



DETERMINANTS OF THE IMPLEMENTATION OF RISK-BASED INTERNAL AUDITING IN REGENCIES/CITIES IN NORTH SUMATERA PROVINCE

Erlina and Iskandar Muda

Universitas Sumatera Utara, Medan, Indonesia

Correspondence Author : erlina@usu.ac.id

ABSTRACT

Until now, financial management at local level is currently showing less satisfactory results. This is evident from results of the Local Government Financial Report audit. Poor financial management at local level in Indonesia can also be seen from various cases of corruption that occurred. Nowadays, in Indonesia the eradication of corruption becomes a very crucial and important focus. Even, the absence of corruption sets a benchmark for successful governance within a country. Therefore, to create good and healthy governance, it is necessary to apply risk management by having audits conducted by auditors, particularly internal auditors. A risk-based internal audit approach is an alternative to performing the audit function in order to run effectively and efficiently. Findings of this research suggest that successful implementation of risk-based audit is determined by several factors, such as the role of internal auditors, commitment of the top management, and professional development. Based on the research findings, it is expected that local governments will start considering the role of the internal audit function and there is a need for commitment of the top management, especially local heads, local government organization heads, and inspectorate heads.

Keywords: Corruption, Risk-Based Internal Audit, Role of the Internal Audit Function, Top Management's Commitment, and Professional Development.

Cite this Article: Iskandar Muda and Erlina, Performance Appraisal of Government Internal Supervisory Apparatus (APIP) in Implementation of Compliance Audit at Inspectorate of Medan City, Indonesia, International Journal of Civil Engineering and Technology, 9(5), 2018, pp. 1360–1372.

<http://www.iaeme.com/IJCIET/issues.asp?JType=IJCIET&VType=9&IType=5>

1. INTRODUCTION

Financial management at local level is an activity that will affect an improvement in the welfare and prosperity of the Indonesian people and nation. The Law No. 1 of 2004 concerning State Treasury, Article 58, reads “In order to improve the performance,

transparency, and accountability of state financial management, one of the units in charge of auditing and responsible for internal control of the government and implementation of local government is the Government Internal Supervisory Apparatus (Indonesian: *Aparat Pengawas Intern Pemerintah*, abbreviated as APIP). The function and authority of APIP are to supervise governmental affairs at local level. Supervision of regency/city governments is carried out by regency/city inspectorates, which are directly responsible to the regent/mayor. Inspectorates, in this context, are regarded as the right-hand man of the local head that perform the supervisory function prior to an external audit. APIP of a particular inspectorate is expected to serve as a consultant and a quality assurer, where in the execution of its duties, the majority of measures it has to take are preventive in nature.

Until now, financial management at local level is currently showing less satisfactory results. This is evident from results of the Local Government Financial Report (Indonesian: *Laporan Keuangan Pemerintah Daerah*, abbreviated as LKPD) audit. Poor financial management at local level in Indonesia can also be seen from various cases of corruption that occurred. Nowadays, in Indonesia the eradication of corruption becomes a very crucial and important focus. Even, the absence of corruption sets a benchmark for successful governance within a country. Therefore, to create good and healthy governance, it is necessary to apply risk management by having audits conducted by auditors, particularly internal auditors. A risk-based internal audit approach is an alternative to performing the audit function in order to run effectively and efficiently. APIP in regency/city inspectorates remains failed to perform its supervisory function effectively. For example, results of the audit by the State Audit Board (BPK) concerning the implementation of local budget management of regency/city governments in North Sumatera still discovered a number of frauds which APIP in regency/city inspectorates could not identify, which indicates that APIP in inspectorates has not been able to perform its roles and functions properly and shows APIP's inability to assess and detect potential frauds. An improvement in the ability to perform audit risk management will affect the quality of the report of the internal audit conducted by APIP and enable BPK to perform its duty more easily while conducting a general audit.

Such a condition of the poor internal monitoring function allegedly results from the use of an approach which should be obsolete to perform the audit. As stated previously, local government internal supervisors had better begin to apply the Risk-Based Internal Audit (RBIA) approach, which is a risk-based approach to internal control. This research tries to examine the effects arising from the roles of internal auditors, commitment of the top management, and professional development on successful implementation of the risk-based internal audit in regencies/cities in North Sumatera Province.

2. LITERATURE REVIEW

2.1. Process-Based Audit

A shift in the auditing approach, i.e. from a system-based audit to a process-based audit, and currently to a risk-based internal audit, causes many researchers to conduct research into a risk-based internal audit. For example, research conducted by Eshikhati (2012); Kirogo *et al.* (2014); Nyarombe *et al.* (2015); and so on. Eshikhati studied factors affecting implementation of the public sector risk-based audit in Kenya. Eshikhati's research focused on five key factors: the internal audit function, commitment of the top management, training, the policy framework, and the communication process. The risk-based internal audit (RBIA) is found as a complex process that tends to continue for several years. The successful RBIA implementation requires careful planning and implementation. Research findings suggest that a risk-based audit enhances transparency, accountability, and responsiveness to local

expenditure policy priorities and covers almost all aspects of financial management at local level (Burhan *et al.*, 2015a; 2015b; Muda & Naibaho, 2018 & Muda & Hutapea, 2018). It is revealed that perceptions of the role of the internal audit function largely affect the adoption of RBIA.

