

Analysis Of Internal Control And Internal Audit On Financial Performance Through Good Corporate Governance

Eny Lestari Widarni (1*)

(1) STIE Jaya Negara Tamansiswa Malang, Indonesia

Received: 2024, 11,26 Accepted: 2025, 06,06
 Available online: 2025, 06,28

*Corresponding author.
 E-mail addresses: enylestariwidarni@stiekn.ac.id

KEYWORDS	ABSTRACT
<p>Keywords: internal control; internal audit; Good Corporate Governance; financial performance</p> <p>Conflict of Interest Statement: The author(s) declares that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.</p> <p>Copyright © 2025 AMAR. All rights reserved.</p>	<p>Purpose:This study aims to examine the effect of internal control and internal audit on financial performance, with Good Corporate Governance serving as a mediating variable, at PT. Pegadaian Malang Branch.</p> <p>Research Design and Methodology: A quantitative research design was employed, involving 73 respondents. Data were collected via questionnaires and analyzed using the Partial Least Square (PLS) method with SmartPLS 3.0 to test the relationships among the variables.</p> <p>Findings and Discussion: The results show that both internal control and internal audit have a positive and significant impact on financial performance. Additionally, Good Corporate Governance was found to mediate these relationships, enhancing the effect of internal control and internal audit on financial outcomes. These findings highlight the critical role of integrating governance practices and internal oversight to improve operational efficiency, financial reporting accuracy, and overall company profitability.</p> <p>Implications:This study provides practical insights for management to strengthen governance structures, enhance the effectiveness of internal supervision, and ensure sustainable financial performance and corporate reputation</p>

Introduction

The global economic transformation and the rapid development of the financial sector have created a highly dynamic environment in which companies must manage their financial resources efficiently, sustainably, and flexibly in response to constant changes in both domestic and international markets (Meidiana & Erinos, 2020). In today's highly competitive business environment, companies are no longer assessed solely on their ability to generate profits. Stakeholders increasingly consider the extent to which a company operates ethically, transparently, responsibly, and in accordance with principles of accountability. Strong financial performance is influenced not only by revenue generation but also by the company's capacity to manage internal resources, control risks, maintain operational efficiency, and implement robust corporate governance practices (Romadhona & Asyik, 2023). Furthermore, external factors such as interest rate fluctuations, market volatility, consumer behavior shifts, technological disruptions, and global economic uncertainties play a critical role in shaping organizational strategies and financial outcomes. Organizations that fail to anticipate and respond effectively to these factors risk operational inefficiencies and financial instability, even when their internal management systems appear strong.

A fundamental pillar for achieving stable financial performance is the implementation of effective internal control systems. Internal control refers to a set of policies, procedures, and mechanisms designed to regulate, supervise, and ensure that organizational activities comply with established standards, reduce operational and financial risks, and protect corporate assets from misuse, theft, or loss (Fitri & Afriyenti, 2021). Weak internal control systems can result in various operational and financial problems, including errors in recording transactions, misappropriation of assets, inefficient resource allocation, and even fraudulent activities. These weaknesses compromise the quality of managerial and financial information, which is essential for making informed strategic decisions (Ritonga & Afriyenti, 2023). Strong internal control is therefore not only a regulatory requirement but also a strategic tool that enhances operational efficiency, supports risk

management, improves decision-making, and ensures sustainable financial performance. Companies with robust internal control systems are better positioned to detect potential problems early, maintain accurate reporting, and safeguard financial integrity, which are critical factors for long-term competitiveness and stakeholder trust.

Internal audit complements internal control by providing independent oversight and systematic evaluation of organizational processes. Internal audit functions as a critical monitoring tool that assesses whether business operations align with internal policies, regulatory requirements, and industry standards, while identifying potential risks, inefficiencies, and areas for improvement. Internal auditors provide management with actionable recommendations to enhance operational processes, reduce waste, and strengthen internal control mechanisms (A. Putri & Meutia, 2024). When internal audit is integrated effectively with internal control, it creates a strong governance framework that ensures accountability, improves financial reliability, and builds confidence among stakeholders. This integration allows organizations to proactively identify and mitigate risks, address operational inefficiencies, and implement corrective measures before issues escalate, thereby supporting both financial performance and organizational sustainability.

