CHAPTER 5

CONCLUSION AND RECOMMENDATION

5.1 Conclusion

Production sector in mining industry is the business major activity that must be treated effectively and efficiently. The implementation of effective and efficient operation brings economical and social effect to the company like PT.Belitung Kaolin Murni. PT.Belitung Kaolin Murni must balanced their production activity with their surrounding such as environmental issue as they deal with mining that extract material from environment also law and regulatory compliance as their existence and occurrence in public. PT. Belitung Kaolin Murni has following several aspects from audit topics which are planning and production control, environmental issue, law and regulatory compliance. Based on operational audit conducted by the auditor, these are several good aspects of PT. Belitung Kaolin Murni for their production sector:

1. Company use information technology for communication between head of factory in Belitung and management in Jakarta. This beneficial for management to perform quick reponse.

2. The company completes all the law and regulation of local government. The government authority legalizes their business activity by doing observation and established letter of acceptance such as SIUP (Surat Izin Usaha Pertambangan), Surat Izin Gangguan, etc.

3. The company does not discover any waste in their operation which is environmental safety. Because the waste of extract kaolin is sand and water which not harmful for surrounding.

4. They have waste management system, the sand that have been extracted from kaolin used to cover the hole, while the water are re used in extraction until the water evaporated.

5. They hire the consultant to deal with mining law and regulation issue, their mining consultant also updating information for new or current law and regulation to avoid company from penalties.

6. They do laboratory checklist to check the quality of the production.

7. The production is supervised by in charge person.

8. The flow of raw material is recorded hourly.

9. They employ skilled labor and well trained them.

But in the other hand, there are several weakness to report observed and assessed by the auditor.

Weakness to report according to planning and production control:

1. The company does not forecast their production capacity, which sometimes their capacity do not meet the required demand. The order are not suits their production capacity which result in delay and decrease customer satisfaction.

2. PT.BKM does not have any documented report on production control except monthly report and online communication with management. With no documented report on production activity. Management and employee do not have any standard in production and error might be occured in the next production.

3. PT.BKM do not have written standard of production process. The flow of the process and duties of each employee and worker do not clearly explain.

4. Authorization signature by person in charge are not effective, since that person not always in place and often absent. Because the site plant is quite big and in distant place.

5. Lack of supervision, the size of the site plant make them hard to supervised and control whole production process.

Weakness to report according to environmental issue:

1. PT.BKM do not have written standard for their responsibility to the environment. Without a written standard, they do not understand clearly what they should do for their responsibility to the environment. The standard of environmental issue encourage employee and company for CSR (Corporate Social Responsibility)

2. PT.BKM does not observe about any possible waste from production. The auditor observe possible waste from the operation which is air pollution from used of machinery. To prevent any warning from government, PT.BKM should aware of any possible environmental unfriendliness.

3. PT.BKM faces shortage of water resources.

According to law and regulatory compliance:

1. PT. BKM does not familiarize their employee to applicable standard. Without standard, employee tends to obey the regulation.

2. PT. BKM should also understand the law and regulation applicable for their industry not all can be handled by consultant.

3. Failed to complete and update current law and regulation.

5.2 Recommendation

1. PT.BKM should forecast their production capacity so they know the total input needed and determine cost of goods sold accurately. For example, if they know their production capacity and total input that needed to met particular amount of production, they may predict the amount of gasoline might be used and calculate the cost of good sold accurately.
2. PT.BKM should document all the activity in production and all problems, so they can find solutions and avoid the same problem in the next production. With production control report. The supervisor or head of factory can take a note of every situation and problem occured in production facilities, so that management can respond and take action to avoid those problem and find solution.
3. Management of PT.BKM should have written standard or procedure in the production to achieve effective and efficient operation in the basis of the required procedure. By having written standard employee will know their duties and know the flow of their contribution on the production process.
4. Company should choose authorized person or supervisor for each area in production for example supervisor in pulverization are, supervisor in sedimentation area, etc.
5. PT.BKM have letter of recognition/ “Laporan Dampak Lingkungan” but they should take a note about criteria of environmental issue in that region especially they are in mining business which deal with environment.

6. PT.BKM should indicate possible waste in the short term and long term to avoid warning from government or local citizen.

7. PT.BKM should find any possible way to generate water or wisely use available water resources. And they should maintain their waste management system properly.

8. Create written standard and familiarize them to the production employee. Such as work safety, working hours, and other regulation from Department of Labor (Departemen Tenaga Kerja)

9. They should take a note about criteria related to their law and regulation and suit it with real situation. Because their problem is that sometimes the applicable law do not match to their real production process. their task is to manage the law and regulation to make it applicable in production sector.

10. PT.BKM should aware of every single law and regulation because they deal with mining industry which closely related to law and regulation in each region. Consultant update the current law and regulation based on Department of mining but the applicable law and regulation sometimes only applicable in each region. PT.BKM should always update the law and regulation on Belitung.

11. The company should conduct cost-benefit analysis before deciding on opening warehouse to store excess inventory. Cost benefit analysis will help the company calculating the cost taken out and benefit they achieved.