THE IMPLEMENTATION OF MANAGEMENT AUDIT TO EVALUATE FINANCIAL FUNCTION
(Case Study at PT. Perkebunan Nusantara X (Persero) Surabaya)

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Abstract

The Implementation of Management Audit to Evaluate Financial Function (Case Study at PT. Perkebunan Nusantara X (Persero) Surabaya). Business growth which involves in running the economic cycle in a country has an impact towards the economic growth of the country itself. A company can grow in advance because it has good planning in financial managing. Management audit refers to an activity to get and evaluate evidences about efficiency, effectivity, and economization of the operating activity in order to achieve company’s goal. This research is conducted at PT. Perkebunan Nusantara X (Persero) which has sugar factories and tobacco fields in Indonesia. This study aims to determine the implementation of management audit in financial function at PT. Perkebunan Nusantara X (Persero) and examine financial function’s performance based on the principles of efficiency, effectivity, and economization. The method used is descriptive research with qualitative approach. The result shows that management audit in PT. Perkebunan Nusantara X (Persero) is performed by internal auditor. The result of data analysis over the period 2011-2013 shows that the efficiency in PT. Perkebunan Nusantara X (Persero) is not fully accomplished. The effectivity of financial function is measured by the achievement rate of income which is already effective, liquidity ratio, solvability ratio, and activity ratio. The economization based on general and administration cost reached its highest in 2013, meanwhile the economization based on marketing cost reached its highest in 2011.

Keywords: management audit, efficiency, effectivity, economization
INTRODUCTION

A company is formed with the purpose to earn profit as much as possible by paying attention to the opportunities and existing market share. A company can grow in advance because it has good planning in financial managing. Therefore, it needs good and expert human resources in financial managing to improve company’s effectiveness.

Management audit refers to an activity to get and evaluate evidences about efficiency, effectivity, and economization of the operating activity in order to achieve company’s goal. Criteria used to measure efficiency, effectivity, and economization can be ruled by the management or the competent institution. Management auditor can also help the management to arrange the criteria that will be used.

Management audit can be implemented on every aspect that exists in a company, including management audit in marketing function, purchasing function, production function, human resources function, quality assurance audit, and electronic data processing audit. One of management functions having an important role is financial function. The information from financial function becomes an important input for top management in the process of decision making to improve company’s performance.

2013 becomes a tough year for PT. Perkebunan Nusantara X (Persero). The decreasing of sugar production and the increasing of operational cost cause PT. Perkebunan Nusantara X (Persero) happens to be lower in earning profit compared to previous years. Management audit is needed to examine financial function’s performance.

This research aims to determine the implementation of management audit in financial function at PT. Perkebunan Nusantara X (Persero) over the period 2011-2013 and to evaluate its implementation, so that the efficiency, effectivity, and economization can be acknowledged.

THEORETICAL FRAMEWORK

1. Auditing

According to Arens, et all. (2011:15), auditing is collecting and evaluating evidences towards the information to determine and report the level of suitability of the information with the criteria that have been set. Audit has to be done by someone who is competent and independent.

2. Management Audit

2.1 Definition of Management Audit

In accordance to Agoes (2012:1), management audit is an examination towards company’s operating activity, including accounting policy and operational policy that had been determined by the management to acknowledge if its operating activity has been done effectively, efficiently, and economically.

2.2 Scope and Target of Management Audit

IIA (The Institute of Internal Auditors) defined scope, as cited on Cashin, et all. (2001:31), management is responsible for setting operating standards to measure an activity’s economical and efficient use of resources. Internal auditors are responsible for determining whether:

a. operating standards have been established for measuring economy and efficiency
b. established operating standards are understood and are being met
c. deviations from operating standards are identified, analyzed, and communicated to those responsible for corrective action
d. corrective action has been taken

Target of management audit can be divided by three, which are criteria, cause, and effect.