In parallel, the increasing demand for accessible, fast, and transparent financing by the public has further highlighted the importance of effective internal control and internal audit systems. Many individuals and small businesses are unable to access loans through conventional banks due to high collateral requirements, complex documentation, and lengthy approval procedures. In such cases, non-bank financial institutions, including pawnshops and informal lending systems, provide an alternative, more flexible, and accessible solution, though they are often associated with higher risks and costs (Hanifah, Kuntadi, & Pramukty, 2023). PT. Pegadaian (Persero), as a state-owned financial institution, addresses this gap by offering inclusive financing services based on the pawning system as regulated under Article 1150 of the Indonesian Civil Code. This system allows borrowers to use movable assets, such as gold, vehicles, and electronic devices, as collateral while retaining ownership, enabling them to access necessary funds without losing their assets. Through this mechanism, Pegadaian promotes financial inclusion, supports economic activity, and provides a safety net for low- and middle-income communities, thereby combining social impact with institutional financial sustainability.

A key product offered by Pegadaian, known as the Quick and Safe Loan, is designed to provide fast, secure, and convenient access to funds for the general public, especially lower- and middle-income groups. This product is structured to meet urgent financial needs, such as medical expenses, educational costs, or small business requirements, in a secure and efficient manner. Beyond its social benefits, the Quick and Safe Loan also contributes significantly to Pegadaian's financial performance by increasing loan distribution volume, generating interest income, and supporting overall profitability. The strategic design of this product demonstrates that financial institutions can simultaneously meet social objectives and achieve financial sustainability, ensuring that services are both inclusive and profitable. Moreover, by providing a reliable and efficient service, Pegadaian enhances customer trust, retention, and loyalty, which strengthens its competitive position in the financial market.

An examination of financial performance data for the Malang Branch of Pegadaian between 2020 and 2024 highlights fluctuations in loan distribution and profitability, underscoring the need for effective internal control, internal audit, and governance mechanisms. For example, in 2021, loan disbursements reached IDR 130,144,248,000, but profitability declined sharply from 30.23% in 2020 to 14.66%. This demonstrates that growth in loan volume does not automatically lead to increased profits. Financial performance is affected by multiple factors, including operational efficiency, cost of funds, credit risk, customer demand, and broader economic conditions. Such findings highlight the critical importance of maintaining a comprehensive governance system that integrates internal control and internal audit with strategic financial management to ensure sustainable profitability. Organizations must therefore continuously monitor internal and external factors, optimize operational processes, and manage risks to achieve consistent financial outcomes and operational excellence.

Interest rates and other macroeconomic variables significantly influence credit demand and, consequently, financial performance. High interest rates generally discourage borrowing, while low interest rates stimulate loan applications, affecting both the volume of loans and overall profitability. This dynamic suggests that credit demand functions as a mediating variable between internal financial policies and organizational outcomes, playing a pivotal role in ensuring sustainable revenue and profit streams (Sayekthi, 2022). Companies that effectively analyze market trends, adjust their lending policies, and align operational strategies with external economic conditions are better equipped to maintain financial stability and profitability over time. This emphasizes the need

for a holistic approach in which financial policy, operational management, and market analysis are integrated to optimize organizational performance.

Good Corporate Governance, as a comprehensive set of policies, procedures, and structures, is essential to ensure that internal control and internal audit mechanisms effectively improve financial performance. Good Corporate Governance guides organizations to operate transparently, fairly, responsibly, and accountably, providing a framework that aligns internal practices with external expectations (Arigawati, 2023). In this study, Good Corporate Governance serves as a mediating variable that channels the effects of internal control and internal audit toward tangible improvements in financial performance. By implementing Good Corporate Governance, organizations ensure that internal control and audit practices are not merely formal procedures, but practical mechanisms that enhance efficiency, reliability, and transparency of operations. Effective Good Corporate Governance also strengthens the organization's capacity to adapt to regulatory changes, technological innovations, and the increasing digitization of the financial sector, providing long-term stability and growth.

