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### THE EFFECT OF EMPLOYEE PERCEPTION OF INTERNAL AUDIT ON EMPLOYEE PERFORMANCE WITH CORPORATE GOVERNANCE AS INTERVENING VARIABLES (CASE STUDY AT PT. BIO FARMA COMPANY)

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#### **ABSTRACT:**

This research aims to analyze the effect of employee perceptions on internal audit on employee performance of PT BIO FARMA (Persero) company with corporate governance as an intervening variable. The sample in this study was 92 employees at the company, using a simple random sampling method. To test the hypothesis using Path Analysis (a combination model of multiple regression models and mediation models), t-test, and F test. The results of the study concluded that employees' perceptions of internal audits have a positive and significant effect on corporate governance and employee performance. Corporate governance also has a positive and significant effect on employee performance. Based on the results of path analysis, it shows that the corporate governance variable is not able to become an intervening variable because the value of the indirect effect of employee perceptions on employee performance through corporate governance is smaller than the direct effect of employee perceptions about the internal audit on employee performance.

#### **INTRODUCTION**

According to the Asia Productivity Organization (APO) measure, the labor productivity index originating from Indonesia based on the number of hours worked in 2017 is 1.30. This figure is still below Thailand and Vietnam, which were 1.45 and 1.50, respectively. The productivity level of Indonesia has been

consistent and has increased since 1990. Researchers from the Center for Indonesian Policy Studies (CIPS) agree that low productivity can cause investors to hesitate to invest in Indonesia. CIPS gave an example that many Chinese investors have shifted their investment to other ASEAN countries, while Indonesia is less attractive.

Increasingly rapid technological advances and also the number of business competitors who are both at home and abroad have resulted in companies being expected to improve their internal and external performance to be able to compete in the business arena both domestically and abroad. According to Ferdinand (2003) in Amri (2016) states that competition is a condition that every company needs to pay attention to. Companies must have a strategy that can be used as a weapon in winning the existing competition. Sustainable competitive advantage is a strategic direction of the company which is not the ultimate goal but is a tool to achieve the goal, namely company performance that generates relatively high profit.

One of the requirements that must be identified and communicated to certain parties is to determine the performance level of achievement of results related to the vision carried out by the individual or organization's operating policies. Good performance is when someone works follow the vision, tasks, work plan, and achieve the desired results. The achievement of good performance results from one's energy and thoughts both in quality and quantity in the work done. This means that performance is an action/activity to achieve the expected goals, objectives, vision, and mission. Performance can also be said to be a combination of knowledge, abilities, attitudes, and motivation which can be assessed from the results of the performance obtained during a certain period of time.

According to Sawyer (2005), internal auditors act as independent appraisers to review the company's operations by measuring and evaluating the adequacy of controls and the efficiency and effectiveness of employee performance. Internal auditors have an important role in all matters relating to company management and the risks associated with running a business. Internal auditors boast managers and employees to work together to set goals and work performance and monitor progress to achieve it, recognize the need to identify corrective action, if necessary. This can provide an opportunity for employees to receive and provide feedback on actual performance and its contribution to the company. Therefore, when a company applies an internal audit to consider the results of implementing the company system, the important point is whether the corporate governance structure has been achieved properly. Thus, in corporate governance, there is an irreplaceable role, namely internal audit.

Good Corporate Governance (GCG) has now become an important thing that companies, be it Stat-Owned Enterprises (BUMN) or private companies, must pay attention to. Given that starting in 2015 the ASEAN Economic Community (ABC) has started, there will be more Indonesian companies trying to "go ASEAN" so that companies need to have GCG. Good Corporate Governance (GCG) exists as a framework and reference for PT. Bio Farma in

managing the Company properly and correctly. The effective and balanced implementation of GCG requires a positive role and contribution from all Bio Farma employees who carry it out.

PT. Bio Farma will continue to carry out corporate governance to the maximum extent possible because it is a strong pillar to create growth for the company. Therefore, PT. Bio Farma continues to strive to always implement good GCG for all stakeholders by applying the applicable rules. Implementation of GCG at PT. Bio Farma aims to achieve the goals of the Company's philosophy, vision, and mission, which are the 5 basic principles of GCG, namely responsibility, transparency, independence, accountability, and fairness.

