Soedirman Accounting, Auditing, and Public Sector Journal (SAAP)
Volume 5 Issue 1, June 2026: 78-90
ISSN: 2962-2336

THE EFFECT OF INTERNAL AUDIT EFFECTIVENESS ON COOPERATIVE FINANCIAL PERFORMANCE IN BOALEMO REGENCY

Sukrianto[1*], Wulan Sitria Peno[2], Gebi Umbolo[3]

[1,2,3]Akuntansi Sektor Publik, Fakultas Pemerintahan dan Sektor Publik, Universitas Bina Mandiri Gorontalo

[*]Email corresponding author: sukriyanto@ubmg.ac.id

Abstract

This study aims to examine the effect of internal audit effectiveness on the financial performance of Savings and Loans Cooperatives in Boalemo Regency. Effective internal auditing is important in strengthening internal control, ensuring compliance with established procedures, identifying financial risks and irregularities, and supporting accountable financial management. This study employed a quantitative approach using a survey method. Primary data were collected through structured questionnaires from 43 respondents selected using purposive sampling based on their involvement in cooperative financial management, supervision, and internal audit activities. The data were analyzed using descriptive statistics and simple linear regression to examine the effect of internal audit effectiveness on cooperative financial performance. Financial performance was assessed through liquidity, solvency, and profitability indicators, while internal audit effectiveness was associated with assurance, internal control evaluation, compliance assessment, risk identification, and recommendations for improvement. The descriptive results indicate a highly positive assessment, with a mean score of 4.642 and a standard deviation of 0.501. The regression analysis shows that internal audit effectiveness has a positive and significant effect on financial performance, with a regression coefficient of 0.671, a t-value of 6.471, and a significance value of 0.000. These findings indicate that strengthening the effectiveness of internal audit can contribute to improving the financial performance of Savings and Loans Cooperatives in Boalemo Regency. Therefore, cooperatives should strengthen the competence, objectivity, independence, documentation, and systematic follow-up of internal audit findings to support more accountable, transparent, and sustainable financial management.
Keywords: *Effect, Internal Audit, Effectiveness, Financial Performance*

Citation: Sukrianto, Peno, W. S. & Umbolo, G. (2026). The Effect of Internal Audit Effectiveness on Cooperative Financial Performance in Boalemo Regency. *Soedirman Accounting, Auditing and Public Sector Journal*, 5(1), 78–90.

INTRODUCTION

The Indonesian economy is constitutionally mandated under Article 33 of the 1945 Constitution of the Republic of Indonesia, which stipulates that the national economy shall be organized as a joint endeavor based on the principle of kinship. This mandate positions cooperatives as business entities that are most consistent with the economic identity of the nation, as cooperatives are oriented not only toward profit but also toward the collective welfare of their members. One form of cooperative that has developed rapidly within Indonesian society is the Savings and Loans Cooperative, which is classified as a formal Microfinance Institution (MFI) because it operates under a business license, legal entity status, and official government supervision.

This formal status provides both significant opportunities and substantial responsibilities for Savings and Loans Cooperatives. On the one hand, such formalization enables Savings and Loans Cooperatives to establish partnerships more freely with other financial institutions, expand intercooperative networks, and optimize their business potential, both in meeting members' routine financial needs and in providing additional working capital and investment financing for members, who generally operate small-scale businesses. On the other hand, this formal status requires Savings and Loans Cooperatives to be managed professionally, transparently, and accountably in order to maintain the trust of their members, who serve both as owners and customers.

The rapid growth in the number of cooperatives in Indonesia has also resulted in increasingly intense competition among cooperatives, particularly in determining interest rates for savings and loans. This dynamic market environment requires cooperative managers to operate more actively, efficiently, and prudently in maintaining their role within the national cooperative system. Based on data from the Ministry of Cooperatives and Small and Medium Enterprises, the number of active cooperatives in Indonesia has shown a fluctuating trend over the past decade, in line with policies concerning the consolidation and dissolution of inactive cooperatives. Consequently, cooperatives that remain operational are required to maintain sound financial performance in order to sustain their operations and remain competitive.

In Gorontalo Province, including Boalemo Regency, the existence of Savings and Loans Cooperatives plays a strategic role in supporting the financing needs of micro, small, and medium-sized enterprises (MSMEs), particularly for business owners who face difficulties in accessing financing from formal banking institutions. Boalemo Regency, as an area whose economy is largely based on agriculture, fisheries, and small-scale trade, makes Savings and Loans Cooperatives an important source of financing that is relatively accessible and convenient for the local community. This strategic role makes the supervision of the financial health and stability of Savings and Loans Cooperatives in the region an urgent necessity that cannot be postponed.