An internal audit examination is designed to ensure compliance with the appropriate audit procedures. In order that RBIA can be adopted properly, the top management play a vital role in the process of RBIA implementation because they have to make sure that resources are available for the internal audit function. Human Resources (HR) significantly affect the adoption of RBIA. Human resource support is very important because the RBIA process itself is implemented by them. This commitment must be illustrated through actions so that they must develop trust in it and act as role models for others in the organization to follow and support it. They must ensure the availability of resources as this will help alleviate the job of auditors and accelerate the implementation at the right time. Then, findings of the research by Nyorambe *et al.* (2015) suggest that risk assessment helps to detect risks and improve financial performance in insurance companies. Risk assessment helps minimize risks, and improves transparency and accountability so as to improve the financial performance of insurance companies in Nakuru City. Internal auditors' understanding of the risks facing insurance companies, risk assessment consideration in identifying wrongdoings, statement from auditors of the work environment being assessed and the risk management, involvement of auditors in the process of risk evaluation and identification of changes made by auditors that affect a company's financial performance. Lastly, research by Nyorambe *et al.* reveals that there is a strong and positive relationship between risk assessment and financial performance of insurance companies in Nakuru City.

2.2. Risk-Based Internal Audit

The risk-based internal audit (RBIA) approach is a method adopted by auditors to determine which audit procedures to be performed, i.e. based on the risk or an indication of a greater possibility that a transaction or the level of transaction, account or balance, and/or disclosure of misstatements, that enables auditors to realize the audit objective. Evaluation and consideration of the risk-based internal audit approach are the consequences that normally arise from attempts to improve and develop services performed by the auditing profession.

The risk-based internal audit theory is applied to the internal control and risk management system, which requires all departments to build awareness of risk management, identify risk control points, take the right measures to control, and record various types of risk control, and perform the risk-based internal audit that provides important data (Doolin and Lawrence, 1997). According to this theory, it is the management that should perform the tasks of identifying and managing risks, while one of the major roles of an internal audit is to provide assurance that such risks are well managed (Alexander, 1991). Professional internal auditing activities can achieve their mission as the cornerstone of governance by positioning their work within the context of an organization's risk management framework. This involves looking at the ways managers identify, assess, respond, and report risks, and how well they monitor how responses to the risks work. Internal auditors must have a paradigm that is aligned with the goals of an organization. The ways they work have to be tailored to the demands of stakeholders as well, including the management. For the management, the topic that interests them most is the topic on effective ways to achieve the predetermined goals. The management should be aware that they will have to deal with risks regardless of the method they choose. However, the management certainly expect the smallest risk possible, even though it will be impossible to remove it completely. The objective of internal auditors now is to support the

management to minimize the resulting risk, resulting in the emergence of the concept of risk-based internal auditing (RBIA).

Why should internal auditors change their paradigm? Since the beginning, they have become part of the organization and function in favor of the management, have not they? It is true that internal auditors have been designed to be part of the organization and to support the management. Therefore, internal auditors should have the same language and orientation as those of the management. Unfortunately, the former paradigm of an internal audit does not use the same language as that of the management. The former paradigm that puts emphasis on the control-based aspects is no longer deemed relevant because it is not directly connected with the focus of the objectives set by the management. Focusing on the control-based aspects may direct auditors to areas/sectors that are actually not the focus of the management's objective, making results of the internal audit do not directly affect the achievement of objectives. In addition, there is every likelihood that the outcome is merely a list of supervisory shortcomings along with recommendations for additional supervision that are considered to increase the management's workload. Although auditors already focus on risks, the management still require assistance in terms of control-related issues. But, the priority is on control that directly affects the achievement of their objectives. In fact, internal auditors are required to have higher abilities in order to be able to link between control and the goals and risks of the organization as a whole. Thus, RBIA turns internal auditors' perspective into a more bigger and comprehensive one. Griffiths (2006) states that there are 3 stages in the implementation of RBIA, namely:

- assessing the maturity level of the enterprise risk management process
- creating an audit plan
- implementing the individual assurance audit.

2.3. Determinants of Successful RBIA Implementation

Over the past three decades, criticism about performance of the government has emerged worldwide from the whole political spectrum. Critics think that the government is inefficient, ineffective, overpriced, overly bureaucratic, burdened by unnecessary regulations, unresponsive to the decreative expectation and needs of the public, undemocratic, invasive towards the personal right of the citizens, concerned about itself, and failed to provide service quality the taxpayer community deserve (Callender and Mathews, 2000 & Nasir *et al.*, 2017). Based on the foregoing, an adequate internal audit is required. Implementation of a risk-based internal audit approach can work best if supported by the following factors.