The impact of Good Corporate Governance on financial performance operates through several mechanisms. First, it ensures that internal supervision is consistently applied across all operational processes, reducing the risk of errors or deviations. Second, it promotes transparency and accountability, ensuring that financial and managerial information is accurate, complete, and available for informed decision-making. Third, Good Corporate Governance strengthens regulatory compliance and adherence to operational standards, enabling companies to navigate increasingly complex and digitalized financial environments (Juhadi & Sofyan, 2020). By integrating Good Corporate Governance with internal control and internal audit, organizations can enhance operational efficiency, minimize risk exposure, improve reporting quality, and build stakeholder confidence, all of which are fundamental to sustainable financial performance.

Ineffective internal control and the absence of Good Corporate Governance can result in operational inefficiencies, inaccurate reporting, credit mismanagement, increased risk of fraud, and potential reputational damage. In contrast, a well-integrated system of internal control, internal audit, and Good Corporate Governance provides a robust framework that strengthens financial management, reduces operational and financial risks, improves reporting accuracy, enhances stakeholder trust, and ensures sustainable long-term financial performance. This integrated framework also enables organizations to adapt to rapid technological changes, embrace digital transformation, and innovate operational processes, ensuring competitiveness and resilience in a complex and dynamic financial sector (Suharti & Priyadi, 2020).

Based on these considerations, this study aims to examine the effects of internal control and internal audit on financial performance, with Good Corporate Governance acting as a mediating factor. Additionally, the study investigates the role of the Quick and Safe Loan product and the influence of credit demand as key variables affecting profitability. The results of this research are expected to provide practical insights for management in strengthening corporate governance, optimizing operational efficiency, maintaining sustainable financial performance, and promoting broader financial inclusion in Indonesia's increasingly complex economic and financial environment.

Literature Review

Internal Control

Internal control is a framework of procedures and policies systematically designed by management to ensure that all organizational processes operate in accordance with established objectives. Its primary functions are to minimize operational and financial risks, enhance the accuracy of reporting, and ensure compliance with applicable regulations. According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO), internal control is a process involving all levels of an organization, from the board of directors to operational staff, designed to provide reasonable assurance that organizational objectives can be achieved efficiently and effectively (Sumiati, 2022). Beyond formal rules, internal control also reflects a corporate culture that emphasizes integrity, work discipline, and accountability. The effectiveness of this system can be measured by its ability to detect deviations early, maintain the reliability of managerial information, and support accurate strategic decision-making (Suharti & Priyadi, 2020). In the financial industry, weaknesses in internal control can have serious implications, ranging from credit risk and errors in transaction recording to significant potential losses for the organization (Kusumawardhany, Shanti, & Sudarmadi, 2023).

Internal Audit

Internal audit is function evaluation and supervision independent assessor effectiveness mechanism control and management risk in organization . Function the main purpose of internal audit is give evaluation objective to suitability procedures , compliance to regulation and effectiveness management risk , at the same time give recommendation For repair sustainable . The Institute of Internal Auditors (IIA, 2017) defines internal audit as activity systematic and purposeful give guarantee and consultation For add mark as well as increase performance organization .

Internal audit holds role strategic Because connect internal control with management , ensuring procedures applied walk effective and harmonious with objective organization . Function This covers evaluation operational , compliance to regulations , review of management processes risks , as well as evaluation to effectiveness internal control . In addition that , internal audit facilitates company in adapt self with change environment external , such as regulations new , development technology and dynamics industry that continues change. The existence of effective internal audit increase transparency and accountability company , prevent abuse assets , and strengthen trust stakeholders interests . In context institution finance , internal audit is one of the pillar main For guard quality reporting and sustainability performance finance .