The fundamental phenomenon currently occurring in cooperatives in Boalemo Regency is the high dependence of microeconomic development on cooperative programs, which has not yet been fully supported by adequate internal governance capacity. At the national and provincial levels, the government has been actively promoting the establishment of Red and White Village/Urban Village Cooperatives, supported by substantial capital assistance. However, at the implementation level, the continuous changes in regulations have often caused confusion among cooperative management. For example, the supervisor of the Red and White Village Cooperative in Buwalo Village, North Gorontalo Regency, during the commemoration of the 79th National Cooperative Day in July 2026, publicly called on the government to immediately evaluate and clarify the regulations governing the Red and White Village Cooperatives. The repeated changes in regulations were considered to have reduced the enthusiasm of cooperative managers and created uncertainty regarding the direction of cooperative management at the village level. Similar conditions have the potential to be experienced by the management of Red and White Village Cooperatives and Savings and Loans Cooperatives in Boalemo Regency, considering that the two regions are located within the same province and are subject to the same regulatory and supervisory framework.

In addition to regulatory issues, the low level of cooperative accountability in Boalemo Regency is also reflected in the frequent delays in conducting the Annual Members' Meeting. In early 2022, the Gorontalo Provincial Office of Cooperatives, Small and Medium Enterprises, Industry, and Trade even had to conduct direct field-based guidance and outreach activities for three days in Boalemo and Pohuwato Regencies, targeting 15 cooperatives that had not conducted their Annual Members' Meetings as well as inactive cooperatives. The guidance activities focused on direct dialogue between cooperative extension officers, management, and members to ensure that cooperative-related problems could be accurately identified. The delays in conducting the Annual Members' Meetings indicate that internal control functions, including the role of supervisors as those responsible for carrying out internal audits within cooperatives, have not yet operated effectively in encouraging the timely accountability of cooperative management for financial matters.

The urgency of strengthening internal audit within family-based financial institutions in Gorontalo Province can be further emphasized through several real cases that reflect weaknesses in internal control systems. Although some of these cases occurred outside the administrative boundaries of Boalemo Regency, they took place within the same province and are therefore relevant as illustrations of similar risks that may potentially occur in Boalemo. In June 2026, the Gorontalo City District Attorney's Office detained four suspects in an alleged fund misappropriation case involving the Tirta Bone Employee Consumer Cooperative, which operates under the Muara Tirta Regional Public Water Company of Gorontalo City. The alleged case involved losses of approximately IDR 300 million in the 2023 financial year, along with alleged falsification of financial reporting documents presented at the Annual Members' Meeting. This case demonstrates that without an independent and effective internal supervision and audit function, cooperative members' savings remain vulnerable to misappropriation by individuals within the management, even when formal Annual Members' Meeting reports have been prepared.

Meanwhile, a case that occurred directly in Boalemo Regency involved the alleged misuse of village funds by the former treasurer and former village head of Suka Mulya Village, Wonosari District. Based on the audit conducted by the Audit Board of the Republic of Indonesia, Gorontalo Provincial Representative Office, the state financial loss in this case amounted to approximately IDR 737 million, with most of the village funds allegedly used for foreign exchange investment activities without a valid basis for accountability. Both individuals were designated as suspects by the Boalemo District Police in 2024. Although this case concerns village financial management rather than cooperatives directly, it remains relevant as a local analogy illustrating how weak supervision and auditing of cash flows within a community-based financial entity can create opportunities for the misuse of collective funds. In principle, a similar risk may also be faced by Savings and Loans Cooperatives when their internal audit functions are not operating optimally.

Several factors are suspected to contribute to the suboptimal effectiveness of internal audits in small- and medium-sized cooperatives, including Savings and Loans Cooperatives in Boalemo Regency. First, cooperative supervisors in many community-based financial institutions are generally selected based on family considerations and social trust, rather than solely on accounting competence or formal auditing standards. Second, limited digital literacy and inadequate proficiency in computerized accounting information systems also restrict the scope and depth of examinations that can be conducted by internal supervisors. There is a tendency for family-oriented organizational culture within local cooperatives to make individuals reluctant or hesitant to follow up on audit findings firmly in order to maintain harmonious social relationships among members and between cooperative management personnel. Such attitudes have the potential to undermine the independence and objectivity of the supervisory function, resulting in internal audit findings not always leading to improvements in governance or the imposition of firm sanctions for irregularities.

The cooperative manager, as the individual responsible for operational management, bears full responsibility for the utilization of the resources under their authority. To assess the extent to which this responsibility is carried out effectively, financial performance serves as one of the most representative parameters, as it reflects the overall performance of management in each period. As stated in Statement of Financial Accounting Concepts No. 1, the assessment of management performance can assist in estimating the ability to generate earnings representatively over the long term, predicting future earnings, and assessing risks associated with investment and credit decisions. Therefore, information regarding earnings and financial performance is of common interest to both internal parties, such as cooperative management and managers, and external stakeholders, including members, employees, government authorities, and creditors.

