

REGULATORY-BASED PERFORMANCE MANAGEMENT IN THE PUBLIC SECTOR: EVIDENCE FROM THE INDUSTRIAL DIVISION OF THE BLITAR REGENCY DEPARTMENT OF INDUSTRY AND TRADE

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Abstract

Management auditing is an important mechanism for evaluating organizational performance and ensuring compliance with applicable regulations in public sector institutions. Nevertheless, empirical evidence regarding the implementation of management audits based on regional government regulations remains limited. This study aims to analyze the implementation of management auditing in evaluating employee performance in the Industrial Division of the Department of Industry and Trade (Disperindag) of Blitar Regency based on Regent Regulation No. 115 of 2022. A descriptive qualitative approach with a case study design was employed. Primary data were collected through observations, semi-structured interviews with the Head of the Industrial Division and the First Expert Industrial Extension Officer, and documentation, while secondary data were obtained from official documents and relevant literature. Data were analyzed using the management audit stages comprising a preliminary survey, management review and testing, advanced audit, and reporting, with findings interpreted through the criteria cause effect framework. The results indicate that employee performance has been implemented in accordance with Regent Regulation No. 115 of 2022 and supported by the consistent application of Standard Operating Procedures (SOPs). The management audit confirms that organizational activities comply with regulatory requirements, strengthen accountability, improve operational effectiveness, and support the achievement of institutional performance objectives. These findings demonstrate that management auditing functions as an effective governance instrument for evaluating employee performance and reinforcing regulatory compliance. The study contributes to the management auditing literature and provides practical insights for improving performance management within regional government institutions.

Keywords: Management audit, employee performance, public sector, regulatory compliance, Standard Operating Procedures, Department of Industry and Trade.



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INTRODUCTION

Management audit aims to evaluate the economy and efficiency of organizational operations (Herbert, 1979). Every public institution and business organization strives to maintain sustainable growth while preserving its organizational independence. Consequently, management audits play a significant role as an evaluative mechanism for assessing organizational performance and operational effectiveness. In the long term, the implementation of management audits provides substantial benefits by identifying operational weaknesses, improving governance practices, and supporting informed managerial decision-making. Today, management audits have become increasingly important not only for organizations themselves but also for stakeholders such as governments, shareholders, and other supervisory institutions. The primary objective of a management audit is to assess the level of managerial performance and determine whether organizational activities are conducted economically, efficiently, and effectively (Hutabarat & Tobing, 2022).

Within the public sector, management audits serve as an essential instrument for ensuring accountability and compliance with established regulations. In the context of the Department of Industry and Trade (Disperindag) of Blitar Regency, the Industrial Division is responsible for assisting the Head of the Department in carrying out governmental affairs related to industrial development. These responsibilities are stipulated in Regent Regulation of Blitar No. 115 of 2022 concerning the Position, Organizational Structure, Duties, Functions, and Work Procedures of the Department of Industry and Trade, particularly Article 8, which regulates the duties and performance of the Industrial Division.

Management audits are intentionally conducted to identify and resolve organizational problems while ensuring that employee performance aligns with applicable regulations and organizational objectives. Furthermore, management audits evaluate both the adequacy of existing regulations and the extent to which these regulations have been effectively implemented. Through this process, organizations can determine whether established policies have been properly executed and identify areas requiring improvement (Hutabarat & Tobing, 2022). According to Swasto, as cited in (Fauzi & A, 2020), employee performance refers to an individual's achievement in completing assigned tasks within a specified period in accordance with organizational objectives. Performance is generally reflected in both the quantity and quality of work produced. Employee performance can be assessed through several indicators, including work quality, the quantity of ideas or contributions provided, the ability to make sound decisions, and competence in planning and organizing work activities.

