

Operational Audits of Inventories and Fixed Assets

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Abstract: Operational audit has an important role in identifying areas of potential and occurring problems within the company. The purpose of these studies is to find out whether the policies and procedures related to inventory and fixed assets management have been running effectively and efficiently, identify weaknesses that occur in inventory and fixed assets management and provide recommendations on the results of the examinations. The method used in this research is a descriptive method. Data collection techniques conducted by researchers is in the form of literature and field studies through interviews, observations, questionnaires and collecting documents from relevant data. The researchers found that PT. MND does not have a detailed written SOP in managing its assets and lacks policies and procedures on purchasing. The researchers also obtained several findings. Therefore, researchers provide several recommendations to anticipate the problem such as creation of fixed assets management procedures, improvement of inventory management procedures and improvement of inventory and fixed assets control carried out by PT. MND.

1 INTRODUCTION

1.1 Insurance Market

Operational Audit is a method used by companies to prevent and reduce all errors that can harm the company. The importance of operational audits for companies is to assess whether the company's operational performance has been running effectively and efficiently (Regawa, 2019). The purpose of the operational audit itself is to assess the adequacy of the company's internal controls or activities to identify areas of operation that need improvement by providing recommendations for the weaknesses found (Reider, 2002). One aspect that can be assessed and which can be of particular concern in a company is inventory management. Inventory is the main key in this type of trading business, and pharmaceutical companies are no exception. One example of an inventory problem is a delay in the delivery of goods which can result in a void of goods, causing the company's operational activities to also stop. In 2019 Indonesia Corruption Watch (ICW) found as many as 85 cases of drug vacancies in 4 areas experienced by

JKN patients; the findings were in Banda Aceh, Medan, Serang, and Blitar in the period of semester II/2018.

The vacancy occurred due to delays in distribution by large pharmaceutical companies (Petriella, 2019). According to Satibi et al. (2019) the problem of public drug vacancies is caused by the slow process of drug delivery and long waiting times from drug providers and distributors (PBF). Another aspect that can be assessed and which can be of particular concern is asset management. In carrying out its activities and business, the company also requires fixed assets to support the company's operations. Assets usually have a useful life of more than one accounting cycle, because of the length of the useful life of assets, assets are expected to provide benefits to the entity in carrying out operational activities (Fauziyyah and Sondakh, 2018). Large but unproductive assets will become a burden for the company both from depreciation expense, as well as financial ratio expenses and company health (Sugiharto and Elisabeth, 2019). Lansiluto et al. (2016) stated in their research that if the company does not have effective internal controls, it is possible

that the company's financial statements contain material weaknesses. Therefore it is important for management to have and establish appropriate policies and procedures and control fixed assets in the company. With the right policies and procedures, the company is expected to have reliable financial reports without material misstatement on fixed assets (Ginting and Harahap, 2018).

An operational audit of the management of inventories and fixed assets is a method that can be used to reduce the risk of fraud and fraud that can harm the company and ensure that company procedures are carried out properly. With an operational audit, the adequacy of internal controls needed to monitor inventories and fixed assets can be further reviewed. This research will examine PT. MND where PT. MND is a company engaged in the distribution of pharmaceuticals and is a pharmaceutical wholesaler (PBF). And in 2019, PT MND had a problem with delays in distribution or delivery to the pharmaceutical industry, this shows that the policies and procedures related to inventory management contained at PT. MND is not sufficient. In addition, PT. MND also does not yet have standard operational procedures (SOPs) related to asset management. Looking at the explanation above, it can be seen that PT. MND requires further study in order to maintain business continuity, especially in terms of managing inventories and fixed assets. It can be seen that inventory and fixed assets have quite an important meaning for effectiveness at PT.MND. It is known that PT. MND does not yet have good inventory and fixed asset management. This could be a problem that could hinder the operational activities of PT. MND. Therefore an operational audit is needed to solve the problem of managing inventory and fixed assets at PT. MND. Based on the explanation above, the purpose of this study is to determine the policies and procedures that take place at PT. MND related to inventory management and fixed assets, knowing whether policies and procedures related to inventory management and fixed assets at PT.MND have been running effectively and efficiently, and knowing the weaknesses that occur in inventory management activities and fixed assets which will then be given recommendations and suggestions as improvements in inventory management activities and fixed assets at PT.MND.

2 RESEARCH METHODOLOGY

The research method used in this research is a descriptive method with a case study approach. This

study uses primary and secondary data obtained from interviews, questionnaires, observations, documentation and references from books and journals. The way to process data is to use qualitative analysis, namely analyzing the results of answers to interviews, questionnaires, observations, and documentation which consists of reviewing standard operating procedures (SOPs) related to purchasing, receiving, storing and releasing goods and identifying risks that exist in internal control available at PT. MND. The sampling method used is non probability sampling, which is a sampling technique that does not provide equal opportunities or opportunities for each element or member of the population to be selected as samples (Now and Bougie, 2016). The type of nonprobability sampling used is purposive sampling, which is a sampling technique for data sources with certain considerations or criteria that must be met by the samples used for this study. Where in this study the authors use sampling data collection techniques based on the value of the transaction which is considered material which represents the value boundary criteria. Sampling is taken from purchasing data per year 2019 to analyze documentation of purchases and receipt of goods. Meanwhile, sales data per 2019 are used to analyze documentation of expenditures on goods. To recalculate depreciation calculations use the criteria for purchasing assets with the highest cost for each asset category. Meanwhile, for purchases and verification, the criteria are used, namely purchases that occurred in 2019. Based on the results of this screening, 11 samples were obtained for inspection of purchase and receipt of goods, 16 samples for inspection of documentation of goods expenditures, 5 samples for inspection of asset purchase documentation and for verification of company assets, and 12 samples for recalculating depreciation calculations company assets.

