



# Analyze How Management Audits are Used for the Finance Function to Measure

Moch. Iqbal Zulfikar PD <sup>1</sup>  
<sup>1</sup> Widyatama University, Bandung, Indonesia  
Iqbal.zulfikar@widyatama.ac.id

**Abstract.** Management audit is a critical tool for ensuring the efficiency and effectiveness of financial functions within various organizations. This study aims to explore the implementation of management audits in financial management, assess how these audits contribute to enhancing efficiency and effectiveness, and identify challenges and best practices associated with the process. A qualitative research method was employed, utilizing case studies and in-depth interviews with audit practitioners, along with document analysis. The findings indicate that management audits significantly improve operational efficiency by identifying inefficiencies and ensuring compliance with financial policies. Additionally, these audits aid in financial risk management by providing insights into potential risks and mitigation strategies. However, challenges such as resource limitations and internal resistance can impact audit effectiveness. The study recommends that organizations invest in staff training, increase resource allocation for audits, and adopt advanced technologies to support the audit process. With proper implementation and attention to challenges, management audits can significantly contribute to better and more transparent financial management.

**Keywords:** Management Audit, Financial Efficiency, Risk Management

## INTRODUCTION

Management audit is an important tool in the management of modern organizations, which plays a vital role in ensuring that the financial function runs efficiently and effectively. In the context of management auditing, the analysis of the financial function is a very important aspect, as finance is the backbone of organizations, both public and private sectors. The financial function includes financial planning, control, and reporting, as well as financial risk management. As such, management audits serve as a mechanism for assessing and evaluating how these functions are carried out and how they contribute to the organization's overall objectives.

In this review, we will discuss how management audits are used to measure the efficiency and effectiveness of the finance function in organizations. Measuring efficiency and effectiveness is essential to ensure that financial resources are used optimally and that financial processes are in line with organizational objectives. Efficiency in this

context refers to the organization's ability to use resources economically to achieve desired results, while effectiveness relates to how well the finance functions support the achievement of the organization's strategic objectives.

Management audits integrate various techniques and methodologies to conduct in-depth evaluations of financial systems and processes. Methods used in management audits include risk analysis, compliance testing, and evaluation of internal controls. Through these audits, auditors can identify potential weaknesses in financial systems, assess the reliability of financial statements, and provide recommendations for improvement. For example, a management audit can identify whether there are inefficiencies in the spending process or whether budget management is carried out in accordance with applicable regulations and policies. The results of these audits are then used to formulate improvement strategies and necessary adjustments.

Management audits focus not only on internal evaluation but also on benchmarking against best practices in the same industry or sector. By comparing the performance of the organization's financial function to industry standards or established benchmarks, auditors can provide a broader perspective on how well the organization's financial performance compares to competitors or expected standards. This benchmarking process allows the organization to understand its relative position and identify areas that require improvement.

The efficiency and effectiveness of the finance function can also be affected by various external factors, such as regulatory changes, economic conditions, and technological developments. In a management audit, auditors need to consider these factors and assess how they impact the finance function. For example, changes in tax regulations or accounting standards may affect the way an organization prepares financial statements and manages risk. Therefore, management audits must be adaptive and responsive to changes in the external environment that may affect evaluation results.

In addition, management audits must consider the information technology aspects that support the finance function. In today's digital age, integrated financial information systems and financial process automation play an increasingly important role. A management audit should include an evaluation of these information systems to ensure that the technology used supports the efficiency and effectiveness of the finance function. This includes an assessment of data security, information integrity, and the reliability of the system in producing accurate financial reports.

In order to improve the efficiency and effectiveness of the finance function, the results of management audits are often used as a basis for strategic planning and decision-making. Recommendations from management auditors can assist management in formulating better policies and procedures, optimizing resource allocation, and improving

risk management. Thus, management audits serve not only as a supervisory tool but also as an instrument of continuous improvement in financial management.

In conclusion, management audits play an important role in ensuring that an organization's financial functions run efficiently and effectively. Through a comprehensive evaluation and the use of appropriate audit methodologies, organizations can identify and address weaknesses in their financial systems, as well as ensure that resources are used optimally to achieve strategic objectives. Thus, management audits not only help in supervision and control but also in the improvement of an organization's overall financial performance. This analysis aims to provide a deeper understanding of how management audits can be used to measure and improve the efficiency and effectiveness of the finance function, as well as how audit results can be translated into tangible and sustainable corrective actions.