Good Corporate Governance

Good Corporate Governance is a set principles , structure , and practices managerial that ensures company managed in a way professional , transparent , fair and responsible answer . Good Corporate Governance aim balance interest all over related parties , starting from holder shares , management , employees , and public wide . Application Good Corporate Governance support taking effective decisions , strict supervision , and management systematic risk .Principle Good Corporate Governance covering transparency , accountability , responsibility accountability , independence , and fairness . Transparency require company open relevant information to stakeholders interests , accountability demand management responsible answer on decisions and performance , responsibility answer confirm compliance to laws and norms social , independence guard objectivity decision , whereas fairness ensure treatment fair to all over parties involved . Good Corporate Governance No only strengthen internal control and internal audit, but also building culture an organization with integrity and support taking decision quality .

In studies management finance , Good Corporate Governance often made into variables mediation Because functioning distribute influence internal mechanisms against performance finance . With existence Good Corporate Governance , internal control and internal audit are not only executed as formality administrative , but rather give impact real to achievement objective strategic and financial company .

Performance Finance

Performance finance reflect ability organization in manage source Power For produce profit , maintain liquidity , as well as reach sustainable growth . According to RA Putri & Kusumawardhany, (2025) performance finance No only just size profitability , but also includes effectiveness use assets , control cost , efficiency operational and stability finance term long .In context institution finance , performance finance influenced in a way directly by quality internal control , internal audit effectiveness , and implementation principle Good Corporate Governance . Strong internal controls ensure accuracy transactions and mitigation risk , internal audit provides evaluation independent as well as recommendation repairs , temporary Good Corporate Governance strengthen integrity , transparency , and accountability company . Synergy all three in a way direct increase profitability , efficiency operational and sustainability financial company . (Wulansari & Anwar, 2022)

Performance finance also functions as indicator success strategy managerial and governance quality . Through proper monitoring , company can adapt policy , reducing risks , and ensure sustainable growth . Therefore that , performance finance No only is results the end , but also a reflection from effectiveness internal management , governance company , and capabilities adaptation to change environment business . (Arigawati , 2023)

Research Design and Methodology

Study This use approach quantitative with objective For analyze in a way empirical influence internal control and internal audit of performance finance , as well as evaluate role *Good Corporate Governance* as variables mediation approach quantitative chosen Because allows structured and accessible data collection measured in a way systematic , so that connection intervariable can analyzed in a way objective use method statistics . With Thus , the results study

expected capable give proof strong empirical about mechanism internal control , internal audit, and governance company in increase performance finance .

Population study covers all over employees involved direct and No direct in management risk , audit and compliance at PT Pegadaian Malang Branch . Sample study consists of of 73 respondents from from various levels positions and functions work . In specific , sample consists of from first line employees in the Credit Division Retail and Risk Analysis Credit , second line that works in the Internal Audit unit, third line that is also related with Internal Audit, as well as Compliance Division and Corporate Secretary employees . Election respondents done with consider relatedness role they to implementation internal control , internal audit, and principles *Good Corporate Governance* , so that the data obtained capable reflect condition organization in a way real .

Data collection was carried out through compiled questionnaire based on indicator variables research that has been tested validity and reliability . The variables analyzed covers internal control , internal audit, *Good Corporate Governance* , and performance finance , where perception respondents measured use Likert scale for produce quantitative data that can processed in a way statistics . The data obtained Then analyzed use Partial Least Square (PLS) method with help device Smart PLS 3.0 software . The PLS method was selected Because his abilities For test connection intervariable in a way direct and mediation , especially in relatively small samples small However involving variables latent and complex structural models .

The analysis using Partial Least Square (PLS) is conducted in two stages: the structural model (inner model), which examines the relationships between latent variables, and the measurement model (outer model), which assesses the connections between indicators and their respective latent variables. Hypothesis testing is performed by comparing path coefficients with critical values from the T-table. A hypothesis is considered significant if the T-statistic exceeds the T-table value at a 1%, 5%, or 10% significance level. Additionally, the alternative hypothesis is accepted if the T-statistic is equal to or greater than 1.96 or if the p-value is less than 0.05.