The daily performance of employees can be affected by the good corporate governance (GCG) structure in the organization. Lack of internal control can lead to leakage of organizational resources which tend to affect the supply of inputs and materials needed by employees to do their jobs. It can lead to unproductive employees. Structures are set correctly (organigram, reporting lines, and so on) enables a smooth workflow and ensures employee performance monitoring structure is right. Without the right structure, the ability to motivate, provide guidance and encourage workers will lead to poor employee performance.

Bio Farma's governance structure refers to Law Number 40 of 2007 concerning Limited Liability Companies. The organs or parts of a Limited Liability Company have three members who have the authority, namely the Shareholders through the General Meeting of Shareholders (GMS) as the forum for the highest decision-making for the Shareholders, the Board of Commissioners as the supervisor of the management of the Company, and the Board of Directors as the manager of the Company. The authorities and responsibilities of the Board of Commissioners and the Board of Directors must be clear in line with their respective roles as entrusted with the articles of association and laws and regulations. To maintain Bio Farma's business continuity in the long term, it is the responsibility of the Board of Commissioners and Board of Directors to have an appropriate perception of the company's philosophy, vision, mission, and values.

Based on the description above, then this research aims to observe how employee perceptions of the internal audit influence employee performance with corporate governance as an intervening variable.

## **LITERATURE REVIEW**

### ***Perception***

According to Kreitner and Kinicki (2003), "Perception is a cognitive process that allows a person to interpret and understand the environment around us". This interpretation is a person's view of the environment or the place where we are. According to Matlin and Solso in Suharnan (2005), "Perception is a process of using existing knowledge (which is stored in memory) to detect or obtain and interpret stimuli (stimuli) received by sensory organs such as eyes,

ears, and nose". According to Walgito (2005), the occurrence of perception is something that occurs in the following steps:

1. The first step is a phase known as the physicality process, which is a process of receiving an "object" stimulus by the five human senses.
2. The second step is a phase known as the physiological process, which is the process of releasing the "object" stimulus received by the five senses through the sensory nerves.
3. The third step is a phase known as the psychological process, which is the process of the emergence of individual awareness of the stimulus received by the five senses.
4. The fourth step is the result of an acceptance of the perception process in the form of responses and behavior.

### ***Types of Perception***

The results of the interaction or delivery of information on objects, the types of perception can be divided into two, namely:

a. **Positive perception**

This perception describes all knowledge (whether or not they know it or not) and responses which are continued with activeness or acceptance and support of the object being perceived.

b. **Negative perceptions**

The perception that describes all knowledge (whether or not he knows it or not) and responses that are not in line with the object being perceived. It will continue with the capacity or reject and oppose the object that is perceived.

Thus, it can be said that good or bad these perceptions will always influence a person's decision to take an action. And the emergence of a positive or negative perception depends on how the individual describes his knowledge or his assessment of the object being perceived.

### ***Internal Audit***

An Audit has developed from a profession that focuses solely on technical accounting issues to a profession-oriented to providing value-added services to management. The internal audit performance includes providing varied sorts of services to organizations as well as performance audits and operational audits which will be able to assist senior management in observance of the performance made by management and personnel at intervals the organization (Kurniawan, 2012).

Auditors who work in a company, whose main task is to determine whether or not the procedural policies applied by top management have been complied with, maintain organizational wealth, determine the efficiency and effectiveness of procedures for organizational activities, and determine the responsibility of knowledge generated by varied a part of the organization (Mulyadi, 2002). Measuring employees' perceptions of internal auditors to find out whether internal auditors are functioning properly according to employee expectations or not. so that the research indicators are based on the internal audit function, Human Resources (HR).

### ***Internal Audit function in human resources audits (Danku et al., 2016)***

#### **1. Company Staff Description**

Internal auditors ensure that company staff are appointed according to their classification according to tenure, gender, personnel rotation index, and absence

#### **2. Job Analysis**

Internal audit performs work analysis performed by related employees with a job description and a level of detail of the job

#### **3. HR Planning**

The internal audit ensures that employees who have been selected are in accordance with the plans that employees need.