## LITERATURE OVERVIEW

Management audit is a very important instrument in evaluating and improving the efficiency and effectiveness of the financial function in the organization. In this literature review, we will discuss various research and studies related to the application of management audits to measure these aspects, with a focus on the financial function.

In his research entitled *Analysis of the Implementation of Management Audit of the Finance Function at PT Wesitan Consultation Development in Makassar* emphasizes the importance of management audits in evaluating the effectiveness of the financial system in the company. Ahmad explained that management audits can identify areas that require improvement in financial management, as well as ensure that all financial transactions are carried out in accordance with applicable policies and procedures. This research shows how management audits assist in ensuring compliance with accounting standards and adequate risk management [1].

In their study entitled *Management Audit to Evaluate the Effectiveness and Efficiency of Human Resource Recruitment* explained that management audit can also be applied in the human resource function, including recruitment. Although their main focus was on human resources, the same audit principles can be applied to the finance function. This research shows that management audits can assist in assessing whether certain processes are running efficiently and effectively, and provide useful improvement recommendations [2].

Through its dissertation *Effectiveness and Efficiency Analysis Using Management Audit Stages on the Marketing Function* provides insight into how management auditing was used to assess the marketing function during the COVID-19 pandemic. This study demonstrates the application of management auditing to an unusual context, which can

provide perspective on the flexibility and adaptability of management auditing in various situations. Although focused on marketing, the findings from this study are relevant to understanding the application of management audits in the finance function, especially in assessing effectiveness and efficiency amid external challenges [3].

In his dissertation *The Role of Sales Management Audits to Assess the Effectiveness and Efficiency of the Sales Department* examines how management audits are used to evaluate the sales department in cooperative store units. This research shows how management audits can be applied to functions other than finance, providing an overview of methodologies that can be used to assess efficiency and effectiveness in different contexts [4].

In *Assessing the Effectiveness of the Human Resources Function Through Management Audits* examines how management audits can be used to assess the effectiveness of the human resources function, with similar methodologies applicable to the finance function. Fitriani explained that management audits assist in assessing whether resources are being used optimally and provide recommendations for improvements that can increase efficiency and effectiveness [5].

In their article *Management Audit as a Means to Assess the Effectiveness of the Human Resources Function* shows how management audit is applied to the human resources function in the office of the Regional Finance and Assets Agency of North Sulawesi Province. The findings of this study underscore the importance of management audits in assessing effectiveness and efficiency in various functions, including finance [6].

In *Human Resource Management Audit to Assess Effectiveness and Efficiency of Recruitment, Training and Career Development Functions* emphasized the application of management audit to various human resource functions at PT Limpah Mas Indonesia. Although their main focus was on recruitment and career development, the management audit principles they described are relevant to the finance function, especially in terms of assessing effectiveness and efficiency [7].

In *Application of Human Resources Function Management Audits to Assess the Effectiveness and Efficiency of Employee Recruitment Activity Programs* demonstrated the application of management audits in the recruitment context. They show how management audit can be used to improve efficiency and effectiveness, and how this approach can be applied to the finance function [8].

In *Management Audit in the Financial Function to Measure the Effectiveness and Efficiency of Financial Management* discusses the application of management audits at PT Bank Tabungan Negara (Persero) Tbk Surabaya. This study specifically assesses how management audits are used to measure and improve the efficiency and effectiveness

of financial functions, providing practical guidance for the application of management audits in a financial context [9].

In Analysis of the Application of Management Audit in the Finance Function to Measure the Effectiveness and Efficiency of Financial Management examined the application of management audit at PT Perkebunan Nusantara IV Labuhanbatu Utara. They show how management audits are used to improve financial management in the plantation sector, focusing on effectiveness and efficiency [10].

In Management Audit of the Finance Function at PT. Megahputra Sejahtera Makassar provides guidance on the application of management audits to evaluate the finance function in the company. This study highlights how management audits can assist in improving financial management and mitigating risks [11].

In the Management Audit of the Finance Function on the Management of Receivables and Cash Receipts explains the application of management audits to manage receivables and cash at PT Kalindo Etam. This study shows how management audits are used to improve the management of financial assets and ensure compliance with policies [12].