Findings and Discussion

Findings

Description statistics descriptive used For know description answer respondents based on results distribution questionnaire to elements that exist in each variable .

Table 1. Respondent Characteristics

Profile	Total	Percentage (%)
Gender		
Man	39	53.4
Woman	34	46.6
Education		
D3	14	19
S1	42	58
S2	17	23
Age		
21-35 years	27	37.0
36-45 years	27	37.0
46-55 years	15	20.5
> 55 years	4	5.5

Outer Model (Measurement and Validity Model) Indicator)

Study This using 2 independent variables that is Internal control and Internal Audit, one variables dependent namely and one variables moderation that is *Good Corporate Governance* with indicators that are reflective . Examination This done For identify indicator what is most important and dominant or fit in form or reflect each variables free .

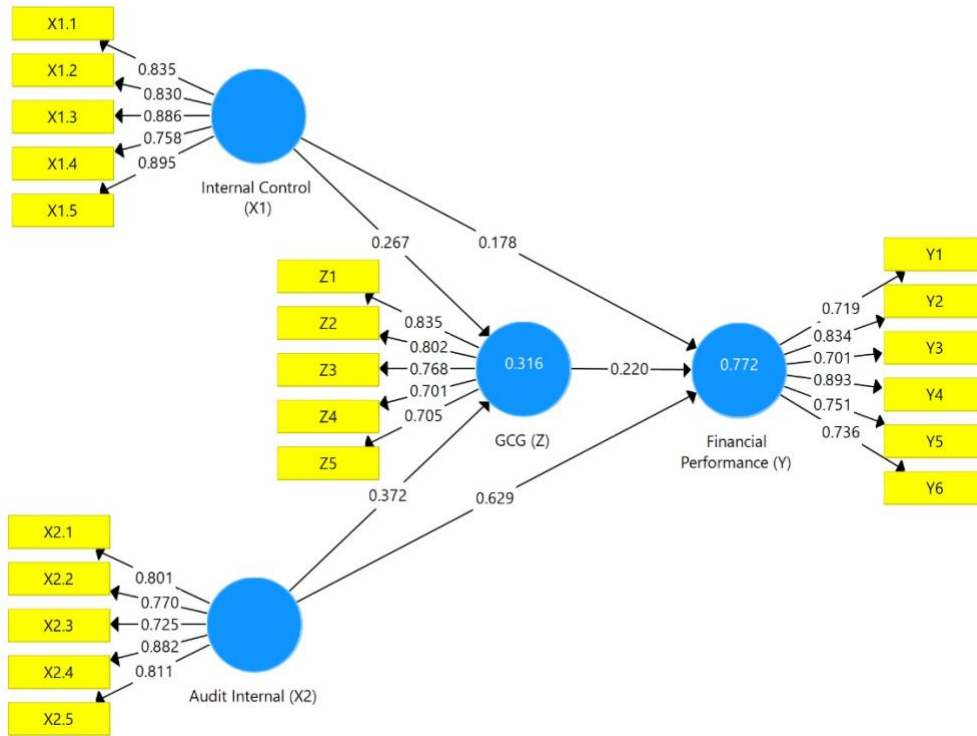


Figure 1. PLS Model

Convergent Validity Test

Convergent Validity that is loading factor value must be more from 0.5 to confirmatory research and the average variance extracted (AVE) value must be more big of 0.5 (Ghozali, 2015). Relationship model between variables with indicators in the measurement model for Reflective variables that is Internal Control, Internal Audit, Good Corporate Governance and Performance finance based on the outer Loading table.

