

## Study On The Implementation Of Good Corporate Governance In The Business Sector State Owned Banking In Langkat District

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### Abstract

*This research aims to examine the implementation of good corporate governance in the business sector state-owned banking in Langkat Regency. This research uses research methods qualitative. The data collection technique used in this research is method observation, interviews and documentation. Data analysis techniques used in research This is a qualitative data analysis technique. The data analysis component used is reduction data (data reduction), data presentation (data display), and drawing conclusions (conclusion drawings). The research results show that the role of internal audit has an influence on implementation of the principles of good corporate governance in the company. Obstacles and Obstacles in implementing Good Corporate Governance in companies, namely the cause is HR knowledge and understanding of GCG principles is still lacking. Lots of human resources who have not attended training, seminars. Apart from that, the principle of transparency is also implemented hampered by inadequate facilities and infrastructure, such as the unavailability of a website. Regarding Independence, Internal Audit at Bank Mandiri is objective in nature carry out audit activities. Apart from that, all internal audit members at the Bank Mandiri Langkat branch, has no family relationship with the Management or staff at the Langkat branch of Bank Mandiri. Regarding Competency, that audit Company internals must have experience in the audit field and good skills such as interview skills, analysis, testing, providing recommendations, skills others who support the implementation of internal audits. Regarding Implementation, findings branch audits are the results of risk findings from that branch that were discovered by the audit party Internal, while the audit party carrying out the audit must be guided by Internal SOPs Audit and if there is a deviation from the SOP then the audit results report the findings. Regarding Results Reports, the Audit Committee must report audit results periodically to The Board of Commissioners regarding the activities of the Audit Committee, at least once every 6 (six months). Regarding transparency, transparency in GCG at Bank Mandiri do not harm any party and still pay attention to the provisions of bank secrecy and confidentiality position and personal rights in accordance with applicable regulations. Regarding Accountability, Bank establish clear duties and responsibilities for each organizational position.*

**Keywords :** *Good Corporate Governance, Internal Audit, State-Owned Banking.*

## INTRODUCTION

The development of globalization in the business world has triggered business and economic actors to take various actions so that their business remains viable in the business world and increasingly so As operations increase within the company, top management lacks proper communication enough with the various existing operations to assess the effectiveness of performance so that it becomes weak points in the company (Liu & Qi, 2021). Overcoming this is one of the functions that must be done consistently empowered is a supervisory function that can trigger its implementation risk control management control system and healthy management arrangements to encourage continuity and survival of the business (Cordery et al., 2023).

A bank is a business entity whose main task is as an intermediary for channel supply and demand for credit at the specified time. In carrying out its operational activities, banks need auditors to supervise them and evaluate each operational activity (Tangney et al., 2023). According to A. Abdurrachman in *The Encyclopedia of Financial Economics and Trade* explains that, "A bank is a type of financial institution that carries out various kinds of services, such as providing loans, circulating currency, supervision of currency, acting as a place to store valuable objects, finance the businesses of companies (Ramadhan & Nasution, 2020).

Based on their ownership, banks are divided into 2, namely: State-owned banks, which are owned by the government, and private banks, where they have the majority stake owned by non-governmental parties (Afiah & Azwari, 2015). Even though banking activities are accumulating and channeling funds, but it cannot be denied that in every activity he carries out this is not the case regardless in an effort to gain profit (Aysan et al., 2023).

Banking is a financial institution that provides various services finance. The thing that holds the most important influence in business in the field service is trust. In the world of banking, it is very important to maintain trust from customers (Zheng, 2023). In maintaining this trust, the banking sector provides various kinds of convenience and various kinds of products that are interesting to you customers. Both in the form of collecting and distributing funds. Apart from inside providing various conveniences and products, customers will also pay attention good operations of a bank (Cárcaba et al., 2022).

Corporate Governance is defined as the processes and structures used by BUMN and BUMS to increase business success and corporate accountability in order to realize shareholder value in the long term while remaining attentive interests of other stakeholders, based on legal regulations and ethical values (Nst et al., 2021).

In order to realize good operations, supervision is needed by the internal audit party in banking operational activities. This internal audit program must be continuous, meaning it must be done continuously (Handayani et al., 2023). Basically an internal audit includes two inspection patterns, namely passive inspection through monitoring reports existing and active audits through the implementation of on-site audit activities in certain parts of the bank (Supraja, 2024).