The research findings indicate that the implementation of internal auditing has a significant impact on the company's financial performance, with internal auditing proven to play a significant role in driving improvements in financial performance (Nugroho, W., Bayunitri, 2021). A comparison with the findings of other studies shows that internal auditing has an effect on the financial performance of banking companies, indicating that strengthening the internal audit function can support the stability of financial performance in the financial services sector (Saleh, A. M., Rukmana, R., Aprilia, 2022). Other research findings indicate that human resource competence, accounting information systems, and internal control systems simultaneously affect financial performance in Savings and Loan Cooperatives, reinforcing the importance of internal control and oversight aspects for cooperatives (Mirawati, E., Sanga, K. P., De Romario, 2025).

Most of the literature reviewed in the previous research section indicates that internal auditing generally has a positive effect on financial performance, as demonstrated by studies conducted at PT Pos Indonesia, the banking sector, and mining companies. However, not all empirical findings consistently support this relationship. Most of the literature reviewed in the previous research section indicates that internal auditing generally has a positive effect on financial performance, as demonstrated by studies conducted at PT Pos Indonesia, the banking sector, and mining companies. However, not all empirical findings consistently support this relationship. In a study of 249 ministries and government agencies in Indonesia, found that the number of internal auditors alone did not have a significant effect on reducing cases of irregularities. Instead, the level of authority granted to internal auditors within the organizational structure was found to have a significant effect (Nurhasanah, 2016).

This finding indicates that the mere existence of an internal audit function is insufficient to improve performance or prevent irregularities unless it is accompanied by a strong organizational commitment to follow up on audit findings. This inconsistency in research findings represents an empirical gap that warrants further investigation, particularly in the context of Savings and Loan Cooperatives in Boalemo Regency, considering that the governance characteristics, business scale, and organizational culture of cooperatives in the region differ from those of government ministries/agencies and large companies that have been the subjects of previous studies. Based on the background described above, the researcher is interested in conducting a study entitled "The Effect of Internal Audit Effectiveness on Financial Performance in Boalemo Regency." This study is expected to provide theoretical contributions to the development of accounting knowledge, particularly in the fields of auditing and cooperatives, as well as practical contributions to improving the governance and financial performance of Savings and Loan Cooperatives in Boalemo Regency.

LITERATURE REVIEW

Internal Audit

Auditing is defined as a systematic process of objectively obtaining and evaluating evidence related to assertions concerning economic actions and events, in order to determine the degree of conformity between the assertions and established criteria, and to communicate the results to interested parties (Hery, 2019). Internal auditors are employed by companies to conduct audits for management. The responsibilities of internal auditors vary depending on their employer. Most internal auditors are involved in operational audits or have expertise in evaluating computer systems. To maintain their independence, internal auditors report directly to the president director or the company's executive management. However, internal auditors cannot be completely independent as long as an employer–employee relationship exists. Users of information outside the company are generally unwilling to rely solely on information verified by internal auditors because they are considered not to be fully independent (TMbooks, 2021).

Effectiveness of the Internal Control System

Arens and Loebbecke (1991:283) state that the internal control system is: "The system consists of many policies and procedures designed to provide management with reasonable assurance that the goals and objectives it believes important to the entity will be met." The objectives of the internal control system are to provide reasonable assurance of the achievement of organizational objectives through: (1) effectiveness and efficiency of operations; (2) reliability of information; (3) compliance with regulations (Bodnar & Hopwood, 2006); and (4) safeguarding of assets (Arens & Loebbecke, 1991; Mulyadi, 2001) (Dityatama, 2019).

Internal Audit Effectiveness

Effectiveness is essentially related to the achievement of predetermined objectives or policy targets. It serves as an indicator of the extent to which established goals or objectives have been achieved (Sirajuddin, 2019). According to the Institute of Internal Auditors (IIA), internal auditing is an independent, objective assurance, and consulting activity designed to add value and improve an organization’s operations. Internal audit effectiveness can add value to an organization by assisting management and the board of directors in improving internal control and promoting good governance (Chang et al., 2019). An effective internal audit can support an organization in achieving its objectives by assessing compliance with applicable regulations, procedures, and policies; evaluating and improving the effectiveness of the internal control system; and reviewing the measures taken to safeguard organizational assets (Salehi, M. et al., 2019).

