

INTERNAL AUDIT EFFECT ON INVENTORY CONTROL (STUDY AT ONE OF THE GARMENT COMPANIES IN THE CITY OF BANDUNG)

Haifa Khairunisa¹, Maulana Yusup², Sana Sholihah³, Adam Ramdani⁴

STIE Pasundan, Bandung^{1,2,3,4}

E-mail: haifakhairunisa@gmail.com¹, maulana@stiepas.ac.id², sana@stiepas.ac.id³,
adam@stiepas.ac.id⁴

ABSTRACT

This research determines the influence of internal audits on inventory control in one of the garment companies in Bandung. This research method uses quantitative research methods with descriptive and verification approaches. First, obtain the questionnaire results from the respondents and then process them through SPSS 20 to be tested and then present the output results. After conducting analysis and discussion, the authors conclude that the effect of internal audit on inventory control carried out at a garment company in the city of Bandung shows quite good results. To see the expertise and accuracy possessed can be obtained from the results of the internal audit. But some are not optimal, which is in the internal audit control, which has not optimally supported the company, so the implementation of audit activities needs to be improved. In addition, the quality assurance program needs to run optimally to support audit performance.

Keywords: Internal Audit, Inventory Control

ABSTRAK

Penelitian ini untuk mengetahui besarnya pengaruh internal audit terhadap pengendalian persediaan barang pada salah satu perusahaan garmen di kota Bandung. Metode penelitian ini menggunakan metode penelitian kuantitatif dengan pendekatan deskriptif dan verifikatif. Mendapatkan hasil kuesioner dari responden kemudian diolah melalui SPSS 20 untuk diuji kemudian dipaparkan hasil dari output tersebut. Setelah melakukan analisa dan pembahasan, penulis memperoleh kesimpulan bahwa pengaruh internal audit terhadap pengendalian persediaan barang yang dilakukan pada salah satu perusahaan garmen di kota Bandung menunjukkan hasil yang cukup baik. Untuk melihat keahlian dan kecermatan yang dimiliki oleh dapat diperoleh dari hasil internal audit. Tetapi ada beberapa yang belum optimal hal tersebut terdapat pada pengendalian internal audit yang belum optimal menunjang bagi perusahaan sehingga pelaksanaan kegiatan audit belum cukup memadai serta program quality assurance yang belum berjalan secara optimal untuk menunjang kinerja Audit.

Kata Kunci: Internal Audit, Pengendalian Persediaan Barang

INTRODUCTION

Internal control over inventory is necessary because inventory is included in current assets. The primary purpose of implementing internal control is to secure or prevent company assets (inventory) from theft, misappropriation, misuse, and damage and to ensure the accuracy (provision) of inventory presentation in the financial statements. (Aqil Nugroho, 2019) It includes control over the legitimacy of purchases and sales of merchandise. (Yassin et al., 2021)

Internal audit is an independent activity that provides assurance designed to provide added value and improve the company's operations. (Yusup & Juhara, 2020) Internal audit assists companies in their efforts to achieve their goals by providing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and regulatory processes in organizational management. (Feng et al., 2015) Internal audit must be able to become an independent party by carrying out the supervisory function of running the company and examining whether the company's operations are running well. (Adrianto & Wahyuni, 2019) Internal audit must play an active and cooperative role with various parties assisting all members of management in carrying out their responsibilities properly by providing analysis, assessment, recommendations, and objective comments regarding activities that have been reviewed. If fraud occurs, then an Internal audit must be able

to run swiftly. (Erick et al., 2022) Guidelines for internal auditors in carrying out their functions and responsibilities, namely independence and objectivity, professional expertise and rigor, quality assurance program, internal control of the internal audit function, and scope of assignments. (Anastasia et al., 2023) Having an internal inventory audit can help companies manage inventory. Internal audit assists management in making decisions and managing business inventory which is an effective control to achieve organizational goals. (Roussy & Perron, 2018)

For the company's inventory control to be managed properly, the company needs to establish an appropriate inventory policy. (Christ et al., 2021) The manifestation of this policy is the existence of internal control and supervision of inventory. The importance of internal control in every company is to prevent waste, and the diversion of business efficiency can be avoided. Apart from that, the company also periodically has to calculate the existing inventory and match it with inventory according to the inventory card. (Kotb et al., 2020)

The role of internal audit in supporting the effectiveness of internal control of finished goods inventory will occupy a critical position because it can support the effectiveness of internal inventory control. (Dzikrullah et al., 2020)

METHOD

In this study, the method used is a quantitative research method with a descriptive and verification approach. Quantitative research methods can be interpreted as research methods based on the philosophy of positivism, used to examine specific populations or samples; sampling techniques are generally carried out randomly. Data collection uses research instruments. Data analysis is quantitative or statistical to test hypotheses that have been established.