2.4. The Role of the Internal Audit Function

For many, the role of the internal audit function remains a complete mystery. This is evident from the history and existence of the internal audit function in the local government. On the one hand, the internal audit function helps local heads to supervise the execution of the budget, but on the other hand, it seems that internal auditors have no independence. In the event that misappropriation in the execution of financial management at local level is undertaken by a local head, the inspectorate cannot function optimally to give a reprimand. Internal auditors of a local government were formerly called *Bawasda* and now they are referred to as *Inspectorate*. Strategies to modernize the internal audit methodology have managed to cause a shift in the operation of the internal audit department in the public sector from post-dominated audit mapping activities to risk-based approaches that focus on contributing to broader organizational goals. Such a shift has resulted in a more effective and strategic focus in its operations; implementation of internal audit standards and best practices

promulgated by the Institute of Internal Auditors (IIA) and improved governance through the establishment of an audit and risk management committee. RBIA provides a system for determining priority in the event of competition over limited resources. As a fundamental measure towards forward-looking, proactive, accountable, and innovative public services, all heads of public institutions should be required to develop and implement a risk management framework.

2.5. Commitment of the Top Management

The main prerequisites to successfully change an approach into a risk-based internal audit approach are strong and active leadership support and better governance structures. The agreement and active participation of the internal audit head (inspector), senior management (local government organization heads), audit staff, accounting staff, and senior operational management should be turned into a climate that encourages independent evaluation of the effectiveness of risk management, control, and governance (Van Gansberghe, 2005). The top management is involved in designing an information system to be adopted by the organization in which they affect the variable *the environment* that is most likely to be noticed within the organization (Sandelands, 1994). They are also required to provide timely and accurate feedback on performance and performance of the organization. The individual business units of the organization used by auditors to provide certainty.

2.6. Training

In the broad sense, the definition of training includes any efforts undertaken within or outside the organization to improve knowledge and skills related to the work of both managers and employees (Kitching and Blackburn, 2002 & Erwin *et al.*, 2018). Although this definition captures important parameters, Skills Assessment Report (2002) also emphasizes specifically the need to differentiate between formal and informal training approaches. Kimwele (2011) notes that the public sector generally undergoes a shortage of skilled labor, and efforts to improve skills at the government level are often frustrating. In the corporate sector, risk management and a risk-based internal audit were implemented previously. Abdullah and Al-Araj (2011), in their research, the audit of the traditional audit business history undertaken in Jordan with a view to establishing the audit approach currently used by auditors in Jordan; the absence of adequate training in RBIA implementation, inability to evaluate business risks objectively, lack of professional efficiency among auditors and the absence of professional standards governing the RBIA approach. The conclusion that RBIA is a consultant rather than an audit approach and lack of clarity on business risks affect implementation and training in relevant areas is recommended.

2.7. Research Design and Hypothesis

The present research employs a quantitative approach. The team of researchers tried to use a quantitative approach where the factors under study were hypothesized from previous studies. Based on the previous description, the research design is illustrated as follows:

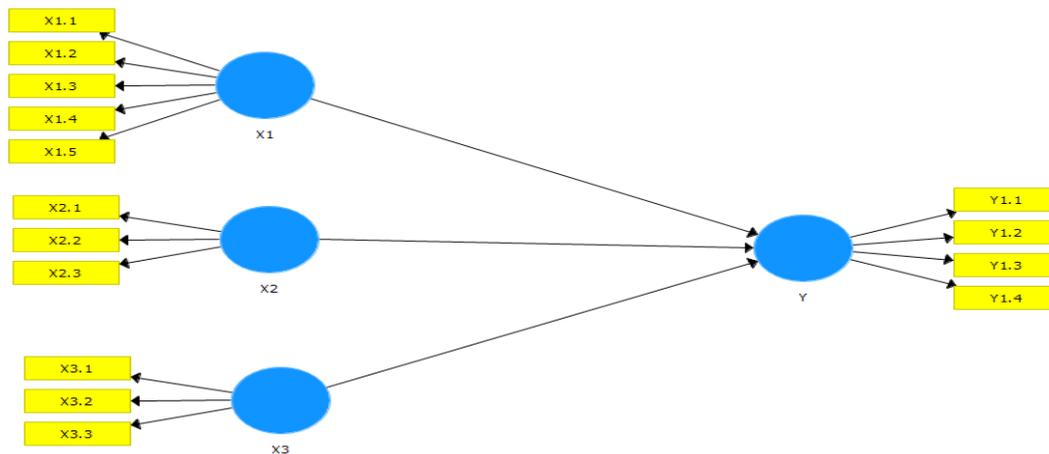


Figure 1 Research Design

Based on the background to the research and the literature review, the team of researchers tried to formulate the following research hypothesis: “The role of the function of an auditor, commitment of the top leadership, and training affect the success of the risk-based internal audit implementation in regencies/cities in North Sumatera Province.”