#### **4. Recruitment and Selection of Personnel**

The Internal audit ensures the recruitment and selection of personnel have taken into account the number of days needed to fill in blank posts, the number of applications received by the category of a workplace; the average number of days between recruitment and appointment of the employee, recruitment resources, selective testing, studies on the reliability and validity of selection tests; and the appropriate title of a candidate employee.

#### **5. Training**

Internal audit analyzes so that training activities are in accordance with employee needs, evaluation of the effectiveness of training programs, analysis of HR budgets, number working hours required for training

#### **6. Professional Career Development**

The Internal audit ensures a professional development career. Internal audit assists in analyzing the number of employees to be promoted based on the available vacancies.

#### **7. Retribution**

Internal audit provides assurance that wages can be paid according to their work, measures the deviation of employee wages, analyzes the competitiveness outside of the fee system.

#### **8. Performance Evaluation**

Internal audit helps to improve employee performance, by providing feedback to employees. Employees who perform well will be promoted.

#### **9. Working Conditions**

Internal audit provides suggestions for improvements related to employee working conditions. Any accident must be reported as well as analyzing disease prevention policies.

### ***Corporate Governance***

According Cadbury Committee (1992), "Corporate governance is a set of rules that defines the relationship between shareholders, managers, creditors, government, employees, and internal and external stakeholders in relation to their rights and responsibilities". According to Guo and Kumara (2012), "Corporate Governance is very important to build trust between management and interested parties, encouraging employee trust by ensuring the existence of an independent board of directors, as well as helping to provide the high level of trust that is so necessary for employee performance, because it takes into account adherence to ethical principles of workers."

Agency theory is a theory that underlies corporate governance. The theory of the agency could be a theory that describes the relationship between principals (owners of capital) and agents (management). Jensen and Meckling (1976) define an agency relationship as a contract in which one or more people (principals) hire other people (agents) to perform some services for their (principal) interests, namely through the delegation of a portion of decision-making authority to the agent. Good Corporate Governance (GCG) is related to this principle because it illustrates the clear interaction between principals and agents.

In addition to agency theory, several theories underlie corporate governance, includes shareholding theory and shareholding theory. Shareholding Theory states that a company is established and run to maximize the welfare of its owners or shareholders, while stake holding theory states that a company is an organ that deals with other interested parties, both inside and outside the company.

The purpose of good corporate governance is to make additional value for all interested parties (stakeholders). In Theory, the implementation of good corporate governance will improve the worth of the company's, by increasing their monetary performance, reducing the chance that the board of commissioners might do with choices that profit themselves, and customarily good corporate governance can improve investor confidence (Tjager et al., 2003).

The introduction of good corporate governance is expected to offer the following benefits (FCGI, 2001):

- 1) Enhancing the performance of the organization by establishing a stronger decision-making process, increasing the operating efficiency of the company, and further improving services to stakeholders.
- 2) Make it easier to obtain financing funds cheaper to further increase the worth of the company.
- 3) Restoring investor faith to invest in Indonesia.
- 4) Shareholders will be pleased with the success of the company and, at the same time, the value of the shareholders and the dividends will be increased.

2)  
In Indonesia, the implementation of GCG is based on the principles founded by the National Governance Committee (NKG), which is responsible for the five basic pillars of GCG; Transparency, Accountability, Responsibility, Independence, Fairness.

### ***Employee Performance***

In Achmad Darodjat (2015), Nanang Fattah suggests that work performance is characterized as an expression of the capacity to produce something based on expertise, attitudes and skills, and motivation. Performance is the extent of progress in the execution of assignments and the ability to accomplish predetermined objectives. Mangkunegara (2015) states that performance of employee is the result of work done by an employee in quality and quantity in carrying out his duties in accordance with the responsibilities assigned to him. Veizal Rivai (2004) states that performance is tangible action which is shown

by all as a job accomplishment created by employees in accordance with their position in the organization.

