

Internal Audit's Role in Minimize Credit Troubled



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ABSTRACT: This study aims to analyze the role of internal audit in minimizing non-performing loans. The location is at PT. Bank Rakyat Indonesia Lumajang Branch Office. Using a descriptive research approach, it was found that: first, internal audit plays an important role in minimizing non-performing loans by providing assessments, recommendations and improvements to the non-performing credit process. Thus, the non-performing credit process can be more convincing, because it has gone through several stages of auditing; Second, the role of internal audit in minimizing non-performing loans is quite effective. This can be indicated by the non-performing loan ratio at the end of 2021 reaching 5.00% in accordance with applicable regulations.

KEYWORDS: internal audit, non-performing loans

INTRODUCTION

Banks are institution financial activities _ his efforts is raise funds from community and distribute return the funds to public as well as give other bank services (Kasmir , 2018). Distribution of funds by banks to public known with term credit . According to Bank Indonesia Regulation No 7/2/PBI/2005 credit is provision of money or bills that can equated with it , based on agreement or agreement borrow borrow between the bank and other obligatory party party borrower For pay off debt after period time certain with gift flower .

In practice credit , the bank will face appearance credit problem form arrears payment interest and payments tree loan . High low credit problem a bank can seen from comparison between credit congested with amount disbursed credit _

According to Bank Indonesia regulation Number 23/2/PBI/2021, ratio credit problem maximum by 5%. If it exceeds 5%, then show many credit problematic, so impact on the level the health of the bank . Therefore, credit _ problem need minimized so no exceed 5%.

Moment debtor submit loans , creditors Of course do Lots calculation in a manner detail For avoid possibility disturbance billing . One of them is with notice risk credit from borrower, fine individual nor company.

Risk credit is related losses _ with potency failure in fulfil obligation pay credit when time due. In other words, risk credit is possibility debtor No capable pay the loan. There are 2 things that affect level risk credit, that is magnitude exposure credit as well as quality exposure credit That alone. The more high debt then the more high exposure _ the credit . Temporary That quality exposure in risk credit is possibility fail pay as well as be measured from quality installments made _ debtor . If value guarantee credit debtor the more low , then quality exposure even more credit low . That is , risk covered credit _ will the more high (OCBC NISP Editor , 2022).

There is risk credit or uncertainty customers in return loan , see important exists auditing sustainable on activity credit the For zoom out possible risks _ will arise . Banks need increase quality auditing on activity distribution credit For zoom out possibility emergence credit problem so that level collectability credit can improved . One of them with implement adequate internal audits on activity existing credit _ run .

Lots of research related with credit problematic, including : Satiawati and Munandar (2020) found proof that credit problem influential negative to profitability Cooperative Civil Servants (KPN) Kasabua Ade Bima. the research Munandar et al . (2021) found proof that credit no problems with Financial Technology (FINTECH) companies healthy. Enhancement credit problem start happen April 2020 post the outbreak of covid-19 in Indonesia. the research Ambarini and Budiwitjaksono (2021) found proof that credit problem at BRI KC Jombang can overcome with method apply policy restructuring as effective and efficient way _ For lower level credit stuck . However, the obstacle is many debtors who do not have faith good and sales less assets _ *marketable*.

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A number of research above _ different with research conducted _ now. Novelty (*novelty*) research Now is hook credit problem with internal audit role ; with consideration that internal audit is activity independent and objective along arranged consultations _ For increase values and operations company (Messier, 2018). So, with exists upgrade values and operations company looked at can minimize credit problem. this _ supported by Dendawijaya (2018) that internal audit comes into play at the moment do reviews to a giving process credit based on the audit plan , with room audit scope ie evaluate adequacy and effectiveness of internal controls as well as quality management and risk law in the process of giving credit . The research Ardy (2017) proves that internal audit has impact positive and significant to implementation *Good Governance* in Sharia Banking .

Based on description above , purpose _ study This For analyze How role of internal audit in minimize credit problem at PT. Bank Rakyat Indonesia Lumajang Branch Office . The result can worn as material input in manage credit problem in accordance Bank Indonesia regulation Number 23/2/PBI/2021, namely maximum 5%.