Table 2 Outer Loadings (Factor Loading)

	Internal Control (X1)	Internal Audit (X2)	Financial Performance (Y)	GCG (Z)
X1.1	0.835			
X1.2	0.830			
X1.3	0.886			
X1.4	0.758			
X1.5	0.895			
X2.1		0.801		
X2.2		0.770		
X2.3		0.725		
X2.4		0.882		
X2.5		0.811		
Y1			0.719	
Y2			0.834	
Y3			0.701	
Y4			0.893	
Y5			0.751	
Y6			0.736	
Z1				0.835
Z2				0.802
Z3				0.768
Z4				0.701
Z5				0.705

Source : Processing through SmartPLS (2025)

Table 2 shows outer loadings results for indicator Internal Control (X1), Internal Audit (X2), Financial Performance (Y), and *Good Corporate Governance* (Z) variables, which are used For evaluate validity convergent. Validity convergent measure to what extent each indicator capable represent its construction, with minimum loading value of 0.70 as standard. Processing results through SmartPLS 3.0 shows that all over indicator own values above 0.70, for example X1.3 (0.886) for Internal Control, X2.4 (0.882) for Internal Audit, Y4 (0.893) for Financial Performance, and Z1 (0.835) for *Good Corporate Governance*. Values This confirm that every indicator in a way strong and consistent reflect measured variables, so that the research data can used in a way reliable For analysis advanced in test connection intervariable using the Partial Least Square model.

Discriminant Validity Test

Discriminant Validity relate with principle that different construct measures (manifest variables) should No correlated with high. Ways to test discriminant validity with indicator reflexive that is with method see cross loading value for every variables must be > 0.70.

Table 3 Outer Loadings (Factor Loading)
Fornell-Larcker Criterion

	<i>Good Corporate Governance</i> (Z)	Performance finance (Y)	Internal Audit (X2)	System Internal Control (X1)
<i>Good Corporate Governance</i> (Z)	0.753			
Performance finance (Y)	0.626	0.793		
Internal Audit (X2)	0.514	0.636	0.762	
System Internal Control (X1)	0.466	0.615	0.533	0.804

Source : Processing through SmartPLS (2025)

Based on Table 3 above shows that every indicator own the highest loading value in the construct each, and the value it is also more from 0.70. This is show that every indicator of course measure the variables in question, and No show high correlation with construct other. With thus, it can concluded that: All indicator in study This has fulfil validity discriminant, which means each indicator can with Good differentiate between One construct with construct others. This is strengthen quality instrument research and show that constructs used nature unique and not each other overlapping overlap.

Reliability and Validity of Variables

Table 5 Composite Reliability Table Average Variances Extracted
Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
<i>Good Corporate Governance</i> (Z)	0.792	0.804	0.878	0.706
Performance finance (Y)	0.762	0.829	0.869	0.768
Internal Audit (X2)	0.728	0.791	0.811	0.613
System Internal Control (X1)	0.781	0.707	0.775	0.782

Source : Processing through SmartPLS (2025)

Measurement Model next is mark *Avarage Variance Extracted (AVE)*, ie mark show size variants indicators contained in the variables latent. Convergence of AVE value is more a value of 0.5 also indicates adequacy good validity for variables latent. On the variable indicator reflective can seen from value Average variance extracted (AVE) for every construct (variable). A good model is required if AVE value of each construct more big of 0.5. The test results in table 4.15 show that AVE value for construct (variable) variable Internal Control, Internal Audit, *Good Corporate Governance* and Performance finance own mark more big from 0.5, so it is valid.

A questionnaire it is said own reliability good composite If mark *composite reliability* > 0.70, though No is standard absolute. (Solimun, Fernandes & Nurjannah, 2017:116). Based on table 4.1 0 above, Reliability constructs being measured with mark *composite reliability*, construct reliable If mark *composite reliability* above 0.70 then indicator called consistent in measure variables latent. Test results show that construct (variable) variable Internal Control, Internal Audit, *Good*

Corporate Governance and Performance finance own mark composite reliability more big from 0.7. So reliable .