3. RESEARCH METHOD

The research population consist of all internal auditors of the inspectorates of Serdang Bedagai Regency, Dairi Regency, Binjai City, and Tebing Tinggi City. In addition, in this research, the team of researchers also used informants understanding the research conducted (Achmad *et al.*, 2017 & Badaruddin *et al.*, 2017). The researchers used primary data to directly obtain information about the implementation of the risk-based internal audit process. In addition to the qualitative approach, this research also employed a quantitative approach to answer the proposed research hypothesis (Syahyunan *et al.*, 2017). To prove the hypothesis, the research team used the method *Structural Equation Model* (SEM) coupled with the software *Smart PLS*. The research variables consisted of *Implementation of the Risk-Based Internal Audit* as the dependent variable and the independent variables (1) *Role of the Function of an Auditor*, (2) *Commitment of the Top Management*, and (3) *Training*. Those variables were measured using a Likert scale, i.e. an attitude scale indicating the extent to which respondents agree with the statements proposed in the list of questions (Muda *et al.*, 2018a; 2018b; 2018c; 2018d; 2018e ; 2018f & 2018g). To analyze the research data, the approach *Partial Least Square* (PLS) was used. PLS is an equation model of the Structural Equation Modeling (SEM) which is based on components or variants (Muda *et al.*, 2017; 2017b; Muda, 2018b & 2018c). PLS is an alternative approach that shifts from a covariance-based SEM approach to a variance-based SEM approach.

4. RESULT & DISCUSSION

4.1. Result

After processing characteristics of the data and descriptive statistics in general, the researchers then performed advanced analysis using Structural Equation Model (SEM). The data obtained in this research were analyzed using the approach *Partial Least Square* (PLS). The outer-model test began by estimating or predicting the parameters (Erlina *et al.*, 2017a & 2017b; Lubis *et al.*, 2017; Nurlina & Muda, 2017; Agustina *et al.*, 2018; Nasution *et al.*, 2018; Lubis *et al.*, 2018; Tripriyono *et al.*, 2018; Kesuma *et al.*, 2018A & 2018b & Muda, 2018a). The especially by calculating PLS algorithms with the following results:

Performance Appraisal of Government Internal Supervisory Apparatus (APIP) in Implementation of Compliance Audit at Inspectorate of Medan City, Indonesia

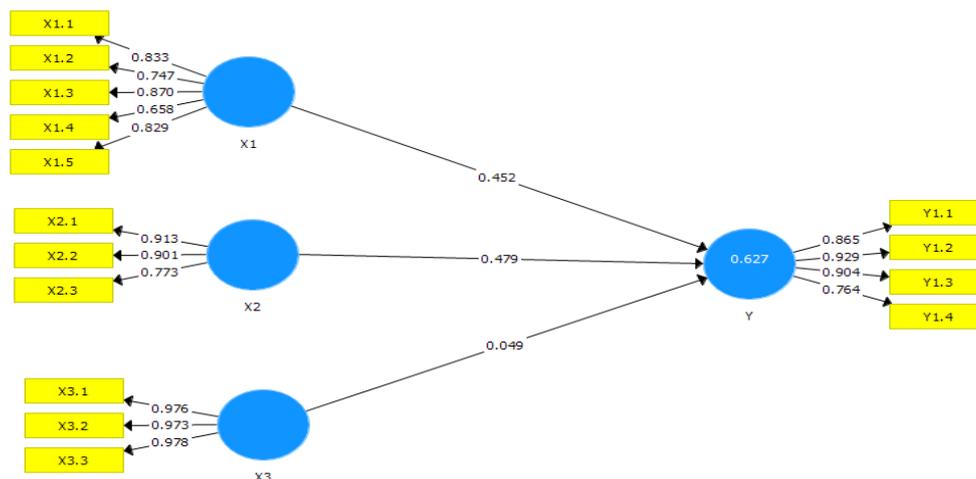


Figure 2 Display of the PLS Output

Based on results of the outer-model test, which included the convergent validity test, the discriminant validity test, and the reliability test, it can be concluded that all indicators used to measure each variable are valid and reliable (Azlina *et al.*, 2017; Dalimunthe *et al.*, 2017; Ferine *et al.*, 2017; Hasan *et al.*, 2017; Handoko *et al.*, 2017; Hutagalung *et al.*, 2017; Sirojuzilam *et al.*, 2017; Sihombing *et al.*, 2017; Nurlina & Muda, 2017; Sadalia *et al.*, 2017 & Pohan *et al.*, 2018), based on the research’s conceptual framework. The structural model in the PLS was evaluated using R-square for the dependent variable and the value of the coefficient for the independent variables whose significance were then assessed based on the t-statistic value of each path. The PLS results in assessing the value of the path coefficient and R-square can be seen in Figure 2 and Table 1.

Table 1 The Value of t-Statistics

Exogenous	-->	Endogenous	Path Analysis	t-Statistics	p Value	Conclusion
Role of the Function of Internal Auditors (X ₁)	-->	RBIA Implementation (Y)	0.452	4.455	0.000	Accepted
Commitment of the Top Management (X ₂)	-->	RBIA Implementation (Y)	0.479	4.066	0.000	Accepted
Training (X ₄)	-->	RBIA Implementation (Y)	0.049	0.855	0.393	Rejected

Source : SMART PLS Result (2018).