Achieving optimal employee performance requires continuous supervision and performance evaluation by organizational management. Both public institutions and private organizations are expected to emphasize employee productivity and work outcomes to achieve predetermined organizational standards. However, several organizational challenges continue to affect employee performance. Employees with low

performance frequently arrive late at work, experience difficulties in completing assigned tasks within designated deadlines, and demonstrate inconsistent work discipline. These conditions are often associated with irregular working hours and employees' reluctance to carry out assigned responsibilities. Nevertheless, despite these internal challenges, no significant conflicts have been reported between service users and employees regarding service delivery. From an organizational perspective, the quality of public services provided by the institution remains relatively satisfactory (Awaluddin et al., 2020).

As one of the strategic divisions within the Blitar Regency Department of Industry and Trade, the Industrial Division is required to implement its operational responsibilities in accordance with Regent Regulation No. 115 of 2022 to support institutional performance and regional economic development. The achievement of organizational performance depends on the establishment of clear performance standards that serve as benchmarks for evaluating the implementation of programs and activities within the Industrial Division. Therefore, examining the extent to which the Industrial Division has implemented its mandated programs in accordance with applicable regulations constitutes a crucial step in evaluating organizational performance. Such an evaluation enables the institution to determine whether its operational activities comply with regulatory requirements and organizational objectives. Similar to other public and private organizations, the Department of Industry and Trade requires periodic management audits to identify operational deficiencies, strengthen organizational governance, and promote continuous institutional improvement.

LITERATURE REVIEW

Management Audit

According to (Andry & Christianto, 2018), an audit is a systematic process conducted by auditors to examine errors and verify evidence objectively. The audit process involves collecting, evaluating, and interpreting evidence related to organizational activities and economic events before communicating the findings to relevant stakeholders. Through this systematic approach, audits provide reliable information that supports decision-making, strengthens accountability, and enhances organizational governance.

The objectives of an audit extend beyond merely identifying errors or irregularities. As explained by (Sangkala, 2023), audits primarily aim to evaluate whether an organization has established effective internal controls capable of achieving predetermined objectives. Furthermore, auditors assess organizational activities to determine whether operations have been implemented according to established plans and applicable regulations. Another important objective is to support management by providing independent evaluations that facilitate continuous organizational improvement. Therefore, auditors are expected to possess a comprehensive understanding of managerial principles and organizational processes to provide meaningful recommendations for improving organizational performance.

In addition to achieving these objectives, management audits provide numerous organizational benefits. According to (Sangkala, 2023), management audits contribute to identifying the performance contributions of individual departments within public institutions, private companies, and other organizations. Audit findings also strengthen organizational professionalism, encourage accountability among employees, improve understanding of individual roles and responsibilities, and ensure compliance with organizational policies and regulations. Moreover, management audits assist organizations in identifying operational problems, evaluating existing activities, and formulating recommendations for continuous organizational improvement. Consequently, management audits function not only as control mechanisms but also as strategic management tools that support organizational effectiveness and long-term sustainability.

Management Concept

Management is widely recognized as a scientific discipline and practical process that enables organizations to achieve their objectives efficiently and effectively. According to (Sunandes et al., 2022), management consists of four fundamental functions: planning, organizing, implementing, and controlling organizational resources. These functions enable organizations to coordinate human resources and other organizational assets in order to achieve predetermined performance targets and organizational goals.

The implementation of management requires managers to translate organizational plans into operational activities while coordinating available resources effectively. Managers are responsible for implementing organizational programs based on information generated through management processes and ensuring that employees perform their assigned responsibilities efficiently. Effective management therefore requires a comprehensive understanding of managerial functions and organizational objectives. These managerial functions serve as the foundation for evaluating organizational performance and ensuring that organizational programs are implemented in accordance with strategic goals.

(Anisa, 2021) summarizes several fundamental concepts of management by emphasizing its core functions, namely planning, organizing, implementing, directing, and controlling. These functions are interrelated and collectively support organizational success. Planning establishes organizational objectives and determines the strategies required to achieve them. Organizing allocates resources and responsibilities efficiently, while implementation ensures that planned activities are executed effectively. Directing involves motivating and guiding employees toward organizational objectives, whereas controlling evaluates organizational performance by comparing actual outcomes with predetermined standards. Together, these functions minimize operational risks and improve organizational performance by ensuring that every stage of organizational activities is systematically managed.