In the Application of Management Audits to Assess the Economy, Efficiency and Effectiveness of the Goods and Services Procurement Function shows how management audits are applied to the goods and services procurement function. The findings provide guidance on the application of management audits to improve efficiency and effectiveness in various functions [13].

In his thesis Management Audit of the Finance Function at PT Tirta Makna Bahagia Makassar provides insight into the application of management audits in local companies, focusing on the finance function. This study shows how management audits can be used to improve efficiency and effectiveness in financial management [14].

In Mapping the quality of school-based management through education management audits although focused on education, provides a perspective on how management audits can be applied to assess quality and effectiveness in various contexts [15].

From this literature review, it appears that management auditing is a multifunctional tool that can be applied in a variety of contexts to evaluate effectiveness and efficiency. These studies provide a comprehensive overview of the application of management audits across functions and sectors, and demonstrate the importance of management audits in improving organizational performance through careful evaluation and recommendations for improvement.

## METODE

The research method used in this study is a qualitative method, which aims to gain an in-depth understanding of how management audits are applied in the finance function to measure efficiency and effectiveness. Qualitative research allows researchers to explore and analyze phenomena in a complex and dynamic context, and understand participants' perspectives and experiences in depth.

The research design was exploratory and descriptive, focusing on collecting data from various sources to gain comprehensive insight into the application of management audits in the finance function. This research does not aim to test hypotheses or generalize findings statistically, but rather to extract rich qualitative information from real situations in the field.

The primary data source in this study was qualitative data collected through in-depth interviews with management audit practitioners, finance managers, and other relevant parties at the case study

organizations. These interviews were conducted in a semi-structured manner, using an interview guide designed to explore participants' experiences and views regarding the effectiveness and efficiency of the audited finance function. In addition to the interviews, secondary data was also obtained from relevant documents such as audit reports, financial policies, and recordings of previous audit processes.

The data collection procedure began with the identification and selection of informants who have relevant knowledge and experience related to management audit and finance functions. Interviews were conducted face-to-face or through digital platforms according to participants' availability. Each interview was recorded and interview transcripts were created to facilitate data analysis. In addition, internal organizational documentation relevant to management audits was collected and analyzed to complete the understanding of the audit process and results.

The data analysis technique in this study used a thematic analysis approach, where data from interviews and documents were analyzed to identify emerging themes and patterns. The analysis process began by thoroughly reading and understanding the interview transcripts and related documents. The data was then coded to categorize the information into relevant categories. The findings from this analysis were then synthesized to provide a comprehensive picture of how management audits are used to assess the efficiency and effectiveness of the finance function.

To ensure the validity and reliability of the data, the researcher applied triangulation techniques by comparing findings from interviews with secondary data and other

relevant sources. In addition, the analysis process was conducted iteratively, where initial results were analyzed and compared with new data collected to ensure consistency and accuracy of findings. The researcher also verified the results with the interview participants to ensure that the interpretation of the data accurately reflected their views and experiences. With this approach, this qualitative research aims to provide a deep and thorough understanding of the implementation of management audits in the finance function, as well as to identify best practices and areas that require improvement.

## Results

The results and discussion of this study focus on how management audits are applied in the finance function to measure efficiency and effectiveness, and identify best practices and challenges faced in the process. Through in-depth interviews and document analysis, the research uncovered a number of key findings that illustrate the application of management audits in various organizations and their impact on their financial performance.

### Application of Management Audit in the Finance Function

Management audits in the finance function are generally implemented to ensure that financial processes are efficient and effective. Based on interviews with practitioners and document analysis, it was found that management audits assist in evaluating various aspects of financial management, including internal controls, policy compliance, and resource utilization. This audit involves an assessment of the procedures and controls in place to ensure that all financial transactions are properly recorded and comply with applicable standards. This finding is consistent with research (Ahmad, I. 2014) that emphasizes the role of management audits in identifying areas that require improvement in financial management.

### Effectiveness and Efficiency in Financial Management

One of the main focuses of management audits is assessing the effectiveness and efficiency of financial management. Research shows that management audits enable organizations to identify inefficiencies in financial processes, such as delays in transaction processing or duplication of work. This is in line with the findings of (Anawati, L., & Ngumar, S. 2016), which showed that management audits help in assessing the effectiveness and efficiency of various functions, including financial management. In addition, management audits also assist in ensuring that all financial resources are used optimally, by identifying potential waste and providing recommendations for improvement.