In reducing the risk of fraud, management is responsible for designing and implementing programs and controls to reduce risk fraud, and can change activities and business processes that are vulnerable to fraud to reduce incentives and opportunities to commit fraud. In this case internal audit plays a very important role in monitoring activities for ensure that anti-fraud programs and controls are running effectively (Majid et al., 2014). Activity Internal audit can deter fraud by checking and evaluating internal controls that reduce the risk of fraud (Nofianti & Suseno, 2014). They will help detect fraud by carrying out audit procedures that can reveal fraudulent financial reporting and misuse of assets.

In order to realize good operations, a good governance system is needed (*Good Corporate Governance*) whose implementation is always supervised by the auditor internal banking. This good corporate organizational governance system is demanding the establishment and implementation of Good Corporate Governance principles (*Good Corporate Governance*) in the company's managerial process. By getting to know the principles This applies universally, it is hoped that

companies can live sustainably and provide benefits to its stakeholders. These principles include: accountability, responsibility, independence, fairness and transparency.

Good Corporate Governance (GCG) or more commonly known as governance Good corporate governance appears as a choice that is not just a formality but a system of values and best practices that are fundamental to increasing value company. To support the implementation of Good Corporate Governance in the company So a high role is needed for internal auditors. Internal auditors have a role as supervisors of all activities that occur within the company, so that they are not The direct role of internal auditors is necessary for the implementation of Good Corporate Governance company can be implemented effectively (Arnita & Nasution, 2019).

Internal audit helps an organization to achieve its goals, through an a systematic and organized approach to evaluating and improving effectiveness risk management, control and governance processes. The role of internal audit will increase reliable in developing and maintaining the effectiveness of the control system internal, risk management and Good Corporate Governance to support its realization a healthy company (Cho et al., 2023). A mechanism in the internal control system is one of the main means to ensure that the management of the company has been implemented in accordance with the principles of Good Corporate Governance. Change What is happening in the business environment and the era of globalization demands the development of something new systems and paradigms in business and industrial management (Nasution et al., 2021).

As the times develop increasingly rapidly and to maintain the image good company at PT Bank Mandiri Tbk., as well as increasingly complex activities company operations with many branch offices spread across Indonesia, which also has an impact on limitations in communication between top management and various existing operations to examine the effectiveness of satisfactory performance, although A certain monitoring system has been built. This creates internal difficulties know whether the established procedures have been adhered to, whether the employees work efficiently, whether existing approaches are still effective under the conditions current economy. Limited communication between top management and operational lines in this company which can lead to fraud such as theft, extortion, embezzlement, forgery, etc (Nasution, 2020).

Apart from these findings, there is one type of fraud at PT Bank Mandiri Tbk. which occurs due to fraud, opportunity, and negligence in action the. Forms of fraud that occurred at PT Bank Mandiri Tbk. some of which include fraud management. Fraud that occurs in the form of embezzlement of funds from customers is wrong One case that has occurred is a case involving burglary use a CS user and password that is known to one of the employees who wants to resign, because the employee knows the user and password of one of them CS employee so that the employee takes the opportunity to commit fraud by connecting the deposit card to his personal savings account, because The employee uses the employee user and password of one of the CS on duty so it was approved by the branch head so that embezzlement of funds occurred, then through this case is a form of fraud that occurs because of this negligence and negligence of each employee and also weak supervision from the audit party internal (Nasution et al., 2023).

Achieving good corporate governance is done by establishing a structure an organization that describes clear lines of responsibility, with main elements implementation of corporate governance, namely the Board of Commissioners and Directors. Organizational structure In this

case, it will be better to emphasize aspects of supervision, compliance, service, marketing, effectiveness/efficiency through the implementation of good governance, Risk Management, Risk Culture and Corporate Culture oriented towards implementing the Bank's main core business as a professional institution for collecting and distributing funds. As well as at Bank Mandiri Langkat Regency Branch, implementation of Good Corporate Governance itself has made maximum efforts, but in its implementation it is still found obstacles and problems faced by Internal Audit, so they are still being discovered negligence that occurred related to documents whose completeness was not in accordance with operational standards and fraud such as fraud which can have a negative impact in the process of implementing Good Corporate Governance in the company.

## RESEARCH METHODS

Research parameters are values or conditions that are used as benchmarks in finding something to fill an existing void or deficiency, digging deeper into what already exists, developing and expanding, and testing the truth from what already exists but its truth is still in doubt. The parameters observed in This research is conducting a study of the implementation of good corporate governance in the business sector state-owned banking in Langkat Regency.