2.3 Stages of Management Audit

There are five stages that must be done in management audit. According to Bayangkara (2013:9), the stages are preliminary audit, review of management control, detailed auditing, reporting, and follow-up.

3. Financial Management Control

In accordance to Romney (2006:236), financial management control includes 5 things, they are; authorization of transaction and adequate activity; segregation of duties; document using design and adequate record; adequate custody of assets and records; and independent audit on performance.

4. Financial Ratios

4.1 Liquidity Ratio

In measuring company’s liquidity, there is two generally used liquidity ratios, they are:

a. Current Ratio

Current ratio is generally used parameter to acknowledge company’s ability in fulfilling short term liability. The used formula is:

\[
\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \times 100\%
\]

(Syamsuddin, 2009:43)

b. Quick Ratio
Quick ratio is an important parameter to acknowledge company’s ability in fulfilling short term liability without counting on inventory sales. The used formula is:

\[
\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}} \times 100\%
\]

(Syamsuddin, 2009:45)

**4.2 Solvability Ratio**

There are two common ways to measure solvability ratio, they are:

a. Debt Ratio

Debt ratio is ratio to measure the amount of total assets which are funded by company’s creditor. The higher the ratio, the more company uses creditor’s fund to earn profit. The used formula is:

\[
\text{Debt Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}} \times 100\%
\]

(Syamsuddin, 2009:48)

b. Coverage Ratio

Coverage ratio measures how less company’s profit can be if there is ability to pay yearly loan interest. The higher the ratio, the better company’s ability in paying interest. The used formula is:

\[
\text{Coverage Ratio} = \frac{\text{Earning Before Interest and Taxes}}{\text{Loan Interest}}
\]

(Syamsuddin, 2009:49)

**4.3 Activity Ratio**

There are four ways to measure activity ratio, which are:

a. Inventory Turnover

Inventory is a main thing from a selling product. Therefore, the higher inventory turns, the more effective company is in managing inventory. The used formula is:

\[
\text{Inventory Turnover} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}
\]

(Sutrisno, 2007:220)

b. Average Collection Period

Average collection period used to measure receivables turnover which is done by two steps. The used formulas are:

\[
\text{Sales per Day} = \frac{\text{Yearly Sales}}{360}
\]

\[
\text{Average Collection Period} = \frac{\text{Receivables}}{\text{Sales per Day}}
\]

(Sutrisno, 2007:220)

c. Fixed Assets Turnover

Sales ratio towards fixed assets measures inventories from tools and machines. The formula used is:

\[
\text{Fixed Assets Turnover} = \frac{\text{Total Fixed Assets (net)}}{\text{Sales}} \times 100\%
\]

(Syamsuddin, 2009:73)

**4.4 Profitability Ratio**

There are three ways to measure profitability ratio, they are:

a. Net Profit Margin

This ratio shows how much net profit a company can get on every sales. In other words, it measures net profit after taxes towards sales. The used formula is:

\[
\text{Net Profit Margin} = \frac{\text{Earning After Taxes (EAT)}}{\text{Sales}} \times 100\%
\]

(Sutrisno, 2007:222)

b. Return On Assets

This ratio is a measurement of company’s ability entirely in earning profit with the entire available total assets in a company. The used formula is:

\[
\text{ROA} = \frac{\text{EAT}}{\text{Total Assets}} \times 100\%
\]

(Sartono, 2010:123)

c. Return On Equity

This ratio is used to measure the level of net profit after taxes with company’s total equities. The formula used is:

\[
\text{ROE} = \frac{\text{EAT}}{\text{Total Equities}} \times 100\%
\]

(Syamsuddin, 2009:74)

**5. Budgetting**

Budgetting is one of important factors in planning and controlling. Budgetting can be defined as a quantitative plan of business activities in an organization, budgetting identifies resources and commitment that are needed to fulfill the purpose of organization during a financial year (Simamora, 2006:202).