Structural Model Testing (Inner Model)

Testing to the structural model done with see R-Square value which is a *goodness-fit* test of the model The *inner model* test can be seen from the R-square value in the equation between latent variables. The R value is ² explain how much big variables exogenous (independent / free) in the capable model explain endogenous variables (dependent / bound).

Table 6.. R Square

	R Square	R Square Adjusted
Good Corporate Governance (Z)	0.316	0.296
Performance finance (Y)	0.772	0.762

Source : Processing through SmartPLS (2025)

The value of R² = 0.772 . This is can interpreted that model capable explain phenomenon / problem Performance finance as big as 77.20 %. Meanwhile the remainder (22.80%) is explained by variables other than Internal control , Internal Audit, and *Good Corporate Governance* that have not been enter to in the model and *error* .

Predictive relevance (Q-Square) is a test for evaluate model capabilities in produce mark good observation through blinding procedure . A Q-Square value > 0 indicates that the model has predictive relevance, while a Q-Square ≤ 0 means that the model does not. has predictive relevance. Range the Q-Square value is 0 < Q² < 1, where the more approaching 1 indicates the model is getting better good . The Q-Square value is equivalent with coefficient total determination in analysis path analysis, so that become indicator important in evaluate quality predictive model (Ghozali , 2016) . *Predictive - relevance* values obtained with formula (Hair, 2013):

$$Q_2 = 1 - (1 - R^2_1) (1 - R^2_2) \dots (1 - R^2_n)$$

Where the value of R²₁ , R²₂ ... R²_n is the R- *Square value* of the endogenous variables in the model. Based on the R - *Square* value contained in Table 4.12 above , then Q- *Square* value with use formula *Stone- Geisser Q-Square Test* is as following (Ghozali , 2016):

$$Q_2 = 1 - (1 - R^2_1) (1 - R^2_2)$$

$$Q_2 = 1 - (1 - 0.316) (1 - 0.722)$$

$$Q_2 = 1 - (0.684) (0.228)$$

$$Q_2 = 1 - 0.1555952$$

$$Q_2 = 0.844$$

The Q² value = 0.844 indicates that this model has very predictive relevance good , because Q² value is greater big from 0 and approaching 1. This means that the model can accurately predict the observed values of the endogenous variables based on the exogenous variables in the model.

Testing Hypothesis

Testing hypothesis done For know influence either directly or indirectly between variables study .

Hypothesis Testing -Direct Effect

Table 7. Path CoefficientsT -Values, P-Values

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
System Internal Control (X1) -> Performance finance (Y)	0.178	0.178	0.080	2,219	0.027
System Risk Management (X2) -> Performance finance (Y)	0.629	0.634	0.089	7,038	0,000

Source : Processing through SmartPLS (2025)

Based on the hypothesis testing shown in Figure 1 (PLS Model) and Table 7 (causality test), the results can be interpreted as follows:

- a) Internal control has a positive and significant effect on financial performance, with a path coefficient of 0.178 and a p-value of 0.027, which is less than the significance level of α = 0.05.
- b) Internal audit has a positive and significant effect on financial performance, with a path coefficient of 0.629 and a p-value of 0.000, which is less than the significance level of α = 0.05.

Hypothesis Testing - Indirect Effect

Table 8. Specific Indirect Effects T -Values, P-Values

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
System Internal Control (X1) -> Good Corporate Governance (Z) -> Performance finance (Y)	0.137	0.143	0.062	2,214	0.027
System Risk Management (X2) -> Good Corporate Governance (Z) -> Performance finance (Y)	0.394	0.412	0.071	5,560	0,000

Source : Processing through SmartPLS (2025)

- a) Good Corporate Governance has been proven to act as a mediating variable in the effect of internal control on financial performance, with a path coefficient of 0.137 and a p-value of 0.027, which is less than the significance level of $\alpha = 0.05$.
- b) Good Corporate Governance has been proven to act as a mediating variable in the effect of internal audit on financial performance, with a path coefficient of 0.394 and a p-value of 0.000, which is less than the significance level of $\alpha = 0.05$

Discussion

The Effect of Internal Control on Financial Performance

Internal control has a positive and significant effect on the financial performance of PT. Pegadaian Malang Branch. The presence of effective internal control enables the company to ensure that all operational activities, including transaction recording and the credit granting process, are carried out in accordance with established procedures. This mechanism plays a crucial role in reducing the risk of errors, irregularities, and potential fraud. Therefore, internal control is not only a formal supervisory tool but also a strategic instrument that enhances operational efficiency and supports the accuracy and reliability of the company's financial reporting.