This type of research uses descriptive research. Descriptive research is research that systematically describes facts and situations and activities of the object under study. The scope of this research seeks to describe the real picture from real phenomena that occur to conduct studies on the implementation of good corporate governance of the state-owned banking business sector in Langkat Regency. The data source in research is the subject from which the data was obtained (Habu & Henderson, 2023). The data in this research was obtained from interviews regarding the Audit process by internal auditor employee of Bank Mandiri Langkat Regency Branch and related data required from Bank Mandiri Langkat Regency Branch.

Data analysis according to McDermott (2023) is a process and compiling it systematically data obtained from interviews, field notes and documentation, by means of organizing data into categories, breaking it down into units, doing synthesis, organizing into patterns, choosing what is important and will be studied and make conclusions so that they are easily understood by yourself and others. Meanwhile, according to Díaz & Cano (2022) data analysis is a process of organizing and Sort data into patterns, categories and basic units of description so that it can be found themes and a working hypothesis can be formulated as suggested by the data. The data analysis technique used in this research is qualitative data analysis technique. Data analysis in qualitative research carried out during data collection and after completed data collection in a certain period (McDermott, 2023).

Data reduction, data obtained by researchers in the field through interviews, observations and documentation are then reduced by summarizing, sorting and focusing data on appropriate things with research purposes. At this stage the researcher also carried out data reduction using how to sort, categorize all data related to management Village finances and empowering Village communities. The purpose of doing it Selection is to determine whether the data is relevant or not to the final goal study. Data display is carried out after the data is completed reduced. Then

the data obtained from the interview results, documentation and observations are analyzed to take action based on understanding. The form of presenting qualitative data can be in the form of narrative text (field notes, tables, matrix, graph, network or chart). This process will be carried out from the results The interview in the form of a recording will then be put into text form. The documents that have been obtained from the Village are then evaluated, so it will be easier to understand. Conclusion drawing, the final step in data analysis qualitative, namely the process of drawing conclusions. This stage aims to search the meaning of data collected by looking for relationships, similarities or differences to draw conclusions as answers to existing problems. Based on data that has been reduced and presented, researchers can make conclusions supported by strong evidence at the data collection stage. The conclusion is answers to the problem formulations and questions that researchers have expressed since beginning.

## **RESULTS AND DISCUSSION**

In accordance with GCG principles, namely tariffs; transparency, accountability, responsibility, independence, fairness. Bank Mandiri Langkat Branch has implemented it These principles are well aligned with management's commitment to integrity leadership in implementing Good Corporate Governance has been implemented in the vision, mission, organizational structure, standards and procedures as well as bank business activities by all levels bank organization at the Denpasar branch office, in carrying out the implementation of GCG in daily activities, implementing them through a mechanism that includes policies and guidelines implemented by Bank Mandiri Langkat Branch. In principle GCG fairness, based on the principles of equality and equal treatment especially for employees, in this case Bank Mandiri Langkat Branch places great importance quality human resources and the Bank takes full responsibility for discipline employees as there are guidelines in the form of the company's code of ethics which are included in it regulates this matter which is one of the soft structures owned by the Bank in implementing governance practices is a code of conduct.

At the company at the Bank Mandiri Langkat Branch office, an audit was carried out internal implementation is carried out well, carried out periodically by the Audit Work Unit Internally and daily by internal control and reporting the results to management, indicated by recommendations resulting from internal audits in improving Corporate governance processes must be able to ensure that management has developing ethical values, good communication and coordination regarding risk, control and management of the organizational performance of the Bank Mandiri Branch company Step up.

Internal Audit provides assurance by assessing and reporting the effectiveness of governance governance, risk management, and control processes designed to help organizations achieve strategic, operational, financial and compliance objectives. Best position for provides assurance when its resource levels, competencies, structures are aligned with organizational strategy and when following standards. He can do his best when he is free from undue influence. By maintaining its independence, Internal audit can conduct assessments objectively, providing management and the board directors report that is informative and unbiased regarding the governance process company, risk management and internal control. Based on his findings,

Internal auditors recommend changes to improve processes and follow up on implementation findings.

Playing an independent role in the organization, internal audits are carried out by para professionals who have a deep appreciation of the importance of strong governance, deep understanding of business systems and processes, as well as a fundamental drive for help their organizations succeed.