**RESEARCH METHOD**

The current research is using descriptive research with qualitative approach. Sangadji and Sopiah (2010:21) stated descriptive research is a research towards problems from a population based on current facts including opinion towards individual, organization, circumstance, or procedure. The research is located in financial function at PT. Perkebunan Nusantara X (Persero)
which addressed in Jembatan Merah Street Number 3-11 Surabaya, East Java. The data collection used in this research are interview, observation, and documentation. The data analysis are pointed on the stages of management audit, which are preliminary audit, review of management control, detailed auditing, reporting, and follow-up.

RESULT AND ANALYSIS

1. Preliminary Audit

Preliminary audit is an evaluating stage that includes evaluation program of financial function’s management. PT. Perkebunan Nusantara X (Persero) is a company running in sugar industry and tobacco. It is led by a President Director that is responsible to Board of Commissioners. A President Director is helped by four directors in handling company’s activities.

PT. Perkebunan Nusantara X (Persero) always does activity planning and controlling to support achieving company’s goal. Activity planning is done earlier in every year and stated on Budget Plan. As a form of controlling, PT. Perkebunan Nusantara X (Persero) held audit to help the evaluation process of its management’s activities.

Based on the background information above, tentative audit objective is formed. Tentative audit objective that contains existing potential weaknesses in PT. Perkebunan Nusantara X (Persero) is financial function. There is a weakness in financial function which is the realized costs used is higher than the budgetted costs which caused PT. Perkebunan Nusantara X (Persero) does not earn much profit than the previous year.

2. Review of Management Control

There are five aspects to review the management control at PT. Perkebunan Nusantara X (Persero) that is needed as a theoretical condition to aim efficiency, effectivity, and economization. They are:

a. Authorization of Transaction and Adequate Activity

Documentation proof towards cash outflow must be having the signature of president director. Every Working Capital Proposal (WCP) with less than IDR 50 millions will be authorized by Head Division of Financial, meanwhile WCP with more than IDR 50 millions will be authorized by Head Division of Financial and Financial Manager. Although head division of financial has controlled the expenditure of WCP that had been proposed by divisions and business units, still the costs expelled is increasing, especially operating costs, which caused by the increasing of Province Minimum Wage and inflation on 2013, which affects on the decreasing of company’s profit.

b. Segregation of Duties

The effective task separating can be approached if the function of authorization, recording, and storage is separated. Transaction authorization must be done by Head Division of Financial and Financial Manager. Accounting will be doing the recording and documentation. Meanwhile in storage case, the one who holds responsible for receiving and saving the cash is cashier.

c. Document Using Design and Adequate Record

At PT. Perkebunan Nusantara X (Persero), the used document is already having a space for authorization and printed serial number. In terms of recording, every business unit will report the financial statement of their activities monthly to accounting function in Head Office and accounting function will be recapitulating those reports so they can be made as a consolidated financial statement of PT. Perkebunan Nusantara X (Persero). Those monthly reports will be evaluated by financial function and used to control company’s budget so it will not overcome with what had been targetted.

d. Adequate Custody of Assets and Records

Asset keeping, which is cash, is done by saving all money of PT. Perkebunan Nusantara X (Persero) in bank and only saving petty cash in office for daily needs with maximal amount of IDR 10 millions. Other than that, petty cash is saved in a safe-deposit box that can only be accessed by cashier and cashier is responsible for the petty cash in it. Asset securing, which are valuable documents, such as year by year financial statement, is done by saving them in a locked cabinet and only the people in charge have access on it.

e. Independent Audit on Performance

Independent audit towards performance of PT. Perkebunan Nusantara X (Persero) is done by independent auditor from Public Accountant Office. The audit is done to acknowledge the fairness level of financial statement of PT. Perkebunan Nusantara X (Persero). Other than that, the audit is also used as an evaluation to company towards its performance during certain period, specifically in financial function so it can perform better in the next period and the
usage of cost will not overcome the budget anymore.

Based on the result of review of management control, so that definitive audit objective is determined. It can be done by auditor to analyze the entire activities of financial function in PT. Perkebunan Nusantara X (Persero).