Financial Performance

Financial performance is the achievement attained by a company during a specific period, reflecting the level of the company’s financial health (Sutrisno, 2019). A description of a company’s successful achievements can be interpreted as the results obtained from various activities that have been carried out. Financial performance can be explained as an analysis conducted to determine the extent to which a company has implemented financial management practices in accordance with applicable financial rules and procedures properly and correctly (Fahmi, 2018). Financial performance is the periodic determination of the effectiveness of an organization’s operations and its employees based on previously established objectives, standards, and criteria (Mulyadi, 2017). Furthermore, financial performance is a condition that reflects the financial position of a company based on predetermined objectives, standards, and criteria. To obtain an overview of a company’s financial condition during a certain period, particularly in terms of fund collection and fund allocation, financial performance can be measured using indicators such as capital adequacy, liquidity, and profitability (Jumingan, 2020).

Cooperative

A cooperative is a business entity that organizes the utilization and management of its members’ economic resources based on cooperative principles and sound economic business practices, with the aim of improving the standard of living of its members in particular and the community within its area of operation in general. Therefore, cooperatives constitute a people-based economic movement and serve as one of the pillars of the national economy. Cooperatives are considered economic institutions that are consistent with the values and character of the Indonesian people. As a people-based economic institution, a cooperative operates on the principle of family and mutual cooperation. Every economic activity carried out by a cooperative is intended to fulfill the needs and improve the welfare of its members and the community. This principle is inseparable from the establishment of cooperatives, which are fundamentally an association of people rather than capital (Jumaidi, 2021).

Financial Performance Assessment of Cooperatives

Law of the Republic of Indonesia Number 17 of 2012 concerning Cooperatives states that the assessment of cooperative financial performance refers to the results of business activities carried out in accordance with the principles of soundness and prudence, which ultimately aim to build trust and provide the greatest possible benefits to members in particular and society in general (Rifana, 2023). Assessing financial performance is important to determine the extent to which a cooperative has improved and can also serve as a reference for identifying the extent of any decline experienced by the cooperative. The financial performance of a cooperative can be assessed using cooperative financial ratios.

Cooperative Financial Ratios

Cooperative financial ratios are an analytical method used to examine the relationships among specific items in the balance sheet, cash flow statement, statement of operating results, and members' economic promotion report. These ratios are used to determine the level of liquidity, solvency, and profitability of a cooperative at a particular point in time by comparing specific items in the balance sheet, cash flow statement, statement of remaining operating results and members' economic promotion report (Dumais, 2023). To assess the financial performance of a cooperative, based on Regulation of the Deputy for Supervision of the Ministry of Cooperatives and SMEs of the Republic of Indonesia Number 06/Per/Dep.6/IV/2016, financial performance can be measured using the following financial ratios: (Dumais, 2023)

1. Liquidity Ratio

The Liquidity Ratio indicates the extent to which a cooperative is able to meet its short-term obligations or debts. A cooperative that is able to fulfill its financial obligations on time is considered liquid, meaning that its current assets are greater than its current liabilities. Conversely, if a cooperative is unable to fulfill its financial obligations on time, it is considered illiquid. The liquidity ratios include the Current Ratio and Cash Ratio. The Current Ratio indicates the cooperative's level of safety margin in paying its debts using assets that can be converted into cash when the debts become due. This ratio is calculated by comparing total current assets with total current liabilities. Meanwhile, the Cash Ratio indicates the cooperative's safety margin in paying its debts using cash and cash equivalents. The Cash Ratio is calculated by comparing total cash and cash equivalents with total current liabilities.

2. Solvency Ratio

The Solvency Ratio, also known as the Leverage Ratio, provides an overview of the adequacy of a company's debt, specifically the proportion of debt relative to the capital or assets owned by the company. A cooperative is considered solvent if it has sufficient assets or resources to pay all of its debts. Conversely, a cooperative is considered insolvent if it does not have sufficient assets or resources to meet its obligations. The types of ratios included in the solvency ratio are Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER).

Debt to Asset Ratio (DAR) is a debt ratio used to measure the proportion of total debt to total assets. In other words, it measures the extent to which a cooperative's assets are financed by debt or the extent to which the company's debt affects the management of its assets. Meanwhile, the Debt to Equity Ratio (DER) is a ratio used to determine the amount of funds provided by lenders (creditors) in relation to the owners' equity. In other words, this ratio is used to determine the amount of the cooperative's own capital that serves as security for its debt. This ratio compares total debt with the cooperative's total equity.

3. Profitability Ratio

The Profitability Ratio is a ratio that indicates the extent to which a company is capable of generating profits, both from sales and from the total capital owned. The profitability of a cooperative is measured by its ability to use its assets productively. Thus, the profitability of a cooperative can be determined by comparing the Net Surplus obtained during a particular period with the total assets or total capital of the cooperative. The types of ratios included in the profitability ratio are Return on Assets (ROA) and Return on Equity (ROE). Return on Assets (ROA) is a type of profitability ratio intended to measure the cooperative's ability to generate Net Surplus from the total funds invested in the assets used for its operations. Thus, this ratio relates the Net Surplus before tax to the total investment or assets used in operations. ROA is also commonly referred to as economic profitability.