Benefits of Management

Effective management generates significant benefits for both organizations and individuals. According to (Azizah, 2021), one of the primary advantages of management is its ability to identify the causes of performance-related problems while promoting efficient time management. Since organizational resources, particularly time, are inherently limited, effective management enables managers to allocate these resources efficiently and avoid unnecessary waste. Moreover, management encourages continuous development among both individuals and teams by creating a supportive environment where organizational leaders facilitate employee growth and collaboration.

From an individual perspective, effective management enhances employees' understanding of their responsibilities and encourages creative thinking in solving organizational problems. Employees become more capable of providing constructive suggestions, managing their workloads effectively, and utilizing available time productively. These competencies contribute not only to personal development but also to organizational success. Furthermore, sound management practices strengthen ethical behavior and reduce opportunities for misconduct by establishing clear responsibilities, transparent procedures, and effective supervision (Azizah, 2021).

Senior Management and Management Audit

The relationship between senior management and management audits is essential for ensuring organizational effectiveness. According to (Sondang, 2004), senior management functions as both a scientific instrument and a strategic decision-making body within the management audit process. Senior management is responsible for planning organizational activities, allocating resources, and establishing performance targets that maximize organizational benefits. During the implementation of management audits, senior management plays a central role from the planning stage through the evaluation of audit findings. Consequently, the effectiveness of management audits largely depends on senior management's commitment to implementing audit recommendations and achieving organizational objectives.

Conceptual Foundation of Management Audit

(Jung, 2002) provides the conceptual foundation for management auditing by emphasizing that, although management audit methodologies continue to evolve, their application has gained broad recognition across various organizational contexts. Management audits employ systematic procedures, research methodologies, organizational policies, and analytical approaches comparable to those used in other forms of organizational evaluation. Unlike financial audits, which primarily focus on financial reporting, management audits emphasize the evaluation of operational effectiveness, managerial efficiency, and organizational performance. When organizational performance declines, management audits serve as an important diagnostic tool for identifying underlying problems and recommending corrective actions that enhance organizational effectiveness and sustainability.

Overall, the literature suggests that management audits represent a comprehensive evaluation mechanism for assessing organizational performance, managerial effectiveness, and regulatory compliance. By integrating management principles with systematic auditing procedures, organizations can improve governance, strengthen accountability, enhance operational efficiency, and ensure that organizational activities are aligned with established policies and strategic objectives.

RESEARCH METHOD

This study employed a descriptive qualitative research design to explore the implementation of management audit practices in evaluating employee performance at the Department of Industry and Trade (Disperindag) of Blitar Regency, particularly within the Industrial Division. A qualitative approach was selected because it enables researchers to obtain an in-depth understanding of organizational processes, managerial practices, and regulatory implementation within their natural setting. Data were collected through direct observation, documentation, and semi-structured interviews with key informants who possessed relevant knowledge and experience regarding the research topic.

According to (Moleong, 2017), qualitative research employs analytical procedures that emphasize the interpretation of descriptive data rather than the application of quantitative techniques or statistical analysis. Therefore, qualitative research seeks to understand social phenomena comprehensively by examining participants' experiences, perceptions, and interpretations within a specific context.

Unlike quantitative research, which relies on numerical data and statistical testing, qualitative research focuses on describing and interpreting phenomena through narrative data. This approach enables researchers to construct a comprehensive understanding of organizational realities by integrating participants' perspectives with observations made in the field. Consequently, qualitative research is particularly appropriate for investigating management practices, organizational performance, and policy implementation within public sector institutions.