A method of examining the status of a human group, an object, a set of conditions, a system of thought, or a class of events in the present. The purpose of this descriptive method is to make a description, a systematic, factual, and accurate description of the facts, characteristics, and relationships between the phenomena being investigated.

This descriptive approach is used to explain facts that occur in inventory control variables and to determine the relationship between two or more variables by observing certain aspects specifically to obtain data appropriate to the problem.

Meanwhile, the verification method is a research method that aims to determine the causal relationship between variables through a hypothesis test through a statistical calculation so that the verification results show that the hypothesis is rejected or accepted. The verification approach aims to answer the

formulation of problems related to the influence of internal audits on inventory control.

RESULTS and DISCUSSION

Based on the overall data processing results regarding the statements given to respondents at one of the Bandung city garment companies by the Internal Audit, it has gone quite well, with an average score of 3.40. From a total of 15 statements submitted with several dimensions. An internal audit is a free appraisal activity within the organization, carried out using independence and objectivity, expertise and accuracy, a quality assurance program, internal control, and internal audit. However, there are also some results with the lowest answer scores, such that Before conducting audit assignments, the internal audit leader prepares a list of complete descriptions of statements regarding objectives, authorities, and responsibilities with a score of 3.00. In addition, an internal audit assures that carrying out audit activities will be appropriately supervised. With a score of 3.03, there is also Internal Audit acting carefully in conducting inspections in audit activities with a score of 3.26.

The average overall processing results regarding the statements given to respondents on Internal Control at one of the Bandung City garment companies have been going quite well. A total of 15 questions were asked with several

dimensions. Internal control requirements include Control Environment, Risk Assessment, Control Activities, Information and Communication, and Oversight. The lowest score is in the statement. First, there is observation and analysis of irregularities in finished goods inventory management, with a score of 2.60. The company has a written policy regarding discipline and honesty, scoring 2.77 as the lowest. Finally, the Leader determines risk as part of the implementation of internal control with a score of 2.94.

Internal audit is an integral part that cannot be separated. Therefore, an adequate internal audit will help reasonable internal inventory control.

Based on the results of the tests that have been carried out, the Internal Audit carried out by one of the garment companies affects Internal Inventory Control. This is indicated by the acquisition of a correlation coefficient of 0.868, which indicates a powerful influence between Internal Audit (Variable X) and Internal Control (Variable Y). Using the calculation of linear regression analysis, the equation's results are $Y = 7.716 + 0.746X$. So that the regression analysis can be stated that every increase in Internal Audit by one unit will increase Internal Control by 0.746. The magnitude of the coefficient of determination (Kd), which indicates that Internal Audit influences Internal Control is 75.4%, while the remaining 24.6%

The importance of internal control in every company is to prevent waste, and business efficiency deviations can be avoided. (Turetken et al., 2019) The company also periodically has to calculate the existing inventory and match it with inventory according to the inventory card. (Chang et al., 2019; Oussii & Boulila Taktak, 2018)

CONCLUSION

Based on the results of the analysis and discussion described previously, the conclusion from the study of the effect of internal audit on inventory control is that the internal audit conducted at a garment company in the city of Bandung showed quite good results. This can be seen in the expertise and accuracy of the auditor. However, some are not optimal; this can be seen in internal audit control, which has not optimally supported the company, so the implementation of audit activities needs to be improved. In addition, the quality assurance program has yet to run optimally to support audit performance.

The influence of Internal Audit on Internal Control at one of the garment companies based on the overall calculation of the regression analysis, the coefficient of determination, and the correlation coefficient, it can be concluded that Internal Audit has a positive effect on Internal Control at one of the garment companies.

To improve Internal Audit, the company must optimize the internal control of the company's

internal inventory so that it can facilitate each type of inventory that is available, and the company should improve the quality assurance program in audit activities through the audit examinations carried out. In addition, the audit functions involved in audit reporting pay more attention to regulations to minimize errors in the implementation of internal controls. As well as there must be a Monitoring Activity to describe the evaluation of the results of finished goods inventory reports to minimize losses to the company and other legal actions.