Based on Table 2 above, the resulting structural equation is:

$$\text{RBIA Implementation} = 0.452 \text{ Role of the Function of Internal Auditors} + 0.479 \text{ Commitment of the Top Management} + 0.049 \text{ Training}$$

4.2. Discussion

Findings of this research suggest that the success of the implementation of the risk-based internal audit is determined by the role of the function of internal auditors and commitment of the top management. As for the variable *training*, it has no significant effect on the success of the RBIA implementation. Based on results of the interviews, some respondents indicated that local government organizations are not yet ready to be audited using the risk-based approach. In addition, the research team concluded that some of the respondents lacked understanding of RBIA, thus failing to explain the process to implement the Risk-Based Internal Audit. In an

attempt to improve RBIA implementation, respondents recommended strengthening supervision of the performance of auditors, improving supervision quality across all local government organizations, improving education of audit practitioners, introducing new audit standards, and educating the public about the function of an audit and the job of an auditor. The majority of the respondents recommended educating users as an approach to improving their understanding and reducing perceptual differences. Overall, the main solution lies in enhancing the level of independence and responsibilities of auditors using more punitive measures to reduce government reporting scandals thereby paving the way for improved audit quality.

Respondents dealt with challenges and there is a common misconception about the ways auditors determine some audit procedures in the course of an audit. They thought that they lacked independence in performing their duties, found it hard to undertake more focused supervision over an activity they deem to be highly prone to wrongdoings and frauds, and dealt with a condition where local government organizations accused inspectorates of exaggerating when they are trying to identify any wrongdoings and/or frauds. On the other hand, audit report users have high expectations for the inspectorate to discover and follow up on audit findings. Inspectorates often felt disappointed due to the absence of any follows-up to the audit findings. Respondents perceived that their role in internal audit has limitations. Severe criticism and litigation against inspectorates as the officials in charge of an audit indicate a gap between what the public expects from auditors and the perceived performance of auditors by the organization. Commitment of the top management is deemed vital for the whole local government organizations for effective RBA implementation. Employees at all levels of the organization thought that the top management did not provide adequate support in connection with the implementation of RBIA. They recommended internalization of the principles of strategic risk management in order that all employees can work more effectively. Inappropriate training can lead to lack of commitment to the right work procedures, poor supervision, and demoralized personnel. This may mean that the level of service provided within the organization does not conform to the standards, thereby requiring changes. Managers at every level of the organization are responsible for ensuring that employees have the skills required to perform the necessary work. Carrying out these managerial tasks includes providing effective training to team members in the existing work policies and procedures as well as standards and regulations, and identifying the need for skill-based training and ensuring that such training is available for those employees who need it.

5. CONCLUSIONS AND SUGGESTIONS

5.1. Conclusions

Until now, financial management at local level is currently showing less satisfactory results. This is evident from results of the LKPD audit. Poor financial management at local level in Indonesia can also be seen from various cases of corruption that occurred. Nowadays, in Indonesia the eradication of corruption becomes a very crucial and important focus. Even, the absence of corruption sets a benchmark for successful governance within a country. Therefore, to create good and healthy governance, it is necessary to apply risk management by having audits conducted by auditors, particularly internal auditors. A risk-based internal audit approach is an alternative to performing the audit function in order to run effectively and efficiently. Based on results of the analysis of the research data, it can be concluded that the research findings suggest that there are 2 factors with the most dominant effect on the success of the Risk-Based Internal Audit implementation in local governments, namely (1) the Role of the Function of Internal Auditors, and (2) Commitment of the Organization.

5.2. Suggestions

Based on the research findings, it is recommended that local governments implement the Risk-Based Internal Audit, by firstly considering the position of internal auditors within the organizational structure and specifying their rights and obligations more clearly. In addition, the most important aspect to note in the implementation of the Risk-Based Internal Audit is the commitment of the top management.

REFERENCES

- [1] Abdol Mohammadi, M.J., Burnaby, P., Hass, S. 2006. A review of prior common body of knowledge (CBOK) studies in internal auditing and an overview of the global CBOK 2006. *Managerial Auditing Journal*. 21(8). 811-21.
- [2] Achmad, N; & Muda, I. 2017. Economic Activities of Karo Older Adults in Lingga Village, Tanah Karo Regency, North Sumatera, Indonesia. *International Journal of Economic Research*. 14(17). 377-388.
- [3] Agustina. T. A. S., Lubis & Muda., I., 2018. Various Aspects of The Implementation of SIMDA Which Influence The Quality of Financial Statement with The Role of PPK-SKPD as Moderating Variable (A Case Study at The SKPD of Deli Serdang Regency). *Advances in Economics, Business and Management Research (AEBMR)*. 46. 176-183.
- [4] Alexander, L.D. 1991, Strategy' implementation: nature of the problem. *International Review of Strategic Management*. 2(1). 73-91.
- [5] Anchor Gibson, M.S. 2003. Is corporate governance ineffective in emerging markets?, *Journal of Financial and Quantitative Analysis*. 38(1). 231-50.
- [6] Azlina, N. A.Hasan, Desmiyawati & Muda, I. 2017.The Effectiveness of Village Fund Management (Case Study at Villages in Coastal Areas in Riau). *International Journal of Economic Research*. 14(12). 325-336.
- [7] Badaruddin; Revida, E; Ermansyah & Muda, I. 2017. Village Governance with Implementation of Law Number 6 of 2014 on The Village and Village Administration. *International Journal of Economic Research*. 14(17). 389-402.
- [8] Bell, T., F. Marrs, Ira Solomon, and H. Thomas. 1997. *Auditing Organizations Through a Strategic- Systems Lens: The KPMG Business Measurement Process*. KPMG Peat Marwick LLP.
- [9] Bell, Timothy B, and Ira Solomon. 2002. *Cases in Strategic - Systems Auditing*. KPMG LLP, the U.S. member firm of KPMG International, a Swiss nonoperating association.
- [10] Brody, R.G., Lowe, D.J. 2000. The new role of the internal auditor: Implications for internal auditor objectivity, *International Journal of Auditing*. 4(3). 169-76.
- [11] Burhan, J., Erlina, Sirojuzilam, N.Y.Kahar, R. T. Mohamad & A. A. Zulkefle. 2015a. An analysis of the effects of electrical energy distribution on the economic growth of Medan. *International Journal of Applied Engineering Research*. 10(17). 38271-38273.
- [12] Burhan, J., Sirojuzilam, Erlina & N.Y.Kahar. 2015b. Regional planning and development of kota Medan: Effect on electrical power distribution (case study on Medan city development area). *International Journal of Applied Engineering Research*. 10(17). 38286-38290.
- [13] Callander.G.and Mathews.D. 2009. Government Purchasing:An evolving professional. *Journal of Public Budgeting Accounting and Financial Management*. 12(2) 272-290
- [14] Chola O..T. 2000. The Status of Computer Auditing in Kenya. Unpublished MBA Project. University of Nairobi.

