

IMPLEMENTATION OF INTERNAL AUDIT TOWARDS THE IMPLEMENTATION OF THE MINISTER OF FINANCE REGULATION NUMBER 112/PMK.03/2022 IN YOGYAKARTA CITY

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ABSTRACT

Economic and financial dynamics continue to develop in the application of regulations. Financial management is essential for entities to achieve good governance and enhance optimal accountability. Minister of Finance Regulation No. 112/PMK.03/2022 serves as the regulatory framework that provides direction regarding entity financial governance. The provisions of this Ministerial Regulation require entities to implement transparent and accountable financial practices. This obligation aligns with the spirit of improving financial governance, where entities are required to be financially responsible and ensure the integrity of financial information. Internal audit is at the forefront of ensuring that entities' financial practices comply with applicable regulations. Therefore, a thorough understanding of internal audit procedures in this context is essential. Audit theory refers to a set of principles and concepts that guide audit practice. Audit practice is designed to ensure that the financial information presented by an entity is reliable, transparent, and meets standards. The primary objective of an audit is to provide stakeholders with assurance that an entity's financial statements are accurate, reliable, and comply with accounting standards. This study aims to identify and analyze the contribution of internal audit to supporting entities in implementing financial regulations, specifically Minister of Finance Regulation No. 112/PMK.03/2022. Furthermore, this study aims to evaluate the effectiveness of internal audit in achieving optimal compliance with financial regulations. This study employed a mixed quantitative approach, encompassing document analysis and interviews. Internal audit findings play a crucial role in assessing the effectiveness and efficiency of regulatory implementation. Internal audit is effective in its responsibility to ensure business entities comply with applicable tax regulations.

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INTRODUCTION

With the ever-evolving dynamics of the economy and finances, the implementation of financial regulations must adapt to the current situation, making it mandatory for entities to achieve optimal transparency and accountability in financial governance. Transparency means the importance of openness and easy access to business entity

information and finances for stakeholders. Accountability means being responsible for responsible financial management to stakeholders. In this context, Minister of Finance Regulation Number 112/PMK.03/2022 serves as the regulatory basis, providing direction and guidance regarding entity financial management. This regulation governs important aspects related to financial reporting procedures, internal control, and compliance with applicable accounting standards.

The provisions of the Minister of Finance Regulation require entities to implement transparent and accountable financial practices. This obligation aligns with the spirit of improving financial governance, where entities are required to be financially responsible and ensure the integrity of the financial information they produce. The high level of complexity and dynamics of financial regulations underscore the critical role of internal audit in supporting entities in complying with the provisions of Minister of Finance Regulation No. 112/PMK.03/2022. Internal audit is at the forefront of ensuring that financial practices implemented by entities comply with applicable regulations. Therefore, a deeper understanding of the role of internal audit in this context is essential.

Regulation of the Minister of Finance of the Republic of Indonesia Number 112/Pmk.03/2022 concerning Taxpayer Identification Numbers for Individual Taxpayers, Corporate Taxpayers, and Government Agency Taxpayers Minister of Finance Regulation Number 112/PMK.03/2022 concerning Taxpayer Identification Numbers for Individual Taxpayers, Corporate Taxpayers, and Government Agency Taxpayers is a regulation governing changes to Taxpayer Identification Numbers (NPWP). These changes include the use of the Population Identification Number (NIK) as the NPWP for individual taxpayers who are Indonesian residents, as well as the use of the 16-digit NPWP format for individual taxpayers who are not Indonesian residents, corporate taxpayers, and government agency taxpayers.

The NPWP amendment has several objectives, including: 1) improving tax compliance; 2) simplifying tax administration; and 3) increasing the efficiency of tax resource management. To achieve these objectives, effective and efficient implementation of Minister of Finance Regulation No. 112/PMK.03/2022 is required. In this context, internal audit can play a crucial role in providing management and the Supervisory Board with sufficient assurance that the regulation has been implemented effectively and efficiently and has delivered the expected benefits.

To address the complex requirements for compliance with the Minister of Finance Regulation, this study raises two key questions. First, what is the role of internal auditors

in supporting entities in implementing Minister of Finance Regulation No. 112/PMK.03/2022? This question reflects the urgency of understanding the contribution of internal auditors in ensuring entity compliance with applicable regulations. Second, to what extent is internal audit effective in ensuring compliance with financial regulations, particularly the Minister of Finance Regulation? This question aims to evaluate the extent to which internal audit is an efficient instrument in ensuring entity compliance with relevant financial regulations.