TI REVIEW OF LITERATURE AND HYPOTHESIS

Internal Auditing

Internal audit is something function developed assessment _ in a manner free in organization For test and evaluate activities as exists service to organization company . Internal audit is monitoring element of structure internal control within something organization , which is created For monitor effectiveness from elements __ structure other internal controls (Hery , 2017). Internal audit is also a A activity consultation and confidence managed objectives _ in a manner independent, inside organization and directed by philosophy addition mark For increase operational company. the audit help organization in reach the goal with apply systematic and disciplined approach _ For evaluate and improve the effectiveness of the management process risk , sufficiency control , and management organization (Sawyer et al, 2018).

From several opinion regarding the internal audit above can put forward that internal audit is a _ evaluation to belief , independence , objective and activity __ consultation made _ as adder value and improvement operation organization . This internal audit Can as supporters something organization For reach the goal with bring systematic and disciplined approach _ in evaluation and improvement effectiveness of management processes risk , control and governance .

The purpose of internal audit is help management company carry out task through analysis , assessment and provision of suggestions and input calm down activity or programs (Agoes , 2016). The internal audit function includes : (1) conducting supervision to all difficult activity _ handled by the leadership peak , (2) do identification and minimization risk , (3) support and help management to field technical , (4) do reporting validation to managers , (5) assist the *decision making* process do future analysis (no _ thing already _ happened) , (6) , help manager in management companies (Sawyer, 2018).

Credit troubled

Banking own position important in give service in the field credit. Credit banking help availability of funds for finance activity production national , storage materials , financing credit sales, t transportation goods , activities trade . If giving credit walk smooth , then activity economy can growing and continuing improved . However when gift credit reduce will make activity economy experience slowness. By and large the bank has provide form credit certain accompanied mandatory conditions _ fulfilled by application credit. Although application credit Already fulfil terms, not yet Of course the bank provides facility credit. The bank must research and analyze circumstances applicant credit especially first. In give credit the bank must notice principles gift healthy credit. _

Although stages in the process of giving credit has done in a manner be careful and have done supervision and coaching credit in a manner continuous, however No all credit walk with smoothly. Something credit classified as credit problem is classified credits _ credit not enough smooth, credit doubtful and credit stuck. Term credit problem has used in the Indonesian banking world with the term Non Performing Loan (Usman, 201 8).

If happen credit problem in activity credit to the bank, then the bank does n't can so just impose to debtor For quick pay off debt, although also parties debtor obliged For return existing credit _ received following with flower as listed _ in agreement early . For overcome credit problem the possible efforts _ carried out by the bank in stages First is effort rescue credit with condition if the bank has belief that business customers Still have prospect For growing (Dendawijaja , 20 1 6)

Existence credit problem can be detected since early. Symptoms or indications credit problem at PT.Bank Rakyat Indonesia among others: (1) condition finance customers , who can see from profile finance business namely : (a) customers late give report financial , (b) decreased market share so that profit decreased and liquidity , in matter this is cash in more small from cash out , (c) increase debt No proportional if compared to with asset productive company , (d) billing receivables eat long time . (2) conditions management company, happened things as following: (a) happened change behavior and habits administrator

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impact company _ negative on harmony management, (b) patterns communication with banks changed and less cooperative , (c) reports lagging and not accurate .

hypothesis

Study This use approach method study descriptive, that is something method in researching something object or a set at the present time with objective For make description in a manner systematic and accurate about investigated facts , (Nazir, 2018) . Therefore, in _ study No There is hypothesis to be tested with statistics.

RESEARCH METHODS

Study This done at Banks Indonesian People Lumajanag Branch Office. this location chosen Because there is phenomenon that credit problem every month 2021 fluctuated, even _ exceed 5%.

In accordance with the research objectives to be achieved, the research use method study descriptive , that is something method in researching something object or a set of conditions in the present with objective For make description in a manner systematic and accurate about investigated facts , (Nazir, 2018) .