From some opinions of experts, it can be assumed that performance is the achievement of the quality and quantity of work performed by employees to achieve profitable and non-profit results in accordance with business objectives.

The relationship between HR and performance was put forward by Noe (Suwatno, 2011), Human Resources Management (HRM) refers to policies, practices, and systems that affect employee behavior, attitudes, and performance. Human Resource Management (HRM) practices support high-performance job systems including employee selection, performance management, training, job design, and compensation. Decisions of HR Healthy are based on the availability of good and quality HR information. With the existence of good HR, it will produce useful information for management and the company and will affect employee performance (Rivai, 2009). Performance outcome data are usually used for reward decisions. Human Resources Management has individual supervision on the results of a job, rewards will only be based on the results (Surya Dharma, 2007). Employee performance is measured based on the number of jobs, quality of work, timeliness, and attendance, according to the performance measurement indicators developed by Bangun (2012).

#### ***Relationship between Internal Auditing and Corporate Governance***

According to Amrizal (2005), an internal audit is an assessment conducted by company employees who have been trained on the accuracy, reliability, efficiency, and usefulness of company records (accounting), as well as the company's internal controls. Good corporate governance is the mechanism and framework used by corporate organizations to increase the degree of business performance and corporate accountability to gain long-term shareholder benefits, while also paying attention to other stakeholders (such as suppliers, clients), communications, government, etc. (Tunggal, 2012).

The professional association of the internal audit claims that an efficient internal audit function will make a major contribution to enhancing processes of corporate governance, risk management, and management control. The internal auditor is one of the principal organs of the board of directors of the company within the corporate governance system. One of the essential requirements of controls and balances for the implementation of good corporate governance is the internal audit feature. Currently, the internal audit function which is carried out in a sound and objective manner, with the ability to identify risk control problems and the authority to follow up on them is the most fundamental thing for best practice implementation of top management responsibilities.

Significantly, internal audit features a terribly vital result on the implementation of company governance, wherever the upper the role of internal audit, the additional it'll support the performance of implementing corporate governance (Zarkasyi, 2008). Internal auditors play a task in making

certain the implementation of the principles of corporate governance, particularly transparency, accountability, responsibility, independence, and fairness which can give clarity concerning the functions, rights, and responsibilities of parties with an interest within the company, the method of control and making balance. between company organs and additionally the balance between stakeholders.

### ***Relationship between Corporate Governance and Employee Performance*** ***Employee***

Human resource (HR) performance is the result of a person's level of achievement or a goal that must be completed within a certain period of time or a task that must be completed. Work results can be improved by implementing GCG which includes the principle of Transparency, Accountability, Responsibility, Independency, and Fairness that have been determined. The application of corporate governance principles in human resource management, namely:

1. Improving the work quality of employees is expected through the application of good corporate governance to improve the work environment. With the improvement of the work environment, employees will be more valued in carrying out their jobs. This will benefit both parties and improve the quality of employee work.
2. Improving employee performance participation. The Quality of employees will increase if the work environment can make employees comfortable. Therefore, employees will keep working attachment relationships with other employees and the company. This will have a good impact on the company's assessment of the work results of its employees. Because of the increase in employee work participation, the work results will be better and more concentrated.
3. Improve the performance of companies. The benefits of GCG will affect the quality of employee work so that it will directly impact the overall performance of the company. GCG can also affect the quality of employee work, and also have an impact on improving company performance.
4. More efficient use of resources. The implementation of GCG is also useful for more effective management and use of resources. The company will only assign employees based on their abilities. These do not overlap and will not cause problems in the company.
5. Benefits of a better work environment GCG also helps improve the work environment and make it better. Every employee feels valued makes employees feel more comfortable. Thus, the implementation of GCG will have a better impact on the work environment of employees.

On the basis of the above definition, it can be inferred that good corporate governance (GCG) based on the values of fairness, transparency, accountability, independence, and responsibility has a very significant effect



on the performance of employees. This means that good GCG implementation will improve employee performance.