- [15] Dalimunthe, D.M.J., & Muda, I. 2017. The Empirical Effect of Education and Training to The Performance of Employees. *International Journal of Economic Research*. 14(21). 403-413.
- [16] DcFond, M.L., Francis, J.R., Wong, T.J. 2000. Auditor industry specialization and market segmentation: evidence from Hong Kong, *Auditing: A Journal of Practice & Theory*. 19(1). 49-66.
- [17] Doolin. B. S. 1997. Managerialism, Information technology and health reform in New Zealand. *The International journal of Public Sector management*. 10(1/2). 108-122.
- [18] Eisenstat, R. 1993. Implementing strategy: developing a partnership for change. *Planning Review*. 21(5). 33-6.
- [19] Erlina, A. Saputra & Muda, I. 2017a. Antecedents of Budget Quality Empirical Evidence from Provincial Government In Indonesia. *International Journal of Economic Research*. 14(12). 301-312.
- [20] Erlina. 2017. Conflict of interest impact: Factors analysis affecting the budget quality in Medan City. *International Journal of Economic Research*. 14(8). 135-145.
- [21] Erlina. A. Saputra & Muda, I. 2017b. The Analysis of the Influencing Factors of Budget Absorption. *International Journal of Economic Research*. 14(12). 287-300.
- [22] Erwin, K., Abubakar, E., Muda, I. 2018. The relationship of lending, funding, capital, human resource, asset liability management to non-financial sustainability of rural banks (BPRs) in Indonesia. *Journal of Applied Economic Sciences*, Volume XIII, Spring.2(56).520 – 542.
- [23] Ferine, K. Farida; Ermiaty, C. & Muda, I. 2017. The Impact of Entrepreneurship and Competence On Small Medium Enterprises Tangan Di Atas Medan Entrepreneurs' Work Performance. *International Journal of Economic Research*. 14(16). 380-393.
- [24] *Financial Management Accounting*. 2008. FM Solutions arc issued by the Financial Management. New York.
- [25] Flynn, N. 2000. Managerialism and public services: some international trends', in John Clarke, Sharon Gewirtz and Eugene McLaughlin (eds), *New managerialism, new welfare?* London: Sage/Open University.
- [26] Goodwin, J. 2003. The relationship between the audit committee and the internal audit function: evidence from Australia and New Zealand, *International Journal of Auditing*. 7(3).263-76.
- [27] Government of Kenya. 2009. Success stories in public Finance management Reforms in Kenya,Nairobi. Office of the Deputy Prime Minister and Ministry of Finance.
- [28] Hair, Joseph. 2003. *Social research methods*. Inc., West Hartford, CT
- [29] Handoko, B. Sunaryo & Muda, I. 2017. Difference Analysis of Consumer Perception of Motorcycle Product Quality. *International Journal of Economic Research*. 14(12). 363-379.
- [30] Hasan, A., Gusnardi & Muda, I. 2017. Analysis of Taxpayers and Understanding Awareness Increase in Compliance with Taxpayers Individual Taxpayers. *International Journal of Economic Research*. 14(12). 75-90.
- [31] Henn, M.,Weinstein,M.& Ford,N. 2006. *A short Introduction to social research*, New Delhi Vistaar Publicastions.
- [32] Hood, Christopher, Craig Beeston and Ruth Dixon. 2007. Rating the Rankings: Assessing International Rankings o f Public Service Performance". Paper prepared for the 1PMN

Performance Appraisal of Government Internal Supervisory Apparatus (APIP) in Implementation of Compliance Audit at Inspectorate of Medan City, Indonesia