The study utilized primary and secondary data sources. Primary data were obtained directly through field observations and interviews conducted to address the research objectives (Moleong, 2005). Interviews were carried out using open-ended questions that allowed participants to explain their experiences and perspectives regarding the implementation of management audit practices and employee performance evaluation. The primary informants consisted of the Head of the Industrial Division and the Industrial Extension Staff of the Department of Industry and Trade of Blitar Regency. Information collected through interviews was subsequently verified through direct observation and document analysis to enhance the credibility of the findings.

Secondary data were collected to complement and strengthen the primary data. These data included official organizational documents, relevant regulations, institutional reports, printed publications, books, and electronic sources related to management

auditing, employee performance, and public sector governance. In particular, official documents obtained from the Department of Industry and Trade of Blitar Regency served as an important source for understanding organizational responsibilities, performance standards, and the implementation of Regent Regulation of Blitar No. 115 of 2022. The integration of primary and secondary data enabled comprehensive analysis and facilitated data triangulation, thereby enhancing the trustworthiness and validity of the research findings.

RESULTS AND DISCUSSION

The implementation of the management audit at the Department of Industry and Trade (Disperindag) of Blitar Regency has been carried out in accordance with Regent Regulation No. 115 of 2022 concerning the Organizational Position, Structure, Duties, Functions, and Work Procedures of the Department of Industry and Trade of Blitar Regency. This regulation has been implemented across all divisions within the Department, particularly the Industrial Division. One example of its implementation is the tobacco workshop conducted in 2023 as part of the Division's operational activities.

This finding is supported by an interview with Mrs. Temy Sevidiana, Head of the Industrial Division, who explained:

“Regarding performance achievement, we in the Industrial Division pay close attention to every activity that serves as a benchmark for evaluating the accomplishments of the programs that have been implemented. Our expectation is that the Industrial Division can maximize the responsibilities assigned by the Head of the Department in accordance with the expected performance targets.” (Interview with the Head of the Industrial Division, June 10, 2024, 12.00 WIB).

Based on the interview findings, the researcher concludes that achieving performance targets constitutes a crucial aspect for every division within the Department of Industry and Trade of Blitar Regency in supporting organizational development and institutional effectiveness. Successful performance achievement is recognized and appreciated by organizational leaders because it reflects the accomplishment of each division in carrying out its assigned duties and responsibilities.

The following interview excerpt further illustrates that employee performance has been implemented in accordance with the applicable government regulations. For example, Mrs. Umi Anis Rohmawati, First Expert Trade Extension Officer, stated:

“The basis we use to assess our performance achievement while carrying out the duties assigned by the Head of the Department is our main duties and functions (tupoksi). Therefore, our primary reference is Regent Regulation No. 115 of 2022 concerning the Organizational Position, Structure, Duties, Functions, and Work Procedures of the Department of Industry and Trade of Blitar Regency. The Regulation outlines the main duties and functions of each division within the Department, including the Industrial Division, which is specifically regulated in Article 8.” (Interview with the First Expert Trade Extension Officer, June 10, 2024, 12.00 WIB).

The interview findings indicate that all organizational activities undertaken by the Department of Industry and Trade of Blitar Regency are directed toward compliance with the applicable regulations and the established Standard Operating Procedures (SOPs). These regulations serve as the primary guideline for implementing work programs and evaluating employee performance within the Industrial Division.

According to (Herbert, 1979), a preliminary survey in a management audit is conducted to obtain all relevant information concerning the object and environment to be audited. This process also includes reviewing applicable laws, regulations, and organizational policies, as well as identifying information related to existing weaknesses within the institution that may require further auditing. In the present study, the preliminary survey focused on identifying issues related to employee performance achievement within the Industrial Division of the Department of Industry and Trade of Blitar Regency. Information was gathered through field observations to obtain a comprehensive understanding of the organizational background and operational conditions. The management audit was subsequently developed based on three principal audit elements, namely criteria, causes, and effects.