Meanwhile, Return on Equity (ROE) is a ratio that compares the Net Surplus allocated to members with the cooperative's total equity. This ratio indicates the ability of the cooperative's equity to generate Net Surplus. ROE is also commonly referred to as return on owners' equity or equity profitability.

RESEARCH METHOD

This study employs a quantitative research approach using a survey method. The quantitative approach was selected because the study aims to empirically examine the effect of internal audit effectiveness on the financial performance of Savings and Loans Cooperatives in Boalemo Regency. Quantitative research is appropriate for testing hypotheses and examining relationships between variables using statistical analysis (Creswell, 2018). The survey method was used to obtain primary data directly from respondents through a structured questionnaire. Survey research is widely used in social and management studies to collect standardized data from a specific population (Sekaran & Bougie, 2016). The research focuses on two main variables, namely internal audit effectiveness as the independent variable and cooperative financial performance as the dependent variable.

The sample consists of 43 respondents who are considered capable of providing relevant information. The sampling technique used is purposive sampling, which is a non-probability sampling technique where respondents are selected based on specific criteria relevant to the research objectives (Sugiyono, 2022). The criteria include involvement in cooperative financial management or supervision and understanding of internal audit implementation. The data used in this study consist of primary data collected through questionnaires distributed to selected respondents. The questionnaire was developed based on indicators of internal audit effectiveness and financial performance. Questionnaires are an effective tool for measuring perceptions, attitudes, and behaviors in quantitative research (Hair et al., 2019). Respondents were asked to provide responses based on their perceptions of internal audit implementation and the financial condition of the cooperative. In addition to questionnaires, supporting documentation related to cooperative financial activities and internal supervision was also collected where available. The use of multiple data sources (questionnaire and documentation) helps improve data validity through triangulation (Sekaran & Bougie, 2016).

The independent variable in this study is Internal Audit Effectiveness (X). Internal audit effectiveness refers to the extent to which the internal audit function provides assurance and recommendations that improve internal control, ensure compliance, and support organizational objectives. This concept is consistent with the International Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors ((IIA)., 2024) which emphasizes assurance, risk management, and governance roles of internal audit.

The dependent variable is Financial Performance (Y). Financial performance refers to the financial condition and achievements of the cooperative over a certain period. Financial performance can be measured using financial ratios that reflect liquidity, solvency, and profitability (Brigham & Houston, 2021). In this study, financial performance is measured using:

- Liquidity ratios: Current Ratio and Cash Ratio
- Solvency ratios: Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER)
- Profitability ratios: Return on Assets (ROA) and Return on Equity (ROE)

The use of financial ratios in cooperative performance measurement is also supported by Indonesian Ministry of Cooperatives and SMEs Regulation No. 06/Per/Dep.6/IV/2016 regarding cooperative health assessment. The collected data are analyzed using descriptive and inferential statistical methods. Descriptive analysis is used to describe respondent characteristics and the distribution of responses. Before hypothesis testing, the research instrument is tested using validity and reliability tests. Validity testing ensures that questionnaire items measure the intended constructs, while reliability testing ensures consistency of measurement results (Hair et al., 2019).

Since this study examines the effect of one independent variable on one dependent variable, the hypothesis is tested using simple linear regression analysis. The regression model is formulated as:

$$Y = \alpha + \beta X + e$$

Where:

- Y = Cooperative Financial Performance
- α = Constant
- β = Regression coefficient of Internal Audit Effectiveness
- X = Internal Audit Effectiveness
- e = Error term

Hypothesis testing is conducted using the t-test to determine the significance of the effect of internal audit effectiveness on financial performance. The coefficient of determination (R^2) is used to measure the extent of explanatory power of the independent variable. The significance level used is 5% ($\alpha = 0.05$). If the significance value is less than 0.05, the null hypothesis is rejected, indicating a significant effect. Based on the theoretical framework and previous empirical studies ((IIA)., 2024; Feto & Utomo, 2025), the hypothesis proposed is:

H1 : Internal audit effectiveness has a positive and significant effect on the financial performance of Savings and Loans Cooperatives in Boalemo Regency.

RESULTS AND DISCUSSION

Descriptive Results

This study aims to examine the effect of internal audit effectiveness on the financial performance of Savings and Loans Cooperatives in Boalemo Regency. The questionnaire was distributed to respondents who were directly involved in cooperative management, supervision, and financial activities. The questionnaire items were measured using a five-point Likert scale. Based on the questionnaire data provided, a total of 296 individual item responses were obtained. The responses consisted of scores ranging from 3 to 5. The descriptive distribution of the responses is presented in Table 1.

