MANAGEMENT AUDIT TO ASSESS THE EFFECTIVENESS OF HUMAN RESOURCES FUNCTIONS AT PT KIMIA FARMA PLANT SEMARANG

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Abstract: This study aims to analyze the effectiveness of 11 (eleven) human resource functions at PT Kimia Farma Plant Semarang. This research is a qualitative descriptive study, conducted through the distribution of questionnaires using a saturated sampling technique. Data collection techniques included interviews, questionnaires, documentation, and observation. Data analysis was conducted using management audit with four stages: preliminary audit, review and testing of management controls, detailed audit, and reporting. The results of the study indicate that the company has implemented all 11 (eleven) HR functions, which include HR planning, recruitment, selection, training and development, career development, performance appraisal, reward and compensation, employee protection, labor relations, and termination of employment (PHK). Of these functions, eight were deemed effective: HR planning, HR recruitment, HR selection, career planning and development, performance appraisal, reward and compensation systems, employee protection, labor relations, and termination of employment (PHK). Meanwhile, three other functions have not been implemented effectively, namely HR orientation and placement, training and development, and performance evaluation.

Keywords: Management Audit, Human Resources Function, Effectiveness

INTRODUCTION
Introduction

Human resource (HR) planning is a systematic process carried out by organisations to identify and determine workforce requirements, thereby preventing staff shortages or surpluses. HR is a strategic asset in supporting productivity, operational efficiency, and corporate competitiveness. However, HR management often faces challenges such as weak performance evaluation systems, HR strategies that are not aligned with business objectives, and suboptimal training programmes.

Management audits are an important evaluation method for assessing the effectiveness of human resource management. These audits aim to identify strengths and weaknesses, providing recommendations for improvement to support the achievement of the company's vision and mission (IBK Bayangkara, 2017). In the context of State-Owned Enterprises (SOEs), human resource management is not only required to support profitability but also social responsibility and contributions to the national economy. However, many SOEs still face challenges such as bureaucracy, a lack of innovation, and difficulties in adapting human resource policies.

Previous research shows that human resource functions in various companies are still not running optimally. (Anis & Ardiyanto, n.d.)found that 6 of the 9 human resource functions at Bhayangkara Hospital in Surabaya were not effective, partly due to the absence of training SOPs and the failure to communicate performance evaluation results. (Aini Romdhoniyati et

al., 2021)found that orientation, training, and layoffs at PT Taspen KCU Semarang were not functioning optimally. (Arunde et al., 2019)also revealed that job satisfaction assessments and recruitment at PT Bank Sulutgo were not functioning effectively.

Similar conditions were found at PT Kimia Farma Plant Semarang, a state-owned enterprise that manufactures cosmetics and processed oil products. An evaluation of 11 human resource functions revealed that some functions were still not being carried out effectively, as reflected in employee turnover rates. Data shows that the turnover rate in 2022 was 17.72%, dropping to 6% in 2023, but increasing again to 11.59% in 2024, exceeding the recommended tolerance limit of 10% (Nurlawandari & Suwatno, 2017).

Other issues identified include dual roles, placement of employees who do not meet qualifications, uneven training, and inconsistent performance appraisals. These issues indicate obstacles in the implementation of HR functions that have the potential to interfere with the achievement of company objectives.

This study aims to evaluate the effectiveness of the implementation of 11 HR functions at PT Kimia Farma Plant Semarang. It is hoped that the results of this study can provide strategic recommendations to improve HR management and support the achievement of company objectives.

Research purposes

The purpose of this study is to analyse the implementation of 11 human resource functions at PT Kimia Farma Plant Semarang, to determine whether all of these functions have been implemented comprehensively. In addition, this study also aims to assess the level of effectiveness of each HR function implemented in the company. Through this evaluation, it is hoped that various weaknesses that still exist in the implementation of HR functions can be identified, and recommendations for improvements that can increase the overall effectiveness of human resource management at PT Kimia Farma Plant Semarang can be provided.

LITERATURE REVIEW
Management

Management is the science of effectively and efficiently utilising human resources and other resources to achieve organisational goals (Hasibuan, 2009). (Handoko, 2015) adds that management is the process of working with people to formulate and achieve organisational goals through the functions of planning, staffing, leadership, organising, and supervising. In line with this, (Suprihanto, 2014) explains that management encompasses the process of planning, organising, leading, and supervising the work of organisational members by utilising all organisational resources. Based on these definitions, management can be summarised as the process of integrated resource management to achieve organisational goals effectively and efficiently. Management plays an important role in optimising resource use, reducing waste, and increasing company productivity and competitiveness. (Hasibuan, 2009)classifies the elements of management into six main components (6M), namely man (people), money, method, machines, materials, and market. Meanwhile, (Krisnandi et al., 2019) divide management into three levels, namely top management, which sets long-term strategies; middle management, which acts as a link between strategy and implementation; and lower management, which is responsible for daily operations in the field. These three levels support each other in achieving organisational goals.