Internal audit provides insight by acting as a catalyst for management and board of directors who have a deeper understanding of the process and governance structure. The competence of internal auditors in companies can be provocative positive change and innovation in organizations. This inspires organizational confidence and enable competent and informed decision making. A mature and successful internal audit can provide insight into the future organizations by identifying trends and bringing attention to challenges emerge before they become a crisis.

Internal audit can add value by providing consulting services intended to improve governance, risk management and control processes the good one. This is very important to maintain the objectivity of internal auditors and avoid conflict of interest. The selection of the type of audit or service carried out must be based on on the authority, necessity, and objectives of the audit activity, as well as organizational needs and problems. In implementing Good Corporate Governance, the duties and responsibilities of management and directors are assisted by internal auditors.

Independent internal auditors play a role in supervising and evaluating the process company audit process by ensuring that the company has carried out practices in implementing GCG principles in the company. Principles good corporate governance according to the National Governance Policy Committee, among others others: transparency, accountability, responsibility.

Internal Audit has an Internal Audit Charter which is approved by the President Director and President Commissioner of Bank Mandiri which was last updated on the 17th December 2015. The Internal Audit Charter provides guidelines regarding the objectives, position, authority, responsibility and scope of work of Internal Audit. position, authority and responsibility formally stated in Internal Audit The Charter is in accordance with Bank Indonesia Regulations regarding the application of Standards Implementation of the Bank's Internal Audit Function, Decision of the Chairman of the Supervisory Board Capital Markets, Financial Institutions regarding the Formation and Guidelines for Preparing Charters Internal Audit Unit and best practices that refer to international standards Professional Practice Framework (IPPF) by The Institute of Internal Auditors (IIA).

In carry out the functions, duties and responsibilities of Internal Audit, including: following: 1) Plan and implement internal audit activities with emphasis on areas/activities that have high risks and evaluating procedures/controls existing systems to obtain confidence in the Company's goals and objectives can be achieved optimally and sustainably; 2) Carry out steps in order to dig up information (investigation), report, and submit recommendations/conclusions regarding fraud to Management; 3) Develop and implement programs to evaluate and improve Internal Audit quality; 4) Provide recommendations on audit results and monitor follow-up on activity results internal audit and investigative activities; 5) Cooperate with the Audit Committee

in carrying out supervisory functions. Coordinate its activities with external audit activities and units/functions other assurance providers, so that comprehensive audit results can be achieved and optimal. Coordination can be carried out, among other things, through periodic meetings to discuss matters considered important to both parties; 6) Communicate directly with the President Director, Board of Commissioners, and/or Audit Committee and Integrated Governance Committee.

The authority possessed by Internal Audit includes the following: 1) Carrying out Internal Audit activities on the activities of all internal work units the organization of the Company and its Subsidiaries and affiliates in accordance with applicable regulations valid; 2) Communicate directly with the President Director, Board of Commissioners, and/or Audit Committee; 3) Communicate with external parties including regulators; 4) Hold regular and incidental meetings with the Main Director, Board Commissioners, and/or Audit Committee; 5) Access all information, records, employees, including but not limited to not limited to employee accounts/records and resources and other matters deemed necessary in relation to its duties and functions; 6) Carrying out investigative activities on cases/problems in every aspect and element activities that indicate fraud and violations of the code of conduct within the organization The Company, Subsidiaries and affiliates comply with applicable regulations.

## CONCLUSION

Based on the results of interviews and direct observation, the researcher concluded that the role of internal auditors in implementing Good Corporate Governance (GCG) is effective and overall adequate. It is said to be effective because the internal auditor has tried to implement its responsibility for supervising the control system, at all company activities very well and always tries to do improvement of performance quality. All internal auditor activities in carry out audits of company operations and company management systems carried out in accordance with existing regulations and based on Standards Implementation of the Commercial Bank Internal Audit Function and implementation procedures and supported by adequate documents, and has been implemented good corporate governance (GCG) principles. Auditors have maintained professionalism in carrying out the internal audit stages guided by the Internal Audit Charter, its activities include carrying out Internal Audit activities on the activities of all work units. Do direct communication with Management. Communicate with regulators. Hold regular and incidental meetings with leadership. Access all information, records, employees, and including but not limited to not limited to employee accounts/records and resources and other matters deemed necessary in relation to their duties and functions. Do activities investigation of cases/problems in every aspect and element of the activity indications of fraud and violations of the code of conduct within the Company's organization, Subsidiaries and affiliates in accordance with applicable regulations.

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