- Workshop. Ranking and Rating Public Services', Worcester College, Oxford, 7-9 August 2007.
- [33] Hutagalung, B., Dalimunthe, D.M.J, R., Pambudi, A.Q. Hutagalung & Muda, I. 2017. The Effect of Entrepreneurship Education and Family Environment Towards Students' Entrepreneurial Motivation. *International Journal of Economic Research*. 14(20). 331-348.
- [34] Jones, L.R, and Thompson. F. 1999. *Public management: Institutional Renewal for the 21st Century*. Stanford, C.T:JAI -Elsewer Press.
- [35] Kariuki, R., N. 2002. *The Use of Assessment Centers in Multinational Auditing Firms in Nairobi*. Unpublished MBA Project, University of Nairobi.
- [36] Kesuma, S, I., Erlina & Muda, I. 2018a. Influence of Beverages and Tobacco Export and Raw Material Export on the Economic Growth. *Emerald Reach Proceedings Series*. 1. 335–341. DOI 10.1108/978-1-78756-793-1-00060.
- [37] Kesuma, S, I., Erlina & Muda, I., 2018b. Influence of Natural Rubber Latex Export and Food and Animals Export to the Economic Growth. *Emerald Reach Proceedings Series*. 1. 607–613. DOI 10.1108/978-1-78756-793-1-00061.
- [38] Kibara ,C.W (2007), *A survey of Internal Audit Risk nmanagement Practices in Banking Industry in Kenya*. Unpublished MBA Prioject, University of Nairobi.
- [39] Kibet, P.K 2008. *A survey on the role of Internal Auditnin Promoting good Corporate Governance*. Unpublished MBA Project University of Nairobi.
- [40] Kumar.P. 2012. *Risk based internal Auditing Indian Perspective* Lares-Mankki, L (1994), *Strategy Implementation Bottlenecks: Identification, Analysis and Removal*, Lappeenranta University of Technology, Lappeenranta.
- [41] Leona,C. 2010. *The roles and challenges of Internal Auditing in the banking Sector in Kenya*. Unpublished MBA Project, University of Nairobi.
- [42] Lindow, P.E., Race, J.D. 2002. Beyond traditional audit techniques. *Journal of Accountancy*. 194(1). 28-33.
- [43] Lubis, A., Rustam & Muda, I. 2017. Factors Affecting The Cost of Agency of Village Owned Enterprise (BUMDES) in Indonesia. *International Journal of Economic Research*. 14(21). 151-166.
- [44] Lubis, A., Rustam & Muda, I. 2018. Analysis of Ownership and Stock Composition of Vocational Business Enterprises (BUMDES) and Its Impact on "Omset" of Business Owned Enterprises. *Advances in Economics, Business and Management Research (AEBMR)*. 46. 274-277.
- [45] Mihret, D.G., Yismaw. A.W. 2007. Internal audit effectiveness: an Ethiopian public sector case study. *Managerial Auditing Journal*, 22(5). 470-480.
- [46] Muda, I & A.A.F.Hutapea. 2018. Influence of capital expenditure and income original region to the income per capita in Indonesia. *IOP Conference Series: Earth and Environmental Science*. 2018. 126 doi:10.1088/1755-1315/126/1/012065.
- [47] Muda, I, 2018c. The Effect of Allocation of Dividend of the Regional Government-Owned Enterprises and the Empowerment Efforts on the Revenue of Regional Government: The Case of Indonesia. *European Research Studies Journal*. XX(4B). 244-259.
- [48] Muda, I, F Roosmawati, H S Siregar, Ramli, H Manurung & T Banuas. 2018a. Performance Measurement Analysis of Palm Cooperative Cooperation with Using Balanced Scorecard. *IOP Conference Series : Materials Science and Engineering* 2017. 288. doi: 012081 doi:10.1088/1757-899X/288/1/012081.