3. Detailed Auditing
3.1 Analysis to examine the efficiency of financial function

a. Cost usage efficiency
Criteria:
Cost usage is efficient if the difference between the actual cost with the budgetted cost is positive, meanwhile it is not efficient if the difference between them is negative.
Cause:
Table 1 The Difference between The Actual Cost and the Budgetted Cost of PT. Perkebunan Nusantara X (Persero) Year of 2011-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual (A)</th>
<th>Budgetted (B)</th>
<th>Difference (A-B)</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>114,75%</td>
<td>113,66%</td>
<td>1,09%</td>
<td>Efficient</td>
</tr>
<tr>
<td>2012</td>
<td>129,24%</td>
<td>116,21%</td>
<td>13,03%</td>
<td>Efficient</td>
</tr>
<tr>
<td>2013</td>
<td>108,79%</td>
<td>118,75%</td>
<td>(-9,96%)</td>
<td>Not Efficient</td>
</tr>
</tbody>
</table>

Source: Data processed, 2015
Based on the result above, the lowest percentage difference happens on 2013 which is (-9,96%). The decreasing is caused by the lower profit the company gets as an effect of the increasing of cost usage in 2013.
Effect:
The effect of the cost increasing in 2013 makes PT. Perkebunan Nusantara X (Persero) gets lower profit, eventhough the income they get in 2013 is the highest income during the period of 2011-2013. The next step that the company can do is decreasing unnecessary costs so that the company’s profit does not get less.

b. Measurement of Profitability Ratio
1. Net Profit Margin (NPM)
Criteria:
NPM is efficient if the difference between the actual NPM with the budgetted NPM is positive, meanwhile it is not efficient if the difference between them is negative.
Cause:
Table 2 The Difference between The Actual NPM and the Budgetted NPM of PT. Perkebunan Nusantara X (Persero) Year of 2011-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual (A)</th>
<th>Budgetted (B)</th>
<th>Difference (A-B)</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>7,35%</td>
<td>5,99%</td>
<td>1,36%</td>
<td>Efficient</td>
</tr>
<tr>
<td>2012</td>
<td>16,95%</td>
<td>8,42%</td>
<td>8,53%</td>
<td>Efficient</td>
</tr>
<tr>
<td>2013</td>
<td>5,45%</td>
<td>8,80%</td>
<td>(-3,35%)</td>
<td>Not Efficient</td>
</tr>
</tbody>
</table>

Source: Data processed, 2015
Based on the result above, the lowest percentage difference is on 2013 which is (-3,35%). The decreasing is caused by the lower profit the company gets as an effect of the increasing of cost usage in 2013.
Effect:
The effect of the increasing cost in 2013 makes PT. Perkebunan Nusantara X (Persero) gets lower profit, eventhough the income they get in 2013 is the highest income during the period of 2011-2013. The next step that the company can do is decreasing unnecessary costs so that the company’s profit does not get less.

2. Return On Assets (ROA)
Criteria:
ROA is efficient if the difference between the actual ROA with the budgetted ROA is positive, meanwhile it is not efficient if the difference between them is negative.
Cause:
Table 3 The Difference between The Actual ROA and the Budgetted ROA of PT. Perkebunan Nusantara X (Persero) Year of 2011-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual (A)</th>
<th>Budgetted (B)</th>
<th>Difference (A-B)</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>6,84%</td>
<td>5,46%</td>
<td>1,38%</td>
<td>Efficient</td>
</tr>
<tr>
<td>2012</td>
<td>13,49%</td>
<td>6,99%</td>
<td>6,50%</td>
<td>Efficient</td>
</tr>
<tr>
<td>2013</td>
<td>3,41%</td>
<td>7,22%</td>
<td>(-3,81%)</td>
<td>Not Efficient</td>
</tr>
</tbody>
</table>

Source: Data processed, 2015
Based on the result above, the lowest percentage difference is on 2013 which is (-3,81%). The decreasing indicates that PT. Perkebunan Nusantara X (Persero) has not
yet completed in managing all of its assets well.
Effect:
The negative result of ROA in 2013 affects on the rate of return of PT. Perkebunan Nusantara X (Persero) which gets lower towards its total assets and profit on that period of year.