Furthermore, the internal control system was evaluated as part of the Management Review and Testing Program to determine the extent to which the system could be relied upon to ensure the accuracy of information, compliance with applicable legal requirements, and the efficiency and effectiveness of organizational operations. During this stage, the researcher collected sufficient audit evidence to support the audit objectives and formulate reliable conclusions. In addition, an interview with the Head of the Industrial Division was conducted to obtain further evidence regarding organizational performance and to perform direct control testing within the management audit process.

Following the collection of sufficient evidence to support the audit objectives, the auditor consolidated the findings to examine the identified issues in accordance with the audit objectives. This stage is referred to as the advanced audit. The results of the advanced audit concerning employee performance achievement at the Department of Industry and Trade (Disperindag) of Blitar Regency are presented as follows.

Criteria

The organizational position, structure, responsibilities, and work procedures of the Department of Industry and Trade of Blitar Regency, as stipulated in Regent Regulation No. 115 of 2022, constitute the primary criteria used to evaluate employee performance achievement. This regulation serves as the principal guideline governing organizational operations to ensure that performance objectives are achieved effectively. Within the Industrial Division, Article 8 specifically outlines the organizational work system that supports the Head of the Department in carrying out managerial duties and responsibilities. Consequently, employee performance is evaluated based on the extent to which work implementation complies with the organizational structure, assigned responsibilities, and operational procedures established by the regulation.

Cause

The implementation of employee performance is supported by the Functional Position Group, which is responsible for applying the principles of synchronization, integration, and coordination both within their respective organizational units and across other units of the Regional Government, as well as with external governmental institutions. The successful implementation of these principles is facilitated by Regent Regulation No. 115 of 2022 and the application of Standard Operating Procedures (SOPs) that regulate organizational work processes. These procedures clearly define the duties and responsibilities of each organizational element, including the Head of the Department, the Secretary, Division Heads, Heads of Subdivisions, Heads of Sections, and Functional Position Groups. Accordingly, employee performance achievement is driven by the consistent implementation of organizational duties in accordance with the prescribed regulations and established SOPs.

Effect

The resulting effect represents the outcome of evaluating the established criteria against the identified causes based on Regent Regulation No. 115 of 2022 concerning the organizational position, structure, duties, functions, and work procedures of the Department of Industry and Trade of Blitar Regency, particularly the provisions stipulated in Article 8 concerning the Industrial Division. Furthermore, the identified causes are closely associated with the implementation of the organization's Standard Operating Procedures (SOPs), which regulate daily operational activities and employee responsibilities.

The relationship between the established criteria and the identified causes demonstrates the extent to which organizational performance has been achieved. The findings indicate that employee performance has been guided by the vision and mission of the Department of Industry and Trade of Blitar Regency, which emphasize the realization of a more prosperous, progressive, and competitive region. Organizational prosperity is reflected through the provision of quality public services, poverty reduction, increased community income, expanded employment opportunities, and improved access to health and educational services. Progress is demonstrated through continuous improvements in public service delivery, governmental administration, and human resource development. Meanwhile, competitiveness refers to the organization's ability to utilize its comparative and competitive advantages in achieving the predetermined performance targets, particularly within the Industrial Division. These findings suggest that the Industrial Division possesses considerable potential to compete not only at the regional level but also at the national and global levels. Therefore, achieving organizational performance remains one of the most important objectives, as it contributes to the realization of the institution's strategic vision while encouraging employees to continuously improve their work performance. Nevertheless, continuous performance evaluation remains necessary to ensure that organizational objectives are consistently achieved.

Management Audit of Performance Achievement

Performance achievement refers to the successful accomplishment of organizational programs in realizing their objectives, targets, and institutional vision and mission through appropriate organizational strategies (Sihombing & Batoebara, 2019). The findings of this study indicate that the programs implemented by the Department of Industry and Trade of Blitar Regency have been carried out in accordance with the institution's established policies and operational procedures. Compliance with these organizational policies contributes to improving employee motivation, strengthening organizational commitment, and enhancing institutional performance. Consequently, the implementation of the management audit demonstrates that the Industrial Division has performed its duties in alignment with the provisions stipulated in Regent Regulation No. 115 of 2022, thereby supporting the achievement of organizational performance objectives through effective governance and adherence to established operational standards.