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Human Resource Management

Human resource management is an effort to direct and foster beneficial relationships between people to achieve organisational goals effectively and efficiently(Andriani et al., 2022). (Muhlisah Lubis et al., 2022) state that human resource management is a field that studies the optimal regulation of labour relations and roles to achieve the goals of the company, employees, and society as a whole. In line with this, (Amelia et al., n.d.)explain that human resource management is a process of addressing various issues related to the workforce, managers, and all personnel to support the achievement of organisational goals. This highlights the importance of human resource management in ensuring the achievement of organisational objectives through the optimisation of employee performance and productivity. Human resource management must also continue to evolve in line with labour dynamics, regulatory changes, and employer needs, while upholding the principle that workers are human beings, not merely business resources. Studies on human resource management are multidisciplinary, encompassing fields such as psychology, sociology, and others. Aspects such as workforce planning, employee development, career management, performance evaluation, and compensation systems are integral components of this management. According to(Meisella et al., 2023), the main functions in human resource management include planning, organising, supervising, procuring, developing, compensating, integrating, maintaining, disciplining, and terminating employment.

Audit

According to(Rachdiansyah & Tesmanto, 2021), auditing is a systematic process of obtaining and evaluating direct evidence regarding economic activities to assess whether the assertions conform to established standards. Meanwhile, (Iwan Koerniawan, 2021)defines auditing as the process of gathering and evaluating measurable information to audit an entity such as a company, division, or other units, conducted by an auditor to determine whether the information complies with predetermined criteria and to identify any discrepancies. Based on the theories outlined above, it can be concluded that audit is an economic activity conducted systematically to collect and evaluate measurable information in auditing an organization, performed by an auditor.

Audit management

According to (IBK Bayangkara, 2017), management audit is an evaluation of the efficiency and effectiveness of a company's operations, encompassing all internal processes that must be accountable to higher authorities and designed in a systematic manner.

According to (IBK Bayangkara, 2017), the objective of management audit is to identify programs, activities, and operations that still require improvement. By providing actionable recommendations, this audit aims to enhance the management of corporate programs and activities. Additionally, it focuses on areas with potential for corrective measures, thereby preventing potential losses.

According to (IBK Bayangkara, 2017), the scope of management audit is divided into five (5) categories, namely:
a) Marketing Function Management Audit covers, marketing environment, marketing strategy, marketing organization, marketing productivity, marketing functions.
b) Production and Operations Function Management Audit includes, production planning, quality control, productivity and efficiency, work methods and standards, equipment maintenance, production and operations managemnet organization, plant and layout.
c) Human Resources Function Management Audit encompasses, workforce planning, employee recruitment, selection, orientation and placement, training and development,

performance appraisal, career development, reward and compensation systems, employee protection, employee relations, equipment termination.

d) Information Systems Function Management Audit comprises, data processing unit support, data processing planning, data processing organization, data processing control.

e) Environmental Function Management Audit includes, environmental responsibility audit, environmental management audit, and environmental activity audit.

The objectives of management audit encompass activities, operations, programs, and various aspects within an organization that have been identified as requiring improvement in terms of economization, efficiency, or effectiveness. As stated by(IBK Bayangkara, 2017), management audit focuses on three (3) fundamental elements, criteria, cause, and consequence.

Management audit stages according to (IBK Bayangkara, 2017)including, preliminary audit to gather initial information regarding audit subject, management control review and testing for evaluation of HR program management control, and detailed audit to collect sufficient and relevant evidence to support audit objective, audit reporting to formally communicate audit findings and recommendations to relevant stakeholders, and follow-up process to ensure implementation of corrective actions by responsible parties in accordance with audit recommendations.

Management Audit Regarding Human Capital Function

According to(Indarto & Hastuti, 2015), human resource audit is defined as a comprehensive evaluation process of organizational systems and procedures to ensure their alignment with current needs as well as projected future human resource requirements. Furthermore, (Indarto & Hastuti, 2015)elaborate on the objectives of human resource audit, stating that it serves to assess the extent to which internal processes and procedural systems comply with established security standards, both from legal and operational perspectives and also to Identify suboptimal and inefficient human resource management practices that require improvement.