3. Return On Equity (ROE)
Criteria:
ROE is efficient if the difference between the actual ROE with the budgetted ROE is positive, meanwhile it is not efficient if the difference between them is negative.

Effect:
The low result of ROE in 2013 makes all the shareholders that invest on PT. Perkebunan Nusantara X (Persero) get less return if it is compared with the year of 2011 and 2012.

3.2 Analysis to examine the effectiveness of financial function
a. Achievement Rate of Income
Criteria:
The effectivity based on income can be defined as effective if the achievement rate is equal or more than 90%-100%.

Table 5 Achievement Rate of Income of PT. Perkebunan Nusantara X (Persero) Year of 2011-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual (A)</th>
<th>Budgetted (B)</th>
<th>Difference (A-B)</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>14,22%</td>
<td>11,39%</td>
<td>2,83%</td>
<td>Efficient</td>
</tr>
<tr>
<td>2012</td>
<td>25,66%</td>
<td>14,55%</td>
<td>11,11%</td>
<td>Efficient</td>
</tr>
<tr>
<td>2013</td>
<td>8,79%</td>
<td>12,39%</td>
<td>(-3,60%)</td>
<td>Not Efficient</td>
</tr>
</tbody>
</table>

Source: Data processed, 2015
Based on the result above, the lowest percentage difference is on 2013 which is (-3,60%). The decreasing shows that PT. Perkebunan Nusantara X (Persero) only gets less return because of the decreasing profit in 2013.
Effect:
The low result of ROE in 2013 makes all the shareholders that invest on PT. Perkebunan Nusantara X (Persero) get less return if it is compared with the year of 2011 and 2012.

b. Measurement of Liquidity Ratio
1. Current Ratio
Criteria:
Current ratio is effective if the difference between the actual current ratio with the budgetted current ratio is positive, meanwhile it is not effective if the difference between them is negative.

Table 6 The Difference between The Actual Current Ratio and the Budgetted Current Ratio of PT. Perkebunan Nusantara X (Persero) Year of 2011-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual (A)</th>
<th>Budgetted (B)</th>
<th>Difference (A-B)</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>133,84%</td>
<td>123,06%</td>
<td>10,78%</td>
<td>Effective</td>
</tr>
<tr>
<td>2012</td>
<td>150,16%</td>
<td>407,31%</td>
<td>(-257,15%)</td>
<td>Not Effective</td>
</tr>
<tr>
<td>2013</td>
<td>141,81%</td>
<td>696,24%</td>
<td>(-554,43%)</td>
<td>Not Effective</td>
</tr>
</tbody>
</table>

Source: Data processed, 2015
Based on the result above, it shows that the current ratio in 2011 is effective. While it is not effective in 2012 and 2013 because the difference between the actual current ratio and the budgetted current ratio is negative.
Effect:
The negative result shows that PT. Perkebunan Nusantara X (Persero) has not accomplished the company’s goal as planned yet. PT. Perkebunan Nusantara X (Persero) has more current liabilities than the target causing it gets small percentage of the current ratio.