REFERENCE

- Adrianto, E., & Wahyuni, T. (2019). Evaluation of Internal Control Over Financial Reporting on Inventory Management: A Case Study on Inventory Management at National Human Right Commission. *Proceedings of the 3rd Asia-Pacific Research in Social Sciences and Humanities Universitas Indonesia Conference (APRISH 2018)*. <https://doi.org/10.2991/aprish-18.2019.18>
- Anastasia, M., Rahmayanti, N. P., Mariyani, K., Bahwiyan, J., & Nurshifa. (2023). Analysis of the internal control system for merchandise inventory at PT Hokkian Anugerah Karya Abadi Banjarmasin. *International Journal of Research in Business and Social Science (2147- 4478)*, 12(2), 580–587. <https://doi.org/10.20525/ijrbs.v12i2.2390>
- Aqil Nugroho, M. (2019). ANALYSIS OF INTERNAL CONTROL OF INVENTORY ACCOUNTING INFORMATION SYSTEM AT PT. ANDRE LAURENT. *Dinasti International Journal of Education Management And Social Science*, 1(1), 73–86. <https://doi.org/10.31933/dijemss.v1i1.38>
- Chang, Y.-T., Chen, H., Cheng, R. K., & Chi, W. (2019). The impact of internal audit attributes on the effectiveness of internal control over operations and compliance. *Journal of Contemporary Accounting & Economics*, 15(1), 1–19. <https://doi.org/10.1016/j.jcae.2018.11.002>
- Christ, M. H., Eulerich, M., Krane, R., & Wood, D. A. (2021). New Frontiers for Internal Audit Research *. *Accounting Perspectives*, 20(4), 449–475. <https://doi.org/10.1111/1911-3838.12272>
- Dzikrullah, A. D., Harymawan, I., & Ratri, M. C. (2020). Internal audit functions and audit outcomes: Evidence from Indonesia. *Cogent Business & Management*, 7(1), 1750331. <https://doi.org/10.1080/23311975.2020.1750331>
- Erick, E., Damayanti, I., Endah Kumalasari, R., & Jannah, A. (2022). Pengaruh Sistem Informasi Pembelian Tunai Terhadap Pengendalian Internal Pembelian Barang. *Acman: Accounting and Management*

- Journal*, 2(1), 31–41. <https://doi.org/10.55208/aj.v2i1.33>
- Feng, M., Li, C., McVay, S. E., & Skaife, H. (2015). Does Ineffective Internal Control over Financial Reporting affect a Firm's Operations? Evidence from Firms' Inventory Management. *The Accounting Review*, 90(2), 529–557. <https://doi.org/10.2308/accr-50909>
- Kotb, A., Elbardan, H., & Halabi, H. (2020). Mapping of internal audit research: a post-Enron structured literature review. *Accounting, Auditing & Accountability Journal*, 33(8), 1969–1996. <https://doi.org/10.1108/AAAJ-07-2018-3581>
- Oussii, A. A., & Boulila Taktak, N. (2018). The impact of internal audit function characteristics on internal control quality. *Managerial Auditing Journal*, 33(5), 450–469. <https://doi.org/10.1108/MAJ-06-2017-1579>
- Roussy, M., & Perron, A. (2018). New Perspectives in Internal Audit Research: A Structured Literature Review. *Accounting Perspectives*, 17(3), 345–385. <https://doi.org/10.1111/1911-3838.12180>
- Turetken, O., Jethefer, S., & Ozkan, B. (2019). Internal audit effectiveness: operationalization and influencing factors. *Managerial Auditing Journal*, 35(2), 238–271. <https://doi.org/10.1108/MAJ-08-2018-1980>
- Yassin, N. A., Suzanto, B., Nurdiansyah, H., & Rusjiana, J. (2021). Pengaruh Sistem Informasi Akuntansi Penjualan Kredit Terhadap Pengendalian Internal Penjualan Kredit. *Acman: Accounting and Management Journal*, 1(2), 67–73. <https://doi.org/10.55208/aj.v1i2.21>
- Yusup, M., & Juhara, D. (2020). Influence of Internal Audit On the Quality of Financial Statements. *Jurnal Ekonomi, Bisnis & Entrepreneurship*, 14(2), 56–61. <https://doi.org/10.55208/jebe.v14i2.205>