The data type is secondary data in the form of quantitative data, namely amount credit problem covers amount credit not enough current , doubtful , and stalled as well as data *outstabding credit* PT Bank Rakyat Indonesia Lumajang Branch Office every month during year 2021, collected with method documentation form report related with these data . While the primary data is in the form of internal audit roles collected with method interview structured with internal auditors

Definition operational Variable

1. Internal auditors are conducting internal audits company For know the extent to which procedures and policies have been run with well, set how much effective and efficient from producer activity company , as well evaluate effectiveness information generated by each unit in company . For now, it be measured with interview structured
2. Credit problem is condition loan debtor fail do payment already _ scheduled in time certain. Credit problem counted with share amount credit not enough current, doubtful, and stalled with the total credit disbursed, then times 100%.

Method Data Analysis

After the data is collected, it is then analyzed by describing or systematically describing the internal auditor's role in minimizing non-performing loans, with the following stages: (1) data reduction, i.e. **selection process, focusing on** simplification, abstraction, and transformation of raw data that emerges from field data, (2) presentation data , carried out in the form of narrative, charts and flow charts. (3) drawing conclusions, including important information in research (Rakhmatika , 2022)

RESULTS AND DISCUSSION

Research Results

Based on results interview structured to the internal auditors of PT. Bank Rakyat Indonesia Lumajang Branch Office that is father Budget is known that:

Deep internal audit evaluation effort minimize credit problem with form Audit techniques carried out by internal audit are: (a) observing , internal audit monitoring every activities __ credit to PT. Bank Rakyat Indonesia Branch Office Lumajang. Three thing to be focus main internal audit in the *monitoring* process is handling employees _ credits, files __ credit and debtors. (b) submit question , internal audit performs a number of preparation before interview done so that the interview process according to with plan and acquire Lots information important . (c) analyze , based on analysis conducted by internal audit files __ credit from results *On The Spot* or visit field . Analysis used For identify credit next problem _ will made the basis and considerations of the Bank for save credit as well as decide action rescue what is taken . In matter this is a must internal audit deepen information about conditions and constraints experienced _ debtor with method analysis. (d) verify, at PT. Bank Rakyat Indonesia Lumajang Branch Office , conducting internal audit verification after credit given Because No involved direct in activity bank operations . Internal audit performs verification with check the format as well content from files that become __ base in gift credit. (e) investigate, *On The Spot* is h form investigation carried out by internal audit at PT Bank Rakyat Indonesia Lumajang Branch Office . *On The Spot* done For get belief on files __ credit Because from those data Not yet Of course describe actual situation . _ (f) evaluate , related with evaluation in a manner all that passes series of audit processes. At stage beginning supervision credit , internal audit at PT. Bank Rakyat Indonesia Branch Office Lumajang evaluate results *On The Spot* seen from facet debtor , whether the debtor gets loan funds from the Bank already fulfil capacity .

Minimize the involvement of internal audit in the process credit problem . Based on results interview with Father fencing as internal auditor officer , can put forward that “ Parties marketing own procedure in gift credit ie Visit customer , calculate business customer , until gift credit / disbursement of funds. Basically _ auditor's function only inspect report written

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from the Bank (marketing) should be submitted to the auditors within 3 months very will but Because matter the No carried out by parties marketing so that force the real internal auditors auditor function only evaluate , will but so should auditors capable see / predict as well as prevent risk that will happened ". this _ show how internal audit comes along involved No only evaluate , will but also deep manage risk credit (credit jammed) at PT. Bank Rakyat Indonesia Lumajang Branch Office . Mr. Fencing add that " In every gift credit , parties management Already arrange must things _ carried out by parties marketing start from before realization until after realization . For example after realization , parties marketing must do visit routine and pouring in form report written For adjudicate input For party management . Party management should do inspection in 3 months once". " The auditors will inspect routine inspection as well as supervision party management to risks credit. With so, visit customers must still done though after giving / disbursement credit. With management process is carried out risk as well as evaluation by internal audit, can minimize the risks that will happened". Explanation Mr. Fencing as internal audit officer can stated that internal audit has involvement in evaluate process risk credit For avoid credit problem

Process as well internal audit results credit problem. as explanation previously about role nor internal audit engagement in credit problem , yes is known that audit results provide role important to possible risks _ will happen , namely : (1) give evaluation effectiveness and efficiency of management processes risk that will influential to risks credit . (2) give recommendation on management process evaluation risks that are highly required by the parties management in increase effectiveness and efficiency management risks credit .