2. Quick Ratio
Criteria:
The normal quick ratio for PT. Perkebunan Nusantara X (Persero) is more than or equal 100%.

Cause:
Table 7 Quick Ratio of PT. Perkebunan Nusantara X (Persero) Year of 2011-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual (A)</th>
<th>Budgetted (B)</th>
<th>Difference (A-B)</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>51.88%</td>
<td>52.08%</td>
<td>(-0.2%)</td>
<td>Effective</td>
</tr>
<tr>
<td>2012</td>
<td>47.41%</td>
<td>52%</td>
<td>(-4.59%)</td>
<td>Effective</td>
</tr>
<tr>
<td>2013</td>
<td>61.32%</td>
<td>41.72%</td>
<td>19.6%</td>
<td>Not Effective</td>
</tr>
</tbody>
</table>

Source: Data processed, 2015
The table above shows that the debt ratio in 2013 is not effective. PT. Perkebunan Nusantara X (Persero) is indicated not being able to fund company’s activities without the help from creditor.
Effect:
PT. Perkebunan Nusantara X (Persero) uses more funding from creditor than using company’s own capital to fund company’s activities.

2. Coverage Ratio
Criteria:
Coverage ratio is effective if the difference between the actual coverage ratio with the budgetted coverage ratio is positive, meanwhile it is not effective if the difference between them is negative.

Cause:
Table 9 The Difference between The Actual Coverage Ratio and the Budgetted Coverage Ratio of PT. Perkebunan Nusantara X (Persero) Year of 2011-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual (A)</th>
<th>Budgetted (B)</th>
<th>Difference (A-B)</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>5.85 times</td>
<td>4.68 times</td>
<td>1.17 times</td>
<td>Effective</td>
</tr>
<tr>
<td>2012</td>
<td>16.64 times</td>
<td>5.85 times</td>
<td>10.79 times</td>
<td>Effective</td>
</tr>
<tr>
<td>2013</td>
<td>7.56 times</td>
<td>8.33 times</td>
<td>(-0.77) times</td>
<td>Not Effective</td>
</tr>
</tbody>
</table>

Source: Data processed, 2015
The coverage ratio in 2013 is not effective and PT. Perkebunan Nusantara X (Persero) can be stated as not being able to cover its loan interest in 2013.
Effect:
In 2013, PT. Perkebunan Nusantara X (Persero) is not able to cover its loan interest so the company is in debt to cover it.
The inventory turnover of PT. Perkebunan Nusantara X (Persero) can be defined as effective if the ratio reaches more than or equal 50 times in a year.

Cause:

Table 10 Inventory Turnover of PT. Perkebunan Nusantara X (Persero) Year of 2011-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory Turnover</td>
<td>55.83 times</td>
<td>34.24 times</td>
<td>70.80 times</td>
</tr>
</tbody>
</table>

Source: Data processed, 2015

The inventory turnover of PT. Perkebunan Nusantara X (Persero) is relatively unstable. The decreasing of it in 2012 indicates that there are inventories build-up in the company.

Effect:
The results of the inventory turnover make PT. Perkebunan Nusantara X (Persero) needs to change its policy in managing inventories so that the inventories do not accumulate and can be faster to change them into revenue which will also affect on company’s profit.

2. Average Collection Period
Criteria:
Average collection period of PT. Perkebunan Nusantara X (Persero) towards receivables is 4 months or 120 days.

Cause:

Table 11 Average Collection Period of PT. Perkebunan Nusantara X (Persero) Year of 2011-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Collection Period</td>
<td>130.44 days</td>
<td>147.81 days</td>
<td>234.21 days</td>
</tr>
</tbody>
</table>

Source: Data processed, 2015

The company’s average collection period during 2011-2013 can be stated as not effective. They are not stable and can be classified as slow collection receivables because they are always increasing year by year.

Effects:
The slow collection receivables show that PT. Perkebunan Nusantara X (Persero) needs to be more strict in handling company’s receivables. If it keeps going on, it will cause loss to the company. Therefore, PT. Perkebunan Nusantara X (Persero) has to remanage its receivables managing.

3. Fixed Assets Turnover
Criteria:
Fixed assets turnover is effective if the difference between the actual fixed assets turnover with the budgetted fixed assets turnover is positive, meanwhile it is not effective if the difference between them is negative.