Furthermore, the implementation of good internal control allows management to obtain timely and accurate financial information. This information serves as the basis for more effective and responsive strategic decision-making in line with market dynamics. With structured and consistent internal controls, the company can optimize financial performance, improve profitability stability, and build stakeholder trust in the management of company resources. These findings affirm that internal control is a fundamental foundation for achieving sustainable financial performance.

The Effect of Internal Audit on Financial Performance

Internal audit has been shown to have a positive and significant impact on the company's financial performance. As an independent oversight function, internal audit allows for the identification of weaknesses in internal control and operational procedures that could pose risks. Internal audit provides measurable recommendations for improvement, enabling the company to take corrective actions before risks develop into significant losses. This demonstrates that internal audit is not merely a formal supervisory mechanism but also a strategic tool to ensure the effectiveness of financial management.

Moreover, internal audit contributes to increased operational efficiency and transparency. With audit recommendations properly implemented, the company can adjust internal procedures in response to changing business dynamics and regulations. This improves the quality of financial reporting and supports more accurate managerial decision-making. Thus, the role of internal audit is crucial in strengthening the foundation of financial performance, enhancing profitability, and maintaining operational stability.

The Role of Good Corporate Governance in Mediating the Effect of Internal Control on Financial Performance

Good Corporate Governance (GCG) functions as a mediator that strengthens the effect of internal control on financial performance. The implementation of good governance principles, including transparency, accountability, and responsibility, ensures that internal control mechanisms are carried out consistently and effectively. With GCG in place, internal control is not merely a formal

procedure but is embedded within the organizational culture, emphasizing accurate decision-making and proper risk management.

Furthermore, the role of GCG as a mediator allows the benefits of internal control to be fully realized. Supported by strong governance principles, internal control can enhance the accuracy of financial reporting, minimize procedural risks, and sustain financial performance. These findings affirm that the integration of internal control and Good Corporate Governance is a crucial factor in achieving stable and sustainable financial performance.

The Role of Good Corporate Governance in Mediating the Effect of Internal Audit on Financial Performance

Good Corporate Governance has also been shown to strengthen the effect of internal audit on financial performance. Effective internal audit has a greater impact when accompanied by sound corporate governance practices. GCG ensures that audit findings are properly addressed, regulatory compliance is maintained, and financial reports are reliable. This allows internal audit to function not only as a supervisory mechanism but also as a strategic instrument to enhance the company's financial performance.

Moreover, GCG as a mediator reinforces the contribution of internal audit in improving operational efficiency and profitability. With strong governance support, audit recommendations can be optimally implemented, risks minimized, and managerial decision-making made more accurate. These findings indicate that the combination of effective internal audit and robust corporate governance principles is a key factor in achieving optimal, stable, and sustainable financial performance.

Conclusion

Based on results testing with use analysis PLS, For test the influence of several variables on financial performance then it can be concluded as following:

1. Internal control has a positive impact on performance finance , help increase efficiency operational , accuracy reports , and quality taking decision strategic .
2. Internal audit provides contribution significant to performance finance through supervision independent , identification risks , and recommendations improvements that improve transparency and accountability .
3. Good Corporate Governance strengthens the influence of internal control by ensuring procedures are carried out consistently, increasing the integrity and effectiveness of financial management.
4. Good Corporate Governance also mediates the influence of internal audit, ensuring that audit findings are followed up , risks minimized , and decisions managerial more right , so that financial performance is optimal.

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