology to assist the audit process, and increasing human resources, especially at the Internal Supervisory Board of the University of North Sumatera due to the wide scope of audits with 51 work units. Additional human resources should have an educational background in informatics/information technology management because there is still a lack of human resources capable of carrying out information technology-based audits. So, the University of North Sumatera must collaborate with BPKP to bring in an Expert Auditor. This increases audit costs.

- b) Auditee evaluation at the University of North Sumatera in the "good" category with a percentage of 79.67%. This is reflected in the internal auditor's findings, which are always based on reliable documents and data. Auditee evaluation is the dimension of internal audit that has the lowest value of the three dimensions, so it needs attention. Indicators that need to be improved for better audit implementation are that recommendations and contributions made by internal auditors must be appreciated by management/auditees, complaints must be minimized during audit implementation, and auditees must be satisfied with the performance/work of internal auditors.
- c) Additional contribution of internal audit at the University of North Sumatera in the "very good" category with a percentage of 85.33%. This is reflected in external auditors evaluating internal audit reports and using them as a reference in audits, the Internal Audit Department contributing to the university, and internal audit costs for the organization being lower than the benefits and savings resulting from its work.

Implementation of good university governance at the University of North Sumatera with a percentage of 82.72%, which means that University of North Sumatera's governance is categorized as "good".

- a) Transparency is at 81.33% in the "good" category, which is reflected in the implementation of checks and balances mechanisms to avoid conflicts of interest and concurrent positions. The Academic Senate at the University of North Sumatera does not control the rector and dean but provides input to the Board of Trustees based on its assessment of the Chancellor's performance in academic matters.
- b) Accountability of 87.24% is included in the "very good" category and accountability is the indicator with the highest value among other indicators. This is reflected in the mission and objectives of higher education institutions which are appropriate and in line with the mandate of the government (community) and its organizing bodies, operational permits for higher education institutions and the implementation of study programs are always taken care of, the Quality Assurance System is running well, the achievement of performance indicators promised in the Strategic Plan and Work Plan and Budget, there is an Audit Unit under the Rector its performance is good, the financial management and accounting system implemented can be audited, and there is an academic annual report and an annual financial report that is audited by a public accountant and announced to the public.
- c) Responsibility of 82.00% is included in the "good" category. This is reflected in the explanation of the position, function, duties, responsibilities, and authority of each organizational element in accordance with the higher education statutes, and the existence of clear personnel job descriptions and standard operating procedures at the university.
- d) Independence of 82.67% is included in the "good" category. This is reflected in the decision-making of universities separately from the government or non-profit legal entity that owns them, and universities are not an extension of the bureaucracy.
- e) Fairness of 74.67% is included in the "good" category, but improvements need to be made in the appointment of employees and officials based on competency and track record. Appointing employees and officials who match their competency and track record can increase a sense of fairness and trust

in the leadership. The principle of fairness is very important to ensure that the rights of stakeholders are fulfilled, such as providing correct and accurate information regarding matters relating to higher education management.

- f) Quality assurance and relevance of 85.87% is included in the “very good” category. Quality assurance and relevance through higher education quality which is guaranteed through the implementation of internal (SPMI) and external (accreditation) quality assurance systems, lecturers are always encouraged to obtain lecturer professional certification, the results of student feedback, the results of implementing tracer studies (graduates) every year, and user survey results.
- g) Effectiveness and efficiency of 85.33% is included in the “very good” category. This is reflected in long-term, medium-term planning (Strategic Plan), and annual planning systems (Annual Activity Plan and Budget). This is also proven by indicators of accountability, namely every performance indicator that has been promised in the Strategic Plan and Work Plan and Budget has been achieved as evidenced by a score of 84.00% which is in the very good category and based on interviews the Internal Supervisory Board participates in monitoring the budget to ensure realizing performance indicators in the strategic plan.
- h) Non-Profit of 82.67% is included in the “good” category. This is reflected in the fact that all remaining activity budgets are not distributed but must be reinvested to improve the quality and development of higher education. Based on the results of the interview, the University of North Sumatera continues to return funds to the state treasury if there is a remaining budget and will be used again next year to improve and develop the quality of education, even though it has the status of a legal entity. For this reason, budget absorption must be maximized to improve the quality of education.

Based on the results of the descriptive analysis above, it can be concluded that the more effective the internal audit, the better the implementation of governance at the University of North Sumatera, and vice versa. This is proven by research results which show that the effectiveness of internal audit is in the "effective" category with a percentage of 82.26% and the implementation of good university governance is in the "good" category with a percentage of 82.72%. The results of this research are in line with research conducted by Iryani and Arsanti (2013), Saptapradipta (2013), Maulina and Kartikasari (2021), and Sulistiani, Puspitasari and Hasanah (2023), which states that the better/more effective implementation of internal audits will provide significant benefits for better governance. University governance can run well if internal audits are effective. Internal audit plays a role in realizing the implementation of good university governance and helping organizations achieve their goals by evaluating and improving the effectiveness of governance processes through a systematic and orderly approach.

5. CONCLUSION

The conclusion of this research is that internal audits and the implementation of university governance at the University of North Sumatera are good or effective. University management can run well if internal audits are effective. Internal audit plays a role in realizing the implementation of good university governance and helping organizations achieve their goals by evaluating and improving the effectiveness of governance processes through a systematic and orderly approach. Based on the research results, several things need to be improved in order to achieve good university governance, namely the Internal Supervisory Board must ensure that the recommendations given are easy to implement, the need to update technology to assist the audit process and increase human resources with educational backgrounds in informatics/information technology management, the recommendations and contributions made by internal auditors must be appreciated by management/auditee, complaints regarding audit implementation must be minimized, auditee satisfaction with the performance/work of internal auditors must be considered, the appointment of employees and officials is based on competency and track record, and employee management must be based on the concept of a merit system right. Suggestions that can be given to future researchers who want to research the effectiveness of internal audit in implementing good university governance is to increase the number of dimensions/indicators, population or sample, and in-depth theories because research on university governance is still small and generally only discusses companies.

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