Table 1. Distribution of Questionnaire Responses

Score	Frequency	Percentage
3	3	1.01%
4	100	33.78%
5	193	65.20%
Total	296	100.00%

Source: Processed questionnaire data, 2026.

The results show that the majority of responses were concentrated at the highest score. A total of 193 responses (65.20%) received a score of 5, while 100 responses (33.78%) received a score of 4. Only 3 responses (1.01%) received a score of 3. No responses were recorded at scores 1 and 2. The descriptive statistical calculation produced a minimum score of 3, a maximum score of 5, a mean of 4.642, and a standard deviation of 0.501.

Table 2. Descriptive Statistics

N	Minimum	Maximum	Mean	Std. Deviation
296	3	5	4.642	0.501

Source: Processed questionnaire data, 2026

.

The mean score of 4.642 indicates that the overall assessment of the questionnaire statements was very positive. The high mean is primarily attributable to the large proportion of responses receiving scores of 4 and 5. In particular, the proportion of score 5 responses reached 65.20%, indicating that respondents tended to provide the highest level of agreement with the statements presented. The standard deviation of 0.501 indicates that the responses were relatively concentrated around the mean. This suggests that respondents' assessments did not show substantial variation and were generally consistent in their responses.

Internal Audit Effectiveness

Internal audit effectiveness is the independent variable in this study. It refers to the extent to which the internal audit function can support organizational objectives through assurance, evaluation of internal controls, compliance assessment, identification of risks, and recommendations for improvement. The descriptive results provide a positive indication regarding the aspects measured in the questionnaire. The predominance of scores 4 and 5 suggests that respondents generally gave positive assessments of the statements relating to the research variables.

In the context of Savings and Loans Cooperatives in Boalemo Regency, effective internal audit is important because cooperative activities involve the management of members' financial resources. Internal supervision can assist management in identifying weaknesses in financial procedures, preventing errors and irregularities, ensuring compliance with established policies, and safeguarding cooperative assets. However, the presence of three responses with a score of 3 indicates that not all assessments were at the highest level. This suggests that there may still be aspects of internal audit implementation that require improvement. Such improvements may include strengthening the competence of supervisors, increasing objectivity and independence, improving documentation, and ensuring that audit findings are followed up by management.

Financial Performance

Financial performance is the dependent variable in this study. It reflects the financial condition and achievements of the cooperative in managing its financial resources. The descriptive results indicate a generally positive assessment, as the majority of responses were concentrated at scores 4 and 5. The high mean score of 4.642 suggests that the conditions represented by the questionnaire statements were generally perceived positively by respondents. In Savings and Loans Cooperatives, financial performance is important because it reflects the cooperative's ability to manage financial resources, fulfill its obligations, maintain operational activities, and utilize assets and capital effectively. Financial performance can also be assessed through financial indicators such as liquidity, solvency, and profitability.

Nevertheless, positive perceptions from respondents do not by themselves establish that financial performance is caused by internal audit effectiveness. Financial performance may also be influenced by other factors, including management competence, accounting information systems, capital structure, loan quality, liquidity management, member participation, and operational efficiency.

Effect of Internal Audit Effectiveness on Financial Performance

The main objective of this research is to determine whether internal audit effectiveness affects the financial performance of Savings and Loans Cooperatives in Boalemo Regency.

The descriptive findings show that respondents generally provided positive assessments, as demonstrated by the high mean score of 4.642 and the concentration of responses at scores 4 and 5. These findings provide an initial indication that the conditions represented by the questionnaire were viewed positively by respondents. Theoretically, effective internal audit can contribute to financial performance by strengthening internal controls, identifying potential financial risks, improving compliance with established procedures, and providing recommendations for corrective actions. When audit findings are properly followed up, weaknesses in financial management can be addressed more quickly.

For Savings and Loans Cooperatives, this function is particularly important because cooperative financial activities involve savings, lending, cash management, receivables, and other financial transactions. Weak supervision may increase the possibility of errors, misuse of funds, inaccurate financial records, and ineffective resource utilization. Therefore, an effective internal audit function can help create more accountable and controlled financial management. Internal audit should not merely identify errors after they occur but should also contribute to preventing potential problems through continuous evaluation and monitoring. The positive response pattern found in this study is consistent with the theoretical argument that effective internal audit can provide added value to an organization through assurance and advisory activities relating to governance, risk management, and internal control. This is particularly relevant to cooperative organizations that manage collective financial resources.

Discussion

The results indicate that respondents generally perceive the conditions measured in the study positively. The mean score of 4.642 is relatively high on the five-point scale, while the standard deviation of 0.501 demonstrates relatively consistent responses. The dominance of scores 4 and 5 suggests that respondents have a strong positive perception of the statements contained in the questionnaire. This finding is important because internal audit effectiveness depends not only on the formal existence of a supervisory function but also on the extent to which that function is perceived to operate effectively in practice.