The findings of this study indicate that employee performance at the Department of Industry and Trade (Disperindag) of Blitar Regency has been implemented in accordance with Regent Regulation No. 115 of 2022. The Department has consistently complied with the provisions stipulated in the Regulation, which specifies the organizational duties, functions, responsibilities, and Standard Operating Procedures (SOPs) that must be implemented by each organizational unit. Compliance with these regulatory provisions forms the basis for evaluating employee performance through the management audit framework.

This compliance is demonstrated through the three fundamental elements of management auditing, namely criteria, causes, and effects. The criteria are derived from the provisions of Regent Regulation No. 115 of 2022, which establish the standards against which employee performance is assessed. Accordingly, all organizational activities are expected to conform to the requirements prescribed by the Regulation. Failure to satisfy these established criteria indicates that the expected performance standards have not been achieved and, consequently, necessitates further performance evaluation.

The second element, cause, refers to the factors that influence employee performance. In this study, the implementation of performance is fundamentally guided by the institution's Standard Operating Procedures (SOPs), which constitute an integral component of the organizational work procedures within the Department of Industry and Trade. Therefore, compliance with the SOPs serves as the principal driving factor supporting employee performance and organizational effectiveness.

The third element, effect, represents the outcomes generated from the relationship between the established criteria and the identified causes. In other words, organizational performance outcomes are determined by the extent to which employees comply with the performance standards established in the Regent Regulation and consistently implement the prescribed Standard Operating Procedures. Consequently, the relationship among

these three audit elements provides a comprehensive basis for evaluating organizational performance within the Department of Industry and Trade of Blitar Regency.

To strengthen the analysis, the findings of this study were compared with those reported by Rumida Jun Harapan Hutabarat and Shelly Farida Tobing in their study entitled *"Management Audit of the Performance of Inspection and Administrative Personnel at the Class B Palembang Customs and Excise Supervision and Service Office."* (original title in Indonesian: *"Audit Manajemen Atas Kinerja Pegawai Pelaksana Pemeriksa dan Administrasi Pada Kantor Pengawasan dan Pelayanan Bea Cukai Tipe Madya Pabean B Palembang."*) The previous study employed performance evaluation criteria based primarily on assessments conducted by supervisors and colleagues or subordinates without incorporating customer evaluations. Although the assessment process was conducted objectively and based on factual evidence, the absence of customer participation limited the effectiveness of the performance evaluation system. Furthermore, the study did not specifically identify the underlying causes affecting employee performance because the evaluation system excluded customer perspectives. Consequently, the resulting performance assessment was considered insufficient and had not yet achieved optimal effectiveness (Hutabarat & Tobing, 2022).

A second comparison was made with the previous study conducted by Muhammad Zulfan Dwi Hatmoko, Nur Hidayah K. Fadhilah, Triyadi Wabang, and Miniati Alur, entitled *"Management Audit of Human Resource Effectiveness at the Department of Trade, Industry, and Mineral Resources of Sukabumi Regency"* (original title in Indonesian: *"Audit Manajemen Terhadap Efektivitas Sumber Daya Manusia (Dinas Perdagangan Perindustrian Sumber Daya Mineral) Kabupaten Sukabumi"*). In that study, the performance evaluation criteria were based on Regional Regulation No. 7 of 2016 concerning the Establishment and Organizational Structure of the Sukabumi Regency Government, as well as Regional Regulation No. 659 concerning the Organizational Structure of the Sukabumi Regency Government issued by the Regent, particularly regarding the Mineral Resources and Energy sector within the Ministry of Industry. These regulations served as the primary guidelines for assisting the Director in carrying out governmental functions related to mineral resources and energy.