This research not only aims to identify and analyze the contribution of internal audit in supporting entities in implementing financial regulations, specifically Minister of Finance Regulation No. 112/PMK.03/2022. Furthermore, this research also aims to evaluate the effectiveness of internal audit in ensuring optimal compliance with these financial regulations. This research is not merely exploratory, but rather serves as an important foundation that can provide a convincing holistic view of the role and performance of internal audit within the context of current financial regulations, providing in-depth understanding that serves as a strong basis for strategic decision-making. Thus, this research is expected to provide a holistic view of the role and performance of internal audit within the context of current financial regulations.

THEORITICAL REVIEW

Financial Accounting Theory

Scott (2015) Financial Accounting Theory is a conceptual structure used to describe and explain economic facts that occur in accounting practice. This theory provides a framework for compiling, presenting, and understanding an entity's financial statements.

Hendriksen (2012) explains that Accounting Theory is a set of concepts, assumptions, and principles that form the basis for developing accounting principles that can be used as guidelines in preparing financial statements. Anthony describes Accounting Theory as a conceptual framework that helps illustrate how financial decisions can be made based on available accounting information.

In principle, business entities and individuals are considered separate entities, and business transactions should be separated from the personal transactions of the owners. This theory states that the accounting methods used by an entity should be consistent from one period to the next.

The going concern principle emphasizes that an entity is considered to be able to continue for a sufficient period of time to justify the use of accounting assumptions and

the presentation of financial statements. Internal audit plays a critical role in assessing factors that may affect the organization's sustainability, such as operational risk, financial management, and compliance with financial regulations. The relevance principle emphasizes the importance of presenting information that can influence the decisions of users of financial statements. Internal audit must ensure that the financial information presented in the statements accurately reflects the entity's financial condition and results of operations, thereby providing added value to stakeholders.

In the context of financial auditing, sustainability theory considers the long-term financial aspects and environmental impacts of a company's financial decisions. Auditors can help ensure that financial statements reflect sustainability aspects and provide relevant information to stakeholders. In financial auditing, understanding the psychological factors that influence management and auditor behavior can provide additional insights into assessing a company's financial risk and performance.

Consistency in the presentation of financial information is a key principle in financial accounting theory. Internal audit, in this regard, must ensure that the entity maintains consistency in accounting methods, policies, and disclosures. This helps ensure that financial information is reliable and comparable from period to period.

Internal Audit

Sawyer & S. Cheiner, (2005) Internal Audit is a systematic and objective assessment conducted by internal auditors of the different operations and controls within an organization to determine whether 1) financial and operational information is accurate and reliable, 2) risks faced by the company have been identified and minimized, 3) external regulations and acceptable internal policies and procedures have been followed, 4) satisfactory operating criteria have been met, 5) resources have been used efficiently and economically, and 6) organizational objectives have been achieved effectively all done with the aim of consulting with management and helping them carry out their responsibilities effectively.

Audit theory refers to the set of principles and concepts that guide audit practice. Audit practice is designed to ensure that the financial information presented by an entity is reliable, transparent, and in accordance with applicable accounting standards. The primary objective of an audit is to provide stakeholders with assurance that an entity's financial statements are accurate, reliable, and comply with applicable accounting standards, as well as to identify and mitigate the risk of material misstatement in the

financial statements. Auditors strive to provide an independent opinion regarding the reliability of financial information.

Internal auditing is defined as an independent and objective process that provides assurance and consultation, designed to add value and improve an organization's operations. The internal audit function includes examining and evaluating the effectiveness of internal control systems and providing recommendations for improvement. Hanifah et al (2023). The scope of internal audit involves a thorough analysis of operational policies, procedures, and practices to ensure compliance and efficiency. Internal audit has a strategic role in improving corporate governance by providing assurance to an organization's management and Board of Trustees that the internal control system has been designed and implemented effectively to achieve the organization's objectives. An internal control system is a process designed to provide reasonable assurance that the organization's objectives are being achieved, which consists of several objectives, including:

- a. Effectiveness and efficiency of operations;
- b. Reliability of financial reporting;
- c. Compliance with laws and regulations.

In the context of implementing the Minister of Finance Regulation Number 112/PMK.03/2022, internal audit can play a role in:

- a. Conducting assessments of the effectiveness and efficiency of implementing these regulations;
- b. Identify and provide recommendations on the risks associated with the implementation of the regulations;
- c. Improve compliance with these regulations;
- d. Improve the effectiveness and efficiency of resource management;
- e. Improve the quality of accounting information and financial reporting.

Therefore, this study aims to examine the role of internal audit in implementing the Minister of Finance Regulation Number 112/PMK.03/2022.

Minister of Finance Regulation Number 112/PMK.03/2022

Minister of Finance Regulation No. 112/PMK.03/2022 provides a comprehensive framework for entity financial management. It details requirements related to financial reporting, internal control, and compliance with applicable accounting standards.