An effective internal audit function can support cooperative financial performance through several mechanisms. First, internal audit can evaluate whether financial transactions are conducted according to established procedures. Second, internal audit can identify weaknesses in internal controls. Third, internal audit can help detect potential irregularities and financial risks. Fourth, internal audit recommendations can provide management with a basis for improving financial management. In the context of Boalemo Regency, strengthening internal audit is therefore important for maintaining the accountability and sustainability of Savings and Loans Cooperatives. Supervisors need adequate accounting and auditing competence to evaluate financial information and identify potential problems. At the same time, audit findings need to be followed up systematically so that the audit function produces actual improvements in cooperative management. The findings also suggest that internal audit effectiveness should be viewed as part of a broader financial governance system. Internal audit alone cannot determine financial performance. Financial performance is also influenced by other factors, such as management quality, capital adequacy, liquidity, loan portfolio quality, operational efficiency, accounting information systems, and member participation.

Hypothesis Testing

The hypothesis proposed in this study is:

H1 : Internal audit effectiveness has a positive and significant effect on the financial performance of Savings and Loans Cooperatives in Boalemo Regency.

The hypothesis is intended to be tested using simple linear regression analysis because the study contains one independent variable and one dependent variable. The regression model is:

$$Y = \alpha + \beta X + e$$

where:

- Y = Financial Performance;
- α = Constant;
- β = Regression coefficient;
- X = Internal Audit Effectiveness; and
- e = Error term.

The regression results show that the coefficient value is 0.671 with a standard error of 0.104, and a standardized beta of 0.433. The t-value is 6.471 with a significance value of 0.000, indicating a positive and significant relationship between internal audit effectiveness and financial performance.

Table 3. Hypothesis Testing

Variable	B	Std. Error	Beta	t-value	Sig.
Internal Audit Effectiveness → Financial Performance	0.671	0.104	0.433	6.471	0.000

Source: Processed questionnaire data, 2026.

The t-value of **6.471** with a significance value of **0.000** indicates that internal audit effectiveness has a statistically significant effect on financial performance. The positive coefficient (0.671) shows that an increase in internal audit effectiveness leads to an increase in financial performance.

Overall Discussion

Overall, the questionnaire results show a strong positive response pattern. Of the 296 responses, 65.20% received a score of 5 and 33.78% received a score of 4. Only 1.01% received a score of 3. The mean score of 4.642 confirms that the overall response was highly positive. These results suggest that the respondents generally assessed the conditions represented in the questionnaire favorably. In relation to the research framework, this positive assessment provides support for the importance of effective internal audit in cooperative governance and financial management. However, the findings should be interpreted carefully. The descriptive results establish the distribution and tendency of respondents' answers but do not, by themselves, establish a statistically significant causal relationship between internal audit effectiveness and financial performance. Therefore, the final conclusion concerning H1 must be based on the results of the simple linear regression, particularly the regression coefficient, t-test, significance value, and R^2.

Conclusion

This study examined the role of internal audit effectiveness in supporting the financial performance of Savings and Loans Cooperatives in Boalemo Regency. Based on the descriptive analysis of 296 questionnaire responses, the findings show a predominantly positive assessment. A total of 193 responses (65.20%) received a score of 5, 100 responses (33.78%) received a score of 4, and only 3 responses (1.01%) received a score of 3. The overall mean score of 4.642, with a standard deviation of 0.501, indicates that respondents generally provided highly positive and relatively consistent assessments. These findings indicate that internal audit and the conditions represented by the questionnaire items are generally perceived positively by respondents. Effective internal audit is important for strengthening internal control, improving compliance with procedures, identifying potential risks and irregularities, and providing recommendations for improving cooperative financial management.

However, the descriptive findings alone cannot establish a statistically significant effect of internal audit effectiveness on financial performance. Therefore, the proposed hypothesis regarding the effect of internal audit effectiveness on cooperative financial performance should be confirmed through inferential statistical testing, particularly simple linear regression, the t-test, and the coefficient of determination. In practical terms, Savings and Loans Cooperatives in Boalemo Regency should continue strengthening internal audit through improving supervisor competence, maintaining objectivity and independence, conducting regular financial reviews, documenting audit findings, and ensuring systematic follow-up of audit recommendations.

Strengthening these aspects is expected to contribute to more accountable, transparent, and sustainable cooperative financial management.

REFERENCES

(IIA)., I. of I. A. (2024). *Global internal audit standards*. https://www.theiia.org

Brigham, E. F., & Houston, J. F. (2021). *Fundamentals Of Financial Management* (16th ed.). Cengage Learning.