## **HYPOTHESIS**

### ***The relationship between employees' perceptions internal auditing and employee performance***

Internal Auditors will work be very interesting because the scope of their work is much broader than that of external auditors and their work is concerned with reviewing all the arrangements that have been made to manage an entity. The role of conflict that always exists between auditors' perceptions, auditors are usually treated negatively or adversely, it relates mainly to the independent evaluation of the efficacy of the internal control system.

The internal auditors and employees should have a harmonious relationship, that is, internal auditors can help employees to improve their performance. For example, internal auditors are able to find the employee's weaknesses and fix them, but sometimes employees think of internal auditors as 'company policy' so they often avoid internal auditors. auditors cannot identify employee weaknesses and result in poor employee performance.

If the employee's perception of the internal auditor is good, then the employee's performance will be good. Employees' perceptions of the internal auditor relate to whether the internal auditor's function is running well or not. Therefore, in this study, it is necessary to know whether employees' perceptions of internal auditors are negative or positive. Positive perception, if employees think that these internal functions have been going well.

Hypothesis 1: Employees' perceptions of internal audit have an effect on Employee Performance

### ***Corporate Governance as an intervening variable in the relationship between employee perceptions of internal auditors and employee performance***

According to Tuckman (in Sugiyono, 2007), the intervening variable is a variable that theoretically affects the relationship between independent variables and dependent variables is an informal relationship and can't be discovered and measured. This variable is an interlude variable between the independent variable and the dependent variable, such that the independent variable does not specifically influence the shift or development of the dependent variable. If the function of the internal auditor runs well, good corporate governance will be achieved with indicators of the

- Existence of disclosure (Surdu et al., 2020), relating to human resources such as employee health and safety, minority or female workers, employees with disabilities, employee training, employee benefits, employee remuneration, employee profile and employee morale.
- Transparency contains about providing discussion opportunities for employees, being open about bad news, providing information so that employees can make decisions, building various open communication channels so that transparency can make the company and its employees more productive by being able to foster trust between leaders and their employees.

- Accountability regarding employees being present according to the required shift, employees complete all tasks assigned to them, employees are responsible for specific tasks that are in line with their work, employees consistently do the right thing in all aspects related to their work, employees work together to achieve common goals in the business Justice (Sušan & Jakopec, 2012).
- There are three distributive justices, procedural and interactional justice organizations.

By achieving GCG, it is hoped that a comfortable work environment will be formed. A comfortable work environment makes employees feel more valued so that employees will have a work bond with the company. This will increase employee work participation and can affect the quality of employee work which will have an impact on increasing employee performance.

Based on the description above can be concluded that corporate governance is an intervening variable between employee perceptions regarding the internal audit and employee performance. By the existence of internal audit, good corporate governance will be formed which in turn can improve employee performance.

Hypothesis 2: Employees' perceptions of internal audit will affect corporate governance

Hypothesis 3: Corporate governance as an intervening variable has an effect on employee performance

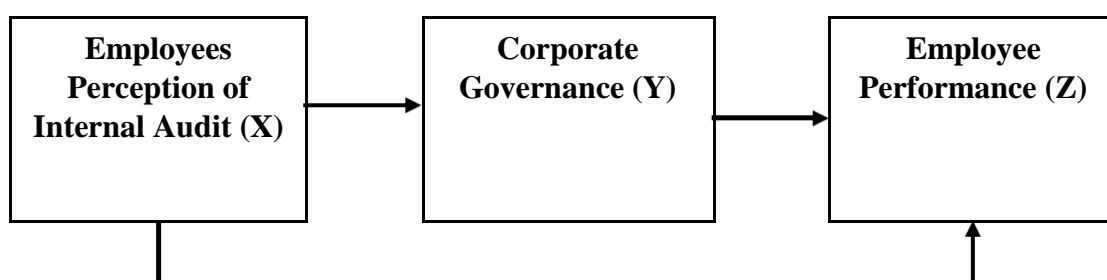


Figure 1. Conceptual Framework

## RESEARCH METHOD

This research uses a quantitative approach to test the theories. The research method is a survey method, using data collection techniques in the form of questionnaires and distributed to respondents who are employees at PT BIO FARMA (Persero) using the Likert measurement scale. Likert uses five alternative answers with the following criteria: 1 = Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5 = Strongly Agree.