(IBK Bayangkara, 2017) classifies 3 main approaches in Human Resource Audit including, Evaluation of adherence to applicable laws and regulations, Measurement of program consistency with organizational objectives, Systematic assessment of program effectiveness. According to (IBK Bayangkara, 2017), the scope of HR Audit includes all HR process whether it's partial certain activity or the entirety. These scopes are divided into 3 groups, acquisition phase, utilization phase, separation phase.

RESEARCH METHODOLOGY

Types and Source Of Data

This study adopts a qualitative descriptive research methodology to comprehensively examine human resource management practices. As defined by(Alfatih, 2017), this approach represents an investigative method that relies primarily on in-depth interviews and direct observation as key data collection techniques. The research specifically focuses on evaluating the effectiveness of HR management functions at PT Kimia Farma's Semarang plant, with particular emphasis on systematically comparing the company's current HR practices against established regulatory standards, organizational policies, and procedural requirements. Through this methodological framework, the study employs multiple data collection strategies including semi-structured interviews with HR personnel and management teams, direct observation of HR operational processes, and thorough analysis of company documentation of PT Kimia Farma.

Research Object

This study was conducted at PT Kimia Farma's Semarang Plant, located at Jalan Simongan, Manyaran, West Semarang District, Semarang City.

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Sample and Population

The population in this study comprises all permanent employees of PT Kimia Farma Plant Semarang, totaling 55 individuals. The sampling criteria specifically targeted permanent employees, as they possess deeper institutional knowledge of the company's management practices and policies due to their longer tenure compared to contract workers. This longitudinal exposure enables them to provide more comprehensive insights into HR management implementation. Additionally, contract employees were excluded from the sample due to their limited access to holistic company management information and their transient organizational engagement. Consequently, this research exclusively involved permanent employees as respondents to ensure data reliability and contextual relevance to the study's objectives.

Data Collecting Method

This includes observation, where the researcher was present at the research site to observe the company's operational processes without direct involvement in the activities. This approach allowed for an unbiased examination of daily HR practices within the workplace environment. Interviews that conducted with key HR personnel, namely the Head of HR and HR Staff at PT Kimia Farma Plant Semarang. A predetermined set of questions was prepared to ensure consistency in data gathering. These interviews aimed to obtain detailed insights into the implementation of human resource management functions within the company. Additionally, questionnaires were distributed to all 55 permanent employees of PT Kimia Farma Plant Semarang. The questionnaire contained a series of questions related to HR management practices, assessing employee perceptions and experiences regarding HR functions. And to supplement primary data, **document analysis** was performed using written company records, such as general company information, organizational structure and job description, and company regulations and policies.

RESULTS AND ANALYSIS

Company History

PT Kimia Farma Tbk is a state-owned enterprise (BUMN) that is a pioneer in the pharmaceutical industry in Indonesia. Established in 1817 under the name *NV Chemicalien Handle Rathkamp & Co*, the company underwent several legal status changes before officially becoming PT Kimia Farma (Persero) Tbk on August 16, 1971.

Since 2014, the company has transformed into an integrated healthcare company with activities including the production and distribution of medicines, cosmetics, herbs, edible oils, and healthcare services. One of its production units, Semarang Plant, was established on June 1, 1971, as a castor oil and derivative factory, which later developed into a strategic production unit for cosmetics, vegetable oils, and other derivative products.

This plant has obtained CPKB, Halal, HACCP, and US-FDA certifications, making it an international standard facility.

Vision and Mission

Vision: *To become the leading integrated healthcare company that generates sustainable value.*
Mission:
1. To conduct business in the chemical, pharmaceutical, distribution, and healthcare services industries.
2. To manage the company based on the principles of Good Corporate Governance (GCG) and operational excellence.
3. To provide added value to all stakeholders.

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Organizational Structure
The Semarang Plant is led by a Plant Manager, supported by Assistant Managers (Cosmetics Production, Oil Production, and Quality Assurance), Supervisors (Human Resources, Packaging, Oil Processing, Quality, Engineering, and Accounting), and expert staff (Pharmacist, K3, Environment).
Each position has clear job descriptions and authorities in accordance with SOPs to support the company's operational efficiency.

Duties and Responsibilities
Each department within the organizational structure is responsible for its functions, ranging from planning, production control, quality control, human resource management, to occupational safety (K3). The General Human Resource Supervisor, for example, is responsible for ensuring the availability of workers according to plant needs, managing personnel administration, training, employee welfare, and industrial relations.