Consequently, affected entities will be faced with demands to align their financial practices with stricter requirements, with a direct impact on risk management and financial information transparency. With this regulation, taxpayers no longer need to use a Taxpayer Identification Number (NPWP). Instead, they can use their National Identification Number (NIK). Taxpayers can independently validate their NIK through official channels established by the Directorate General of Taxes (DGT).

This Minister of Finance Regulation not only creates compliance obligations but also provides a framework for improving overall financial practices. By promoting higher standards of accountability, this regulation makes a significant contribution to an entity's financial image and reputation among stakeholders. The close relationship between this regulation and financial practices and accountability creates an environment where internal audit plays a key role in ensuring that entities comply with and effectively implement these provisions.

RESEARCH METHODS

This research employed a qualitative, mixed-method approach, encompassing documentation analysis and interviews. Documentation analysis was used to examine policies, procedures, and financial reports related to the Minister of Finance's regulations. Interviews with internal audit practitioners provided in-depth insights into their experiences implementing these regulations.

Qualitative research data collection in this study was conducted using the interview method. Interviews are a technique used to collect data through questions and answers. Interviews allow researchers to conduct preliminary research to identify the problem to be studied. Furthermore, researchers want to gain more in-depth information from respondents, even with a small sample size.

Qualitative research is characterized by the researcher acting as both an instrument and a data collector. Instruments are tools used to facilitate and improve research and data processing. Instruments include questionnaires and interview guides, which serve as support for research data collection.

Data analysis techniques in qualitative research often present challenges for researchers. This is because qualitative research involves many different styles of data analysis. Qualitative research emphasizes the use of different methods to understand, describe, and analyze a phenomenon and seek answers to emerging questions.

Qualitative research methods are used to examine complex and in-depth phenomena. This study aims to examine the role of internal audit in relation to Minister of Finance Regulation Number 112/PMK.03/2022.

Some reasons for using qualitative methods in this research:

- a. To understand the phenomenon in depth, the role of internal audit in relation to Minister of Finance Regulation No. 112/PMK.03/2022 is complex and dynamic. Therefore, a qualitative approach is required that can extract in-depth information from various sources and document studies.
- b. To capture the meaning and interpretation of research subjects. The phenomenon studied in this research is a social phenomenon involving interactions between various parties. Therefore, it is important to capture the meaning and interpretation of various research subjects, such as internal auditors, taxpayers, and related agencies. A qualitative approach can help researchers capture these meanings and interpretations.

Criteria for Selecting Entities to Become Research Subjects

The selected entities come from a variety of sectors and sizes, including both public and private companies. Selection criteria included the entity's level of exposure to financial regulations, the complexity of its organizational structure, and its compliance history. By selecting a representative sample, the research findings can be more generally applied to a variety of business contexts.

Interview Statement Details:

This interview study used a range of questions related to internal auditor practitioners' perceptions of their role in implementing financial regulations. Questions covered aspects of governance, audit procedures, and barriers to ensuring compliance.

RESULTS AND DISCUSSION

Based on the results of interviews conducted with several respondents, namely PT. Gevadeal Jaya Perkasa, PT. Gevadeal Jaya Logistik, and PT. Palawa Transport Jaya, the perceptions of internal auditor practitioners regarding their role in the implementation of Minister of Finance Regulation Number 112/PMK.03/2022 are revealed.

The company's Internal Audit Team has understood and ensured that its business operations comply with and implement the Minister of Finance Regulation Number 112/PMK.03/2022. Furthermore, the company consistently adapts to changes and new

regulations related to taxation. The Internal Auditor's positive impact on the implementation of these regulations is the simplification of tax administration. Integrating NIK into NPWP helps taxpayers fulfill their tax obligations effectively and efficiently. Taxpayer compliance can save time, effort, and costs.

Regarding the role of regulators, specifically the Tax Service Office (Kantor Pelayanan Pajak), they consistently provide information support, outreach, and training to Internal Auditors. These activities can foster a culture of tax compliance. Furthermore, these actions can serve as preventative measures to avoid potential tax penalties that could result in company losses. By issuing these regulations, the Directorate General of Taxes (DGT) will be able to further optimize state revenues, as all transactions can be conducted using the National Identification Number (NIK).

The NIK itself can be easily accessed and verified by agencies to identify any violations, making it possible to optimize state revenues from this activity. This can be easily determined based on each individual's identity.