In this analysis, the population was employees of PT BIO FARMA (Persero) Pasteur - Bandung, both permanent employees, outsourcing and contract employees, totaling around 1,280 people. The number of samples was 92 employees. Sampling was done by a simple random sampling method.

In this study, there are 3 variables namely employees' perceptions of internal audits (X) as an independent variable, corporate governance (Y) as an intervening variable, and employee performance (Z) as the dependent variable.

To determine the validity of the questionnaire, the Pearson Correlation Product Moment formula is used. The questionnaire is said to be valid, that is if  $r_{count} > r_{table}$ . To calculate the reliability test, the Cronbach Alpha formula is used. The questionnaire was said to be reliable if the Cronbach Alpha value is  $> 0.60$ .

To analyze the relationship between the independent variable, the intervening variable, and the dependent variable using path analysis.

## RESULTS AND DISCUSSION

### *Validity and Reliability Test of Research Instruments*

The research instrument regarding the perception of internal audit consists of 15 questions, good corporate governance with 15 questions, and employee performance as many as 15 questions. The validity test was conducted using the SPSS version 26 program for  $N = 92$  people with  $df = 92 - 2 = 90$  with a 5% confidence level. The test results for all items show that the value of  $r_{count}$  is greater than  $r_{table}$  ( $r_{count} > r_{table}$ ) so that it can be concluded that all questions for each instrument are true and can be used for research.

The reliability test in this study was carried out with the SPSS program version 26, the Employee Perception variable regarding Internal Audit has a Cronbach alpha value of 0.833, the Good Corporate Governance variable has a Cronbach Alpha value of 0.823, and the Employee Performance Variable has a Cronbach's Alpha value of 0.766. The three variables have a value greater than the Alpha Standard (0.60) as the lowest value, so the research instrument is declared reliable.

### *Path Analysis*

The first step in path analysis is to test hypothesis 1 by using the equation:

$$Y = \rho_{1yx}X + \varepsilon_1$$

Description:

Y: Corporate Governance

$\rho_{1yx}$ : Path coefficient of employees' perceptions of internal audit on corporate governance

X: Employees' perceptions of internal audit

$\varepsilon_1$ : Value of standard error estimation (standard error) structure 1

The results of the test can be shown in Table 1.

Table 1. Coefficient Results Regression Equation (1)  
**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	9.520	3.188		2,986,	004
	Employee Perception About Internal Audit	,769		064,786	12.062,	000

a. Dependent Variable: Good Corporate Governance

Table 2. Results of the Determinant Coefficient of structural equation (1)

<b>Model Summary</b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,786a	,618	,614	4,53552

a. Predictors: (Constant), Employee Perception About Internal Audit

Table 1 shown that the significant value of the Employee Perception of Internal Audit is 0,000 less than 0.05. It can therefore be inferred that equation (1) of structural regression shows that the employee perception of internal audit, has a major impact on good corporate governance.

Based on Table 1, it can be seen that the significant value of Employee Perception about Internal Audit is 0,000 less than 0.05. So, it can be concluded that the structural regression equation (1), namely employees' perceptions of internal audit have a significant influence on good corporate governance. The value of  $R^2$  or R Square is 0.618 that shown in Table 2 indicates the contribution of the impact of employees' perceptions of internal audits on good corporate governance is 61.8% while the remaining 38.2% is the input of other variables which have not been included in the research.

The next step is to test hypotheses 2 and 3 with the following equation:

$$Z = \rho_{3zx}X + \rho_{2zy}Y + \varepsilon_2$$

Information:

Z: Employee Performance

X: Employees' Perceptions of Internal Audit

Y: Corporate Governance

$\rho_{3zx}$ : Path coefficient from employees' perceptions of internal audit on employee performance

$\rho_{2zy}$ : Path coefficient from corporate governance to employee performance

$\varepsilon_2$ : The value of standard error estimation (standard error) structure 2

The results of the test can be shown in Table 3.