Data
The research was conducted using a management audit of 11 HR functions: HR planning, recruitment, selection, orientation and placement, training and development, performance appraisal, career development, compensation, labor protection, labor relations, and termination. The methods included distributing questionnaires to 55 permanent employees (51 questionnaires returned), interviews, observations, and document reviews. Data was analyzed through four stages: preliminary audit, review and testing of management controls, detailed audit, and reporting.

Preliminary Audit
Based on the results of questionnaires and interviews:
- 8 HR functions were assessed as effective: HR planning, recruitment, selection, career development, compensation, protection, labor relations, and termination.
- 3 functions had significant weaknesses:
  1. Orientation & Placement – there were duplicate positions and employee placements that did not match their academic expertise.
  2. Training & Development – training is conducted regularly but unevenly, with only division representatives being focused on.
  3. Performance Evaluation (KPI) – a KPI program exists, but it was last implemented in 2023, so employees do not receive regular feedback.

Detailed Audit
Findings were analyzed using the Condition, Criteria, Cause, and Effect framework:
  1. Orientation & Placement of Human Resources
     - Condition: Placement is not always in line with competencies, and some supervisors hold strategic positions.
     - Criteria: Placement SOPs are in place, but implementation is not optimal.
     - Cause: Limited skilled labor and position restructuring.
     - Consequences: Excessive workload, decreased work effectiveness, and increased turnover (11.59% in 2024, above Gallup's tolerance threshold of 10%).
  2. Training & Development
     - Condition: Regular programs exist, but participation is limited (not all employees participate).
     - Criteria: PKB requires equal training.
     - Cause: Limited training budget, priority given to certain divisions.

- o   Effect: Skill gaps between divisions, potentially reducing productivity.
3. Performance Assessment (KPI)
    - o   Condition: KPIs are available, but the last evaluation was in 2023.
    - o   Criteria: Performance assessments must be conducted every 12 months in accordance with SOPs.
    - o   Cause: Policy changes and delays in updating KPI indicators.
    - o   Effect: Employees do not receive up-to-date feedback, which reduces motivation and hinders career development.

Reporting and Discussion of Results

In general, PT Kimia Farma Plant Semarang has implemented all 11 HR functions. The audit results show that:

- 8 functions are effective in accordance with SOPs and PKB.
- 3 functions need improvement: orientation & placement, training & development, and performance appraisal.

Audit improvement recommendations:
1. Remap employee placements based on competencies to reduce job duplication.
2. Expand training programs and increase budget allocation so that all employees can participate in competency development.
3. Reactivate KPI-based performance appraisals on a regular basis (at least annually) to support career development and work motivation.

Improvements in these three functions are expected to increase productivity, reduce turnover rates, and strengthen the company's competitiveness.

CONCLUSION

Conclusion

This research assessed the implementation of eleven human resource management functions at PT Kimia Farma's Semarang plant. The findings revealed a mixed performance across different HR domains. While eight functions demonstrated effective implementation, three key areas were identified as requiring improvement. The effective functions included recruitment, selection, career planning and development, compensation and benefits system, worker protection, labor relations, and employment termination procedures all of which were operating in accordance with established standards. However, three critical HR functions showed deficiencies in their execution such as, workforce placement, training and development programs, and performance appraisal systems.

Research Implication

This study makes a significant contribution to the development of management audit theory, particularly in assessing the effectiveness of human resource management. The findings not only reinforce existing theories but also demonstrate that a comprehensive audit can identify deficiencies in HR functions and provide actionable improvement recommendations. As such, the research outcomes serve as a valuable foundation for organizations to implement targeted corrective measures aimed at enhancing employee performance and aligning human capital practices with business objectives.

Research Limitation

The research conducted at PT Kimia Farma Plant Semarang encountered several constraints that limited the scope of the study. The primary challenges included time limitations and restricted access to certain critical data. The company did not permit disclosure of sensitive

information, including budget allocations, detailed employee performance evaluation results, and other confidential operational data.

Suggestion

For more comprehensive results, future research should select organizations with transparent data policies and well-documented HR frameworks. Studying companies that openly share operational information including budgets, performance metrics, and HR records would improve data accuracy and research efficiency. Additionally, focusing on entities with clearly defined HR policies, standardized procedures, and measurable management criteria would enable better evaluation of HR effectiveness. These approaches would address current study limitations while strengthening methodological rigor and practical applicability.

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