Discussion

Risk frequent finances _ happen in banking one _ among them is risk credit that is arrears payment installment creditor or often called with credit congested Where debtor No capable pay installments that have been due . Credit problem often triggered by incompetence the bank detects lie customers or candidate the debtor will given loan , which uses business as reason guarantee taking credit although basically , the funds that they are melt No fully used For effort .

Disbursement of funds with objective necessity personal often potentially happening credit congested in the meaning of the funds should be used as working capital For produce profit , no can fulfilled so that installment No can paid on time __ set

Party management as organizer and executor of the management process risk, have not quite enough answer big in minimize credit problem . A number of risk credit No can avoided Because every gift credit to customers, will own risk . Party management demanded in a manner integrated , optimized, as well continuous in manage possible risks _ will happen nor those already happened .

Deep internal auditing credit problem include : (1) evaluate credit problem For ensure that response given _ to risk has precise and appropriate policy organization . (2) evaluate report risk from party management . (3) evaluate management risks that have estimated in the management process risk by the parties management .

Ratio data credit problem 2021 is presented in the following diagram :



In the diagram above , it appears that ratio credit problem 2021 fluctuated _ around 5.00% - 7.50%. Lowest happened on the moon December by 5.0%, accordingly maximum BI provisions by 5.0%. Highest occurred in May and August 2021 at 7.50%, is on BI provisions . Next , start month August 2021 shows exists decline until December 2021, accordingly with BI provisions , namely a maximum of 5.0%. this _ indicate that internal audit already start role in minimize credit problem in accordance task principal and functions at Bank Rakyat Indonesia Lumajanag Branch Office , namely : (1) planning and implementing internal audit activity with emphasis on fields / activities that have risk tall as well as evaluate existing procedures / control systems For obtain belief that goals and objectives of the Bank can achieved optimally and continuously , (2) implementing steps in framework dig

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information (investigation), report , and deliver recommendations / conclusions on *fraud* to Management , (3) develop and run programs for evaluate and improve quality internal audit , (4) provide recommendation on audit results and monitoring follow carry on results activity internal auditing and activities investigation , (5) work The same with other party inside carry out function supervision , (6) perform coordination activities with external audit activities and units/ functions other assurance providers , in order to be able to achieved comprehensive and optimal audit results . Coordination can done among others through meeting in a manner periodic For talk about considered things _ important for second split parties , (7) do communication in a manner direct with head of the Bank.

Internal audit at Bank Rakyat Indonesia Lumajang Branch Office own authority as following : (1) do internal audit activity against activity all work units in appropriate Bank organization applicable rules , (2) do communication in a manner direct with Bank leadership , (3) do communication with party external including regulators, (4) holding meeting in a manner periodic and incidental with Bank leadership , (5) access whole information , records , employees , and includes inside it However No limited to accounts / records employees and resources Power as well as other things considered need related with duties and functions , (6) perform activity investigation to case / problem on each aspects and elements indicated activities _ *fraud* and violations *code of conduct* in appropriate Bank organization applicable regulations

CONCLUSIONS AND RECOMMENDATIONS

Based on results research and discussion above , can _ concluded that : first , internal audit plays a role important in minimize credit problem with give assessment , recommendations and improvements on the credit process problem done _ party management . With thus, credit process problem more done by the bank _ reassuring, because has through a number of stage auditing; second role of internal audit in minimize credit problem Already Enough effective. this _ can seen from ratio credit problem end in 2021 of 5.00% accordingly with applicable conditions . _

order credit problem Can maintained maximum of 5.00%, recommended to internal audit party for more optimizing task principal and function as well as authority that has set by the bank and accordingly with regulations stipulated by Bank Indonesia and or Financial Services Authority .

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