## Policy and Procedure Compliance

Compliance with financial policies and procedures is an important aspect assessed in management audits. This study found that management audits help ensure that all financial transactions and activities are in accordance with established policies. This is important to avoid the risk of fraud and irregularities that can harm the organization. This finding is in line with the results of research by (Sarapa, D. 2017), which shows that management audits play a role in ensuring compliance with policies and procedures, as well as strength-ening the internal control system.

## Financial Risk Management

Management audits also play a role in identifying and managing financial risks. Research found that management audits assist in identifying potential risks that could affect the financial stability of the organization, such as liquidity risk or credit risk. By conducting a comprehensive audit, organizations can develop better risk mitigation strategies. This supports the findings of (Rahayu, S., Kusmilawaty, K., & Syaf-ina, L. 2024), which emphasized the importance of management audits in managing risks and improving the financial resilience of organizations.

## Best Practices in Management Auditing

Some of the best practices in management auditing identified during the research include the systematic and continuous application of the audit methodology. Research shows that effective management audits involve regular assessments of financial processes, as well as transparent reporting of audit results. In addition, organizations that implement management audits effectively often have well-trained and competent audit teams, and use technology to improve audit accuracy and efficiency. These findings support research by (Djunaedi, S. S. D. 2018), which emphasizes the importance of methodology and skills in the implementation of management audits.

## Challenges in Implementing Management Audits

While management audits offer many benefits, this research also identified a number of challenges faced by organizations in their implementation. One of the main challenges is limited resources, including time and budget, which can affect the quality and scope of the audit. In addition, resistance from staff or management to the audit process can also be an obstacle. This finding is in line with research by (Mediana, A. M., &



Hwihanus, H. 2024), which shows that resource limitations and internal resistance can affect the effectiveness of management audits.

### Implications and Recommendations

The results of this study have important implications for management audit practices in the finance function. Organizations need to develop strategies to address the challenges identified, such as by providing training for audit staff and allocating adequate resources to the audit process. In addition, the application of advanced audit technology can assist in improving efficiency and accuracy. These recommendations are based on findings from (Fitriani, Z. R. 2022) and (Mustika, N. L., & Widiastoeti, H. 2023), which emphasize the need for investment in resources and technology to support the management audit process.

Overall, this study shows that management audits play a key role in improving the efficiency and effectiveness of financial functions. With proper implementation, management audits can assist organizations in identifying inefficiencies, ensuring compliance with policies, and managing financial risks. However, to maximize its benefits, organizations need to address the challenges at hand and implement best practices that have been proven effective.

### Conclusion

Management audits play a very vital role in the financial functioning of organizations, especially in terms of improving efficiency and effectiveness. Based on the results of this study, several main conclusions can be made as follows:

1. Improved efficiency and effectiveness: management audits are effective in identifying and correcting inefficiencies in financial processes. By evaluating internal procedures and controls, these audits assist the organization in optimizing the use of resources and ensuring that all financial transactions proceed efficiently and in accordance with established standards.
2. Policy compliance: management audits ensure compliance with financial policies and procedures, which is essential to prevent irregularities and fraud. This audit process strengthens

the internal control system and assists the organization in maintaining the integrity and transparency of financial processes.

3. Financial Risk Management: through the identification of potential financial risks, such as liquidity risk and credit risk, management audits assist organizations in developing effective risk mitigation strategies. This increases financial resilience and prevents losses that could threaten the stability of the organization.

4. Best practices and challenges: the systematic application of audit methodologies and the use of advanced technologies are best practices that can improve audit effectiveness. However, organizations need to face challenges such as limited resources and internal resistance to ensure the audit process runs optimally.

5. Recommendations for improvement: to maximize the benefits of management audits, organizations are advised to invest in staff training, improve resource allocation for audits, and adopt the latest technology. The implementation of these recommendations is expected to improve the quality of audits and their results, as well as strengthen the financial system as a whole.

Overall, management audits are an important tool for achieving better financial management, ensuring operational efficiency, and maintaining policy compliance. With the right approach and attention to existing challenges, management audits can make a significant contribution to the achievement of financial goals and the success of the organization.

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