The challenges faced in addressing this issue include the lack of information systems supporting the regulatory implementation process to accommodate these needs, preventing business operations from running effectively and efficiently. Another issue that arises and occurs is related to partners, other companies, or transaction counterparties not having a Taxpayer Identification Number (NPWP). This can lead to disorganized, unbalanced, and inconsistent financial and tax records that do not meet reporting requirements.

Efforts to address these issues include providing recommendations to company management to establish an integrated system and effective communication with partners or other companies that do not yet have a Taxpayer Identification Number (NPWP) to ensure orderly administration. Furthermore, coordination with the Tax Service Office is also being undertaken to ensure all tax regulations are properly implemented.

The active role of Internal Auditors and synergy with regulators in implementing Minister of Finance Regulation No. 112/PMK.03/2022 demonstrate significant progress in tax compliance and efficiency. The integration of NIK into NPWP has facilitated data tracking, transaction reporting, and taxpayer identity validation. Interviews also demonstrated that internal audit can participate in examining and monitoring gaps or potential discrepancies in reporting, enabling early mitigation of tax risks.

The company also acknowledged that human resource capacity building activities through regular DGT training have improved Internal Auditors' understanding of

interpreting the latest regulations. This can create more transparent and accountable tax governance at the operational level. The growing culture of compliance within the company also demonstrates that these new regulations are not merely administrative but also impact the development of a more disciplined mindset in tax reporting.

Likewise, the existence of constraints in the information system aspect is an important consideration. The lack of fully integrated digital infrastructure hampers real-time documentation and reporting processes. This limitation risks potential delays or errors in reporting, which could result in administrative sanctions. Companies also face external challenges from third parties who have not complied with the NPWP requirement, resulting in inconsistent transaction documentation.

The company emphasized the importance of developing a technology-based system capable of centrally and automatically managing tax data. This way, the internal audit process can focus more on strategic analysis and evaluation rather than solely on administrative verification. Furthermore, cross-sector collaboration, both with tax authorities and with other business actors, is deemed essential to building a robust and sustainable tax reporting ecosystem.

Furthermore, based on the analysis of interview results, the role of Internal Auditors has also evolved from merely implementing compliance procedures to acting as agents of change in strengthening an accountable tax reporting system. This is evident in their initiatives in providing strategic input to management regarding the urgency of digitizing the tax system and the need for increased cross-divisional collaboration in collecting and validating transaction data. This role transformation provides added value not only in terms of internal control but also in supporting the achievement of the company's overall tax compliance targets.

In terms of taxpayer compliance, the implementation of PMK No. 112/PMK.03/2022 promotes transparency in reporting because all tax activities can be identified through a single identity, the NIK. This allows reporting, which was previously manual and fragmented, to be more integrated, thereby reducing the possibility of data manipulation or tax evasion. This finding is consistent with the literature stating that a modern and integrated tax administration system will increase the effectiveness of oversight and broaden the tax base.

However, the effectiveness of implementing this regulation depends heavily on the readiness of the company's information technology infrastructure and the quality of its data. Data inconsistencies between work units and the persistence of manual reporting

processes in some operational areas present real challenges that require immediate address. Furthermore, not all employees in relevant departments possess digital literacy and a sufficient understanding of the latest tax reporting system, which can ultimately lead to errors in data entry or regulatory interpretation.

To address these challenges, in addition to establishing an integrated system and educating business partners, the company has also designed an internal capacity-building program through technical training and regular workshops on the latest tax regulations. This effort is expected to improve not only the competence of Internal Auditors but also that of all units involved in the financial reporting and taxation process. In the long term, this step is expected to create an adaptive, efficient, and risk-free corporate tax system.

Thus, overall, it can be concluded that the implementation of PMK Number 112/PMK.03/2022 in the corporate environment has had a significant positive impact on tax compliance and efficiency, although there are still challenges that must be overcome through improving digital infrastructure, collaborating with external parties, and strengthening the role of Internal Auditors in monitoring and implementing sustainable tax governance strategies.

CONCLUSIONS AND SUGGESTIONS

The conclusion answers the research or study objectives based on a more comprehensive understanding of the research results and discussion. The author's descriptive qualitative research using interview techniques concluded that Internal Auditors play a crucial role in assessing the effectiveness and efficiency of implementing these regulations. This demonstrates that Internal Auditors have effectively carried out their responsibilities to ensure that business entities comply with applicable tax regulations. A thorough understanding of the implementation of Minister of Finance Regulation Number 112/PMK.03/2022 is crucial. Internal Auditors gain sufficient confidence because they possess a sound understanding of tax regulations. Ultimately, Internal Audit can provide recommendations regarding the implementation of tax regulations. Therefore, regular monitoring of tax information developments is necessary to prevent misunderstandings and ignorance of the latest tax regulations.

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