Table 3. Results of the Path Coefficient of Structural Equation (2)

<b>Coefficients<sup>a</sup></b>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.426,	2.860		3.995	.000
	Employee Perception About Internal Audit	,423,		.088,477	4,800,	.000
	Good Corporate Governance	,349,		.090,385	3,870,	.000

a. Dependent Variable: Employee Performance

Table 4. Results of the Determinant Coefficient of structural equation (2)

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,815a	,664	,656	3,88144

a. Predictors: (Constant), Good Corporate Governance, Employee Perception About Internal Audit

Table 3 reveals that the significant value of Employee Perception about Internal Audit is 0,000 and Good Corporate Governance is 0,000 less than 0.05. So, it can be concluded that the structural regression equation (2), namely employees' perceptions of internal audit and good corporate governances have a significant influence on Employee Performance. And Table 4 reveals the value of  $R^2$  or R Square is 0.664, this indicates the contribution of the impact of Employee Perception about Internal Audit and Good Corporate Governance on Employee Performance is 66.4% while the remaining 33.6% is the input of other variables that not included in the research. The regression equation model for each structure is as follows:

Table 5. Structural Equation Model

Structural Equation Model	Regression Equation
$Y = \rho_{1yx}X + \varepsilon_1$	$Y = 0.786X + 0.6181$
$Z = \rho_{3zx}X + \rho_{2zy}Y + \varepsilon_2$	$Z = 0,477X + 0,385Y + 0.5796$

Thus, the path diagram is obtained as follows:

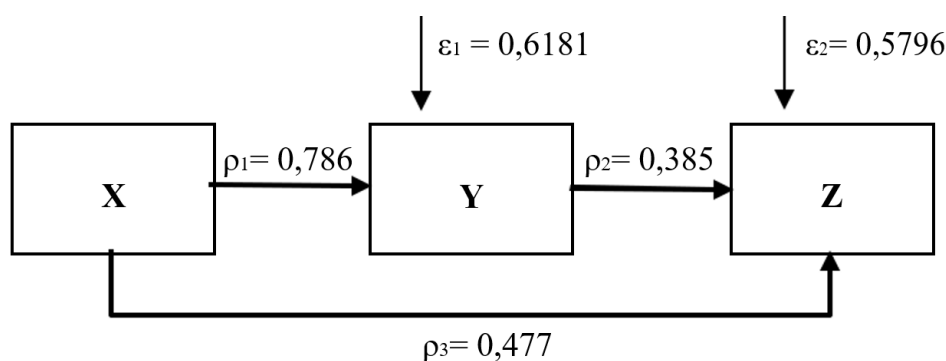


Figure 2. Path Diagram

Path Analysis above shows the direct effect of employee perceptions about the internal audit on employee performance which has a value of 0.477. Meanwhile, the indirect effect of employees' perceptions on internal audit through corporate governance as an intervening variable on employee performance has a value of  $0.786 \times 0.385 = 0.303$ . Because the value of the effect of employee perceptions on internal audit indirectly through corporate governance is smaller than the direct value, corporate governance does not succeed in becoming an intervening variable between employee perception variables regarding internal audit on employee performance.

The results of this study show the evidence that employees at PT BIO FARMA (Persero) can be better and more improved in performance if the internal auditors are directly able to find employee weaknesses and fix them. It

is expected that internal auditors can have a harmonious relationship with all employees.

### ***T-test***

To find out the meaning (*test of significance*) of the calculated path coefficient, the t test is done by comparing the calculated t value with the t value table using the SPSS version 26 program for  $n = 92$  people with  $dk = n - k$  or  $92 - 3 = 89$  with a degree of error of 5% ( $\alpha = 0.05$ ) and the t value is table 1.987.

### ***Hypothesis Testing Variable Perception of Employees of the Internal Audit (X) on Corporate Governance (Y)***

Based on Table 1 was obtained by t value the effect of the perception of employees regarding internal audit (X) on corporate governance (Y) is equal to 12.062 with a probability value ( $\text{sig} = 0,000$ ). Because of this value  $t_{\text{count}} > t_{\text{table}}$  ( $12.062 > 1.987$ ), so it can be concluded that  $H_0$  is rejected while  $H_1$  is accepted, which means that the perception variable about internal audit partially has a positive and significant influence on the corporate governance of PT. Bio Farma (Persero).