Cause:

Table 12 The Difference between The Actual Fixed Assets Turnover and the Budgetted Fixed Assets Turnover of PT. Perkebunan Nusantara X (Persero) Year of 2011-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual (A)</th>
<th>Budgetted (B)</th>
<th>Difference (A-B)</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>354.43%</td>
<td>197.18%</td>
<td>157.25%</td>
<td>Effective</td>
</tr>
<tr>
<td>2012</td>
<td>262.81%</td>
<td>165.91%</td>
<td>96.90%</td>
<td>Effective</td>
</tr>
<tr>
<td>2013</td>
<td>182.58%</td>
<td>234.60%</td>
<td>(-52.02%)</td>
<td>Not Effective</td>
</tr>
</tbody>
</table>

Source: Data processed, 2015

Based on the result above, the table shows that the ratio in 2011 and 2012 is already effective. While in 2013, it is not effective because the result is negative.

Effect:
PT. Perkebunan Nusantara X (Persero) is not effective yet in using its fixed assets and has not succeeded yet in optimizing the use value from fixed assets.

3.3 Analysis to examine the economization of financial function
Criteria:
The company can be defined as economic if the economization is less than or equal 100%.

Cause:

Table 13 The Economization of PT. Perkebunan Nusantara X (Persero) Year of 2011-2013

<table>
<thead>
<tr>
<th>Economization</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>General and administration costs</td>
<td>124.56%</td>
</tr>
<tr>
<td>Marketing costs</td>
<td>39.45%</td>
</tr>
</tbody>
</table>

Source: Data processed, 2015
The highest economization based on general and administration costs is in 2013 which is 91.57%, while the lowest economization is in 2011. The highest economization based on marketing costs is in 2011 which is 39.45%. The decreasing of the economization is caused by the increasing of the prices of some operational needs so the expenditure of those costs are also rising.

Effect:
The low economization will affect in the rising of the expenditure of company’s fund towards both general and administration costs and marketing costs. It will affect company’s expenses to become higher and also affect in the less of profit the company will get.

4. Reporting
4.1 Finding
a. Efficiency Analysis of Financial Function
   1. Costs efficiency
      The cost usage efficiency in 2011 and 2012 are already efficient, but in 2013, it is not efficient.
   2. Profitability ratio
      a.) Net Profit Margin
         Net Profit Margin in 2013 is not efficient because the used costs in 2013 is more than the used costs in 2011 and 2012. Not to mention about the increasing prices in 2013 so it affects on company’s profit.
      b.) Return On Assets
         Return On Assets in 2013 is defined as not efficient which shows that PT. Perkebunan Nusantara X (Persero) has not succeeded yet in managing all of its assets well.
      c.) Return On Equity
         The least result of Return On Equity is on 2013 where the result is negative and indicates that it is not efficient. It is because the decreasing profit of PT. Perkebunan Nusantara X (Persero) in 2013.
   b. Effectivity Analysis of Financial Function
      1. Achievement rate of income
         The goal of PT. Perkebunan Nusantara X (Persero) is well achieved in 2011 and 2012 if it looked at the percentage of achievement rate which is considered good if it is close to 100% or more than 100%, which are 105,40% and 95,72%.
      2. Liquidity ratio
         a.) Current ratio
            Current ratio in 2012 and 2013 are not effective. PT. Perkebunan Nusantara X (Persero) has more actual current liabilities than the budget causing the percentage of current ratio is lesser.
   b.) Quick ratio
      The result of quick ratio in PT. Perkebunan Nusantara X (Persero) is classified as not good because PT. Perkebunan Nusantara X (Persero) has not able to fulfill all of its due date current liabilities without the sales of its inventories.
   c.) Coverage ratio
      The least result of coverage ratio is in 2013 which the result is negative and indicates that it is not effective.

4. Activity ratio
   a.) Inventory turnover
      The decreasing of the inventory turnover ratio in 2012 indicates that there are inventories build-up in PT. Perkebunan Nusantara X (Persero).
   b.) Average collection period
      The average collection period in PT. Perkebunan Nusantara X (Persero) is unstable and defined as slow collection receivables because it is always increasing year by year.
   c.) Fixed assets turnover
      The result of fixed assets turnover is positive in 2011 and 2012 where the company is effective while in 2013, it is negative and stated as not effective.