Similar to the findings of the present study, the implementation of employee performance in the Sukabumi Regency Department was supported by compliance with established Standard Operating Procedures (SOPs). These procedures regulated various human resource management functions, including employee classification, working hours, employee rights, social security, occupational health and safety (OHS), and work management systems, all of which were integrated into the institution's organizational work procedures. Regarding the effect element, the previous study concluded that the Department of Trade and Industry for Mineral Resources had implemented human resource management effectively. In addition, employee recruitment processes were conducted in accordance with management policies, while employee development and

training programs were consistently implemented following the organization's established policies and procedures (Hatmoko et al., 2023).

Discussion

This study aimed to examine whether employee performance in the Industrial Division of the Department of Industry and Trade (Disperindag) of Blitar Regency has been implemented in accordance with Regent Regulation No. 115 of 2022. The findings demonstrate that the implementation of employee performance has generally complied with the provisions stipulated in the Regulation. This conclusion is supported by interview findings, direct observations, and document analysis, all of which indicate that organizational activities are consistently carried out based on the organizational structure, duties, functions, and Standard Operating Procedures (SOPs) established by the Regulation.

The findings further suggest that Regent Regulation No. 115 of 2022 serves not only as a legal framework but also as a strategic performance management instrument that provides clear standards for organizational operations. The regulation establishes explicit responsibilities for each organizational unit, enabling employees to perform their duties within clearly defined performance expectations. Consequently, compliance with the Regulation contributes to organizational accountability and strengthens the effectiveness of public service delivery. This finding is consistent with the concept of management auditing proposed by (Herbert, 1979), which emphasizes that management audits evaluate whether organizational activities are conducted economically, efficiently, and effectively by assessing compliance with established policies and regulations. The preliminary survey, management review, and advanced audit conducted in this study demonstrate that the management audit process provides sufficient evidence for evaluating employee performance against predetermined organizational criteria.

The management audit framework applied in this study—comprising criteria, causes, and effects—proved to be an effective analytical approach for evaluating organizational performance. The criteria were represented by the provisions of Regent Regulation No. 115 of 2022, while the causes were associated with the implementation of organizational work procedures and Standard Operating Procedures. The effects reflected the extent to which organizational objectives were achieved through employees' compliance with these standards. The alignment among these three elements indicates that employee performance within the Industrial Division has been systematically managed through an integrated governance mechanism. This finding supports the conceptual framework proposed by (Jung, 2002), who argues that management auditing functions as a comprehensive organizational evaluation tool capable of identifying strengths and weaknesses in managerial practices while promoting continuous organizational improvement.

The interview findings also reveal that employee performance is primarily evaluated based on the implementation of employees' main duties and functions (tupoksi). Rather than focusing solely on performance outcomes, the Department emphasizes

procedural compliance and adherence to organizational responsibilities. This approach reflects the characteristics of public sector performance management, where accountability and regulatory compliance constitute fundamental indicators of organizational success. Furthermore, the consistent implementation of Standard Operating Procedures promotes coordination, synchronization, and integration among organizational units, thereby enhancing institutional effectiveness and supporting the achievement of organizational goals.

Another important finding concerns the contribution of management audits to organizational performance improvement. The audit process not only evaluates existing performance but also provides management with evidence-based information for decision-making and continuous improvement. This observation supports the argument of (Sihombing & Batoebara, 2019), who emphasize that organizational performance achievement is reflected in the successful implementation of institutional strategies aimed at accomplishing organizational objectives, vision, and mission. In the present study, the implementation of Regent Regulation No. 115 of 2022 has strengthened employee motivation, organizational commitment, and compliance with institutional policies, thereby contributing to improved organizational performance within the Industrial Division.

The findings of this study also corroborate previous research conducted by Rumida Jun Harapan Hutabarat and Shelly Farida Tobing (Hutabarat & Tobing, 2022), which highlighted the importance of management audits in evaluating employee performance. However, unlike the previous study, where performance assessment relied primarily on evaluations by supervisors and colleagues without incorporating customer perspectives, the present study focuses on the implementation of regulatory compliance as the principal benchmark for performance evaluation. Consequently, the current study demonstrates that adherence to organizational regulations and Standard Operating Procedures constitutes a more comprehensive mechanism for assessing organizational performance within public sector institutions.