### ***Hypothesis Testing of Corporate Governance Variables (Y) the Employee performance (Z)***

Based on Table 3 obtained are the effect of the t value of Corporate Governance (Y) on the Employee Performance (Z) is 3,870 with a probability value ( $\text{sig} = 0,000$ ). Because of this value  $t_{\text{count}} > t_{\text{table}}$  ( $3.870 > 1.987$ ), so it can be concluded that  $H_0$  is rejected and  $H_1$  is partially accepted, corporate governance variables have a positive and significant effect on employee performance.

### ***Hypothesis Testing Variable Employee Perceptions regarding Internal Audit (X) the Employee Performance (Z)***

Based on Table 3 is obtained  $t_{\text{count}}$  Employee Perceptions of the Internal Audit (X) on the Employee Performance (Z) of 4,800 with a probability value ( $\text{sig} = 0,000$ ). Because the value of  $t_{\text{count}} > t_{\text{table}}$  ( $4,800 > 1,987$ ), it can be concluded that  $H_0$  is rejected and  $H_1$  is partially accepted, the employee perception variable about internal audit has a positive and significant effect on employee performance.

### **F-Test**

Table 6. F-Test Results for Variable X through Y against Z

#### **ANOVA<sup>a</sup>**

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2649.824	2	1324.912	87.943	,000 <sup>b</sup>
	Residual	1340.839	89	15.066		
	Total	3990.663	91			

a. Dependent Variable: Performance Employee

b. Predictors: (Constant), Good Corporate Governance, Employee Perception About Internal Audit

The F distribution table with the following conditions,  $\alpha = 0.05$  and dk the numerator  $k - 1 = 2$ , and dk denominator  $= n - k$  or  $92 - 3 = 89$ , which is 3,099 Hypothesis Testing for Employee Perceptions on Internal Audit (X) through Corporate Governance as an intervening variable (Y) on Employee Performance (Z) can be seen in Table 6. The calculated value is 87.943 with a probability value ( $\text{sig}$ ) = 0.000. Because the result of testing the regression model hypothesis simultaneously or simultaneously using the F test shows that Fcount is greater than Ftable ( $87.943 > 3.099$ ), it can be concluded that  $H_0$  is rejected and  $H_1$  is accepted, meaning that partially the employee perception variable about internal audit through governance companies as an intervening variable positive and significant effect on employee performance.

## CONCLUSION

Based on the research that has been described on the influence employee perceptions regarding corporate governance on the performance of employees with corporate governance as an intervening variable case study on PT BIO FARMA (Persero) Pasteur Bandung, then the conclusions obtained are as follows:

1. Employees' perceptions of internal audits have a positive and significant effect on corporate governance. This means that the better the internal audit function is carried out; the better corporate governance will be.
2. Corporate governance has a positive and significant impact on employee performance. This means the better corporate governance, the better the employee's performance.
3. Employee perceptions about internal audits have a positive and significant effect on employee performance. This means that the better the role of the internal auditor, the employee's performance will increase.
4. Employees' perceptions of internal audit on employee performance through corporate governance as an intervening variable have a smaller indirect effect than direct influence, so corporate governance does not succeed in becoming an intervening variable between employee perception variables regarding internal audit on employee performance.

Based on the research results that the principles of Good Corporate Governance affect employee performance, PT BIO FARMA (Persero) needs to always pay attention to the application of these principles so that employee performance can always be controlled and even increased. In the implementation of these principles, it is also necessary to pay attention to the government decree which has its objectives in implementing Good Corporate Governance (GCG) which is based on Ministerial Decree Number 117 / M-MBU / 2002 article 4.

Research results also show that Internal Audit has an effect on employee performance, it is necessary to always improve the internal audit function by participating in training to get the Qualified Internal Auditor (QIA) certification offered by the Internal Audit Education Foundation (YPIA) or other certifications offered by other appropriate professional organizations to demonstrate the expertise to carry out its functions effectively.

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