4.2 Recommendation
   a. The unstable debt ratio and tends to be higher each year can cause PT. Perkebunan Nusantara X (Persero) gets the least return. PT. Perkebunan Nusantara X (Persero) can increase its capital by adding some of its profit from the previous period, so the funding from the creditors will decrease.
   b. It will be better if PT. Perkebunan Nusantara X (Persero) is not keeping too much inventories stock in the warehouse. Not only it will slow down the process of inventories changing into revenue, but also accumulating inventories too long can cause those inventories become
damaged and broken so they will not fit to sell out. Not to mention it can cause loss to PT. Perkebunan Nusantara X (Persero).

c. The expenditure of costs usage like general and administration costs and marketing costs must be reevaluated by looking for the supplier that offers the lowest price, so that the expenditure of those costs is not too high and caused PT. Perkebunan Nusantara X (Persero) in earning less profit.

5. Follow-up
a. Related to debt ratio that tends to be high, PT. Perkebunan Nusantara X (Persero) has approached the investors to add their capital for PT. Perkebunan Nusantara X (Persero) not getting too much fund from the creditors and reducing the risk in getting less return.
b. PT. Perkebunan Nusantara X (Persero) has used First In First Out (FIFO) method for the inventories, so it will minimize damaged and broken inventories because they have been long being kept in the warehouse. To fasten the inventories turnover into revenue, PT. Perkebunan Nusantara X (Persero) has also had some of fixed buyers from auctions and determined the amount of minimum purchasing.
c. Related to costs usage of general and administration costs and marketing costs, PT. Perkebunan Nusantara X (Persero) has looked for the supplier that offers the lowest price so the expenditure of those costs can be minimized as possible.

CONCLUSION AND SUGGESTION

1. Conclusion
a. The management audit implementation of PT. Perkebunan Nusantara X (Persero) to examine the efficiency, effectivity, and economization towards financial function. The audit of financial function is done by internal auditor from Internal Audit Unit (IAU).
b. The costs usage efficiency happens in 2011 and 2012, while in 2013, it is not efficient. Profitability ratio consists of Net Profit Margin, Return On Assets, and Return On Equity which fluctuated year by year. The three of them is efficient in 2011 and 2012, but in 2013, the percentage is decreasing which causes inefficiency.
c. The achievement rate based on income is decreasing during the period of 2011-2013. Liquidity ratio consists of current ratio and quick ratio. The current ratio is effective in 2011, but, in 2012 and 2013, it is ineffective. Meanwhile, the quick ratio is decreasing in 2012 and rising in 2013. Solvability ratio consists of debt ratio and coverage ratio. Both of debt ratio and coverage ratio are effective in 2011 and 2012, but, they are ineffective in 2013. Activity ratio consists of inventory turnover, average collection period, and fixed assets turnover which are fluctuative during the period of 2011-2013.
d. The economization of general and administration costs in 2012 and 2013 is rising continuously than in 2011. The economization of marketing costs is decreasing during the period of 2011-2013.

2. Suggestion
a. PT. Perkebunan Nusantara X (Persero) is expected to reevaluate the inventory system and coordinate with marketing function so the inventory turnover is increasing and no more inventories build-up.
b. PT. Perkebunan Nusantara X (Persero) is also expected to do management audit in financial function more than once a year so that the weaknesses of management during the period can be revealed as soon as possible and fixed immediately, so, at the end of the period, the company’s goals are fully accomplished.
c. Following the implementation of management audit, it will be better if the management of PT. Perkebunan Nusantara X (Persero) acknowledges the auditor’s recommendation to be followed-up, so, the future performance of financial function is more efficient, effective, and economic.

BIBLIOGRAPHY