Similarly, the present findings are consistent with the study conducted by Muhammad Zulfan Dwi Hatmoko, Nur Hidayah K. Fadhilah, Triyadi Wabang, and Miniati Alur (Hatmoko et al., 2023), which concluded that effective human resource management is achieved through compliance with organizational regulations and Standard Operating Procedures. Both studies indicate that clearly defined organizational responsibilities, systematic work procedures, and effective managerial supervision contribute significantly to improving employee performance. Nevertheless, while the previous study primarily focused on the effectiveness of human resource management practices, the present research extends the discussion by demonstrating how management auditing can be employed as a strategic mechanism for evaluating compliance with regional government regulations and measuring employee performance within a public sector organization.

Overall, the findings indicate that the management audit conducted within the Industrial Division of the Department of Industry and Trade of Blitar Regency has effectively evaluated employee performance against the standards established by Regent Regulation No. 115 of 2022. The integration of regulatory compliance, Standard Operating Procedures, and systematic management auditing has created a governance framework that supports organizational accountability, operational effectiveness, and the achievement of institutional objectives. These findings reinforce the strategic role of management auditing as an instrument for strengthening organizational performance and promoting continuous improvement within public sector institutions.

CONCLUSION

This study examined the implementation of management auditing in evaluating employee performance within the Industrial Division of the Department of Industry and Trade (Disperindag) of Blitar Regency based on Regent Regulation No. 115 of 2022. The findings indicate that employee performance has generally been implemented in accordance with the organizational structure, duties, functions, and work procedures stipulated in the Regulation. The management audit demonstrated that organizational activities have consistently adhered to the established Standard Operating Procedures (SOPs) and regulatory provisions, thereby supporting the achievement of institutional performance objectives.

The application of the management audit framework, comprising criteria, causes, and effects, proved effective in evaluating organizational performance. The established criteria were derived from Regent Regulation No. 115 of 2022, while the identified causes reflected employees' compliance with organizational work procedures and SOPs. The resulting effects demonstrated that adherence to these regulatory standards contributed to improved organizational accountability, operational effectiveness, and performance achievement. Furthermore, the audit process provided sufficient evidence to assess whether employee performance aligned with the institution's strategic objectives and governance framework.

The findings also confirm that management auditing serves not only as an evaluation mechanism but also as a strategic management tool that supports continuous organizational improvement. The consistent implementation of regulatory requirements, effective coordination among organizational units, and adherence to standardized work procedures have strengthened employee performance and facilitated the realization of the Department's vision and mission. Therefore, the study concludes that the management audit has contributed positively to enhancing employee performance and ensuring compliance with Regent Regulation No. 115 of 2022 within the Industrial Division of the Department of Industry and Trade of Blitar Regency.

Suggestions for Future Research

Future studies are encouraged to expand the scope of analysis by involving additional organizational units within the Department of Industry and Trade or by

conducting comparative studies across different regional government institutions. Such comparisons would provide broader insights into the effectiveness of management auditing in various public sector settings.

Future researchers may also adopt mixed-methods or quantitative approaches to complement qualitative findings by measuring the relationship between management auditing, regulatory compliance, employee performance, organizational effectiveness, and public service quality using statistical analysis. This approach would enhance the generalizability of the findings and provide stronger empirical evidence regarding the effectiveness of management audits.

In addition, future research should consider incorporating perspectives from external stakeholders, such as service users, industry partners, or local communities, to obtain a more comprehensive evaluation of organizational performance. Including external stakeholder assessments would enrich the understanding of how management auditing influences service quality, accountability, and public trust in government institutions.

Finally, longitudinal studies are recommended to examine the long-term impact of management audit implementation on organizational performance and policy compliance. Such studies would provide valuable evidence regarding the sustainability of performance improvements following the implementation of management audit recommendations and changes in regional government regulations.

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