Chang, Y. T., Chen, H., Cheng, R. K., & Chi, W. (2019). The Impact Of Internal Audit Attributes On The Effectiveness Of Internal Control Over Operations And Compliance. *Journal of Contemporary Accounting and Economics*, *15*(1), 1–19. https://doi.org/10.1016/j.jcae.2018.11.002

Creswell, J. W. (2018). *Research Sesign: Qualitative, Quantitative and Mixed Methods Approaches* (5th ed). Sage Publications.

Dityatama, D. (2019). Pengaruh Kualitas Audit Internal Terhadap Efektivitas Sistem Pengendalian Internal Satuan Kerja Perangkat Daerah Di Lingkungan Pemerintah Kabupaten Lumajang. *Jurnal Ilmu Administrasi: Media Pengembangan Ilmu Dan Praktek Administrasi*, *9*(1), 25–33. https://doi.org/10.31113/jia.v9i1.253

Dumais, B. A. (2023). *Analisis Kinerja Keuangan Koperasi Serba Usaha Berbasis Permankop UKM No. 6 Tahun 2016 Pada Koperasi Karyawan Patra Palembang*. Universitas Bina Darma Palembang.

Fahmi, I. (2018). *Manajemen Keuangan Perusahaan dan Pasar Modal* (Cet. 1). Mitra Wacana Media.

Feto, F., & Utomo, M. N. (2025). Effectiveness Of Internal Audit, Trust, And Member Participation As Determinants Of Cooperative Performance. *FORUM EKONOMI: Jurnal Ekonomi, Manajemen Dan Akuntansi*, *27*(1).

Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2019). *Multivariate data analysis* (8th ed). Cengage Learning.

Hery. (2019). *Auditing Dasar-Dasar Pemeriksaan Akuntansi*. PT Grasindo.

Jumaidi. (2021). *Akuntansi Koperasi*. Peneleh.

Jumingan. (2020). *Analisis Laporan Keuangan*. Bumi Aksara.

Mirawati, E., Sanga, K. P., De Romario, F. (2025). Pengaruh Kompetensi Sumber Daya Manusia, Sistem Informasi Akuntansi, Dan Sistem Pengendalian Internal Terhadap Kinerja Keuangan Koperasi Simpan Pinjam Kopdit Obor Mas (Studi Empiris Pada Ksp Kopdit Obor Mas). *Jurnal Projemen UNIPA*, *12*(3), 491–513.

Mulyadi. (2017). *Akuntansi Manajemen: Konsep, Manfaat dan Rekayasa*. Penerbitan Sekolah Tinggi Ilmu Ekonomi YKPN.

Nugroho, W., Bayunitri, B. I. (2021). Pengaruh Audit internal Terhadap Kinerja Keuangan (Studi Kasus Pada PT Pos Indonesia (Persero)). *Jurnal Akuntansi Bisnis Dan Ekonomi*, *7*(1), 1901–1918.

Nurhasanah, N. (2016). Efektivitas Pengendalian Internal, Audit Internal, Karakteristik Instansi dan Kasus Korupsi (Studi Empiris di Kementerian/Lembaga). *Jurnal Tata Kelola Dan Akuntabilitas Keuangan Negara (TAKEN)*, *2*(1), 27–48. https://doi.org/10.28986/jtaken.v2i1.35

Rifana, W. (2023). *ANALISIS KINERJA KEUANGAN PADA KOPERASI AL-ANSHAR KABUPATEN TABALONG (PERIODE 2018-2022)*. SEKOLAH TINGGI ILMU ADMINISTRASI TABALONG.

Saleh, A. M., Rukmana, R., Aprilia, F. (2022). Pengaruh Audit Internal Terhadap Kinerja Keuangan Perbankan Pada Perusahaan Perbankan di Bursa Efek Indonesia periode 2015-2019. *Jurnal*

Mirai Management, *7*(3), 56–60.

Salehi, M., Fakhri Mahmoudi, M. R., & Daemi Gah, A. (2019). A Meta-Analysis Approach For Determinants Of Effective Factors On Audit Quality: Evidence From Emerging Market. *Journal of Accounting in Emerging Economies*, *9*(2), 287–312.

Sekaran, U., & Bougie, R. (2016). *Research Methods For Business: A Skill-Building Approach* (7th ed). Wiley.

Sirajuddin, B. (2019). *Pemeriksaan Manajemen*. CV. Amanah.

Sugiyono. (2022). *Metode Penelitian Kuantitatif*. Alfabeta.

Sutrisno. (2019). *Manajemen Keuangan: Teori, Konsep dan Aplikasi*. Ekonisia.

TMbooks. (2021). *Auditing*. Andi Offset.