- [49] Muda, I, M.Ismail & Marhayanie. 2017a. Impact Allocation Capital Expenditure on The Improvement of the Local Government Assets in North Sumatra and Effect on Local Revenue Sustainability. *International Journal of Economic Perspectives*. 11(2). 110-123.
- [50] Muda, I, Rahmanta, Marhayanie & A S Putra. 2018b. Institutional Fishermen Economic Development Models and Banking Support in the Development of the Innovation System of Fisheries and Marine Area in North Sumatera. *IOP Conference Series : Materials Science and Engineering*. 2017.288. doi:10.1088/1757-899X/288/1/012082.
- [51] Muda, I, Rahmanta, S. Adi & Marhayanie. 2017b. The Role of Working Capital, Productivity, Applied Technology and Selling Market Prices on Fisherman's Revenues. *International Journal of Economic Research*. 14(20). 85-97.
- [52] Muda, I., H S Siregar, S A Sembiring, Ramli, H Manurung & Z Zein. 2018c. Economic Value of Palm Plantation in North Sumatera and Contribution to Product Domestic Regional Bruto. *IOP Conference Series : Materials Science and Engineering* 2017. 288. doi: 10.1088/1757-899X/288/1/012080.
- [53] Muda, I., & R. Naibaho. 2018. Variables influencing allocation of capital expenditure in Indonesia. *IOP Conference Series: Earth and Environmental Science*. 2018. 126. doi:10.1088/1755-1315/126/1/012066.
- [54] Muda, I., 2018a. Influence of Assets and Investments on Investment Yield Sharia Insurance in Indonesia. *Emerald Reach Proceedings Series*. 1. 563–569. DOI 10.1108/978-1-78756-793-1-00059.
- [55] Muda, I., 2018b. Influence of Gross Domestic Product and Population on the Investment Yield Sharia Insurance in Indonesia. *Emerald Reach Proceedings Series*. 1. 517–522. DOI 10.1108/978-1-78756-793-1-00055.
- [56] Muda, I., A.H. Harahap, Erlina, S.Ginting, A,Maksum &E.Abubakar. 2018d. Factors of quality of financial report of local government in Indonesia. *IOP Conference Series: Earth and Environmental Science*. 2018. 126 doi:10.1088/1755-1315/126/1/012067.
- [57] Muda, I., M. Khaddafi., &A. Kholis., 2018e. Influence of Sharia Stock and Corporate Sukuk on the Investment Yield Sharia Insurance in Indonesia. *Emerald Reach Proceedings Series*. 1. 473-479. DOI 10.1108/978-1-78756-793-1-00054.
- [58] Muda, I; M. Weldi; Siregar, H.S, & Indra, N. 2018f. The Analysis of Effects of Good Corporate Governance on Earnings Management in Indonesia with Panel Data Approach. *Iranian Economic Review*. 22(2). 657-669.
- [59] Muda., I., R. B., Nasution., Erlina., H. S. Siregar., & S. Katircioglu. 2018g. The Effect of The Existence of Large and Medium Industries on The Absorption of Labor in Sumatera Utara. *Advances in Economics, Business and Management Research (AEBMR)*. 46.253-257.
- [60] Nasir, Azwir. Y. M. Basri, Kamaliah & Muda, I. 2017. Effectiveness of Potential Tax Region as the Real Local Revenue Sources in Riau Coastal Area. *International Journal of Economic Research*. 14(12). 313-324.
- [61] Nasution., R.B., Muda., I., Erlina., H.S.Siregar., & S.Katircioglu., 2018. Variaton of Industrial Type Contributions on Working Performance. *Advances in Economics, Business and Management Research (AEBMR)*, 46. 258-262.
- [62] Nurlina & Muda, I. 2017. The Analysis of The Effects of Capital Expenditure and Human Development Index on Economic Growth and Poverty in East Aceh Regency. *International Journal of Economic Research*. 14(17). 415-428.
- [63] Nutt, P.C. 1995. Implementation style and use of implementation approaches', *International Journal of Management Science*. 23(5). 469-484.

Performance Appraisal of Government Internal Supervisory Apparatus (APIP) in Implementation of Compliance Audit at Inspectorate of Medan City, Indonesia

- [64] Pohan., Nurhaida, Badaruddin., R.F Dalimunthe., A.Purwoko., & Muda, I. 2018. The Effects of Human Resource Development and Institutional Arrangements on Performance, Service Quality and Area Development in Indonesia. *QualityAccess to Success*. 19(163). 94-102.
- [65] Sadalia, .I; N. A.B. Rahamani & Muda, I. 2017. The Significance of Internet Based Financial Information Disclosure on Corporates' Shares in Indonesia. *International Journal of Economic Research*. 14(12). 337-346.
- [66] Sihombing, M., Muda, I, E. Jumilawati &A. Dharsuky. 2017. Factors Affecting The Success of Local Innovation Systems with Government Programs As Moderators. *International Journal of Economic Research*. 14(21). 272-289.
- [67] Sirojuzilam., S. Hakim., & Muda, I, 2018. Role of Planning And Budget to The Development of Agropolitan Area. *Advances in Economics, Business and Management Research (AEBMR)*, 46. 138-142.
- [68] Syahyunan, Muda' I, Siregar, H.S, Sadalia, I. & Chandra' G. 2017. The Effect of Learner Index and Income Diversification on The General Bank Stability In Indonesia. *Banks and Bank Systems*. 12(4). 171-184.
- [69] Tripriyono., A., Erlina & Muda, I, 2018. The Effect of The Political Environment and The Economic Environment on The Welfare of Community. *Advances in Economics, Business and Management Research (AEBMR)*. 46. 49-53.
- [70] Zamree Amin, Roslina Mohammad, Norazli Othman, Astuty Amrin, Shreeshivadasan Chelliapan, Saárdin Abdul Aziz and Nurazeen Maarop, A Review on Guidelines Related to the Risk Assessment Of A Confined Space, *International Journal of Mechanical Engineering and Technology* 8(11), 2017, pp. 423–448.
- [71] Nagalla Vasishta, D. Satish Chandra and SS. Asadi, Analysis of Risk Assessment in Construction of Highway Projects using Relative Importance Index Method, *International Journal of Mechanical Engineering and Technology* 9(3), 2018. pp. 1–6
- [72] Rachid Ouache, Ali A.J Adham, Noor AzlinnaBinti Azizan, Integrate Fault Tree Analysis And Fuzzy Sets in Quantitative Risk Assessment, *International Journal of Advanced Research In Engineering and Technology (IJARET)*, Volume 5, Issue 10, October (2014), pp. 12-20