3 RESULT AND DISCUSSION

PT. MND is a company engaged in the distribution of pharmaceuticals or known as pharmaceutical wholesalers in Jakarta and is engaged in the distribution of drugs or raw materials for drugs and food and medical devices. The main focus of PT. MND is a provider of raw materials for the pharmaceutical industry, food supplements, and traditional medicines and can provide added value to these industries in Indonesia by implementing good drug distribution methods (CDOB). In line with the objectives contained in the background, this study will focus on managing inventory and fixed assets at

PT. MND to assess the effectiveness and efficiency of the company by conducting an operational audit. According to Reider (2002) an operational audit is an activity carried out to identify areas within the company that need improvement and assess the effectiveness and efficiency of the company, which then results from these activities as recommendations given to the company. The operational audit stages are carried out starting from the planning phase, the work program phase, the field work phase, the development of findings and recommendation phase. The planning stage is the initial stage of an operational audit at PT. MND which aims to find information about operational activities that are taking place at PT. MND and identify problems that are happening or have and also have the opportunity to occur.

This problem can be divided into two, namely areas that can be a potential problem (critical area) or a problem that has already occurred (critical problem). After identifying these problems the writer will further examine the problems that have occurred which will then be used as the basis for developing a work program. Based on the information the author has collected, it is known that PT. MND has experienced delays in the distribution of goods and there are no standard operational procedures (SOPs) on asset management. Therefore, the authors determine the management of inventory and fixed assets at PT. MND is classified as a critical problem that will be used as corrective action that can fix these problems. Critical problems identified by the author are inventory management and fixed assets at PT. MND has not been running effectively and efficiently. It is expected that by conducting an operational audit at PT. MND, the author can find what are the obstacles and causes in the management of inventory and fixed assets at PT. MND which can then be generated as an effort to overcome the problem. At this stage of the work program, the author will describe and explain what programs or things the author will do in conducting this operational audit. It is hoped that after carrying out all the work programs that have been described, it can produce useful findings in this study. The following is a work program that the author will do in conducting operational audits related to inventory management and fixed assets at PT. MND.

The employment stage is the stage where the author will conduct an inspection of the inventory management process, starting from the process of purchasing, receiving, storing and releasing goods. As well as asset management starting from the process of purchasing assets, verifying assets and

depreciating assets. Based on the results of audit testing on the purchase of medicinal raw materials, the results show that almost all of the purchasing processes of medicinal raw materials are in accordance with existing policies and procedures. Namely, with an application for an import certificate (SKI) at the BPOM. Which was then approved by the BPOM as well as a statement letter for drug use. Purchase orders sent to suppliers have been approved by the pharmacist in charge and the purchase of medicinal raw materials is purchased at suppliers who have met the assessment requirements at PT. MND and in accordance with BPOM regulations. In submitting an application for an import certificate (SKI), there are complete documents (invoice, air waybills, packing list, certificate of analysis, material safety sheet data), invoice number and name of drug raw materials on the purchase order, all in accordance with the information in the certificate. import (SKI). But in PO number 020 / SU / 2019, there was a purchase of medicinal raw materials that were not listed in the supplier product list, while the purchase of medicinal raw materials with PO number 001 / EN / 2019 was made to suppliers who were not listed in the supplier data list.

Table 1: Work Program.

Process	Sub process	Audit objectives and procedures
Inventories	Purchase of Drug Raw Materials	To ascertain whether the order has been made in accordance with the existing policies and procedures. Audit Procedure: 1. Obtain a copy of purchase order, list of suppliers, import certificate for selected samples. 2. Obtain a copy of the supporting documents (i.e. invoice, packing list, certificate of analysis, material data safety sheets) for the selected sample. 3. Conduct audit testing for the purchase process of drug raw materials for selected samples.
	Receipt of merchandise inventory	To ensure whether the goods receipt department has carried out procedures in accordance with existing policies and procedures. Audit Procedure: 1. Obtain a copy of purchase order, as well as supporting documents for the selected sample. 2. Obtain a copy of the minutes of receipt of goods and inventory cards for the selected sample. 3. Perform audit testing for receipt of goods for selected samples
	Storage of Goods	To ensure that the storage of goods is in accordance with existing policies and procedures. Audit Procedure: 1. Obtain the temperature recording form, the results of the stock taking, the loan book and the warehouse key returns. 2. Perform audit testing for storage of goods. 3. Make observations in warehouses in the company.
	Expenditures	To ensure that the goods release department has carried out the procedure for releasing goods correctly in accordance with existing policies and procedures. Audit Procedure: 1. Obtain a copy of the dispensing report and an inventory card for the selected sample. 2. Perform audit testing for the process of releasing goods for selected samples
Fixed assets	Inventory Management Policies and Procedures	To ensure the inventory management procedures and fixed assets of PT. MND has met BPOM requirements and policies and procedures have been made in a clear and detailed manner. Audit Procedure: 1. Obtain policies and procedures regarding inventory management as well as the BPOM Law. 2. Comparing company policies and procedures with the BPOM Law. Conducting a qualitative analysis at PT. MND, which consists of reviewing standard operational procedures (SOP) for inventory management, conducting interviews with the pharmacist in charge and observing PT. MND and provide a questionnaire.
	Asset Purchase, Asset Verification and Asset Depreciation	To find out whether the asset management at PT. MND has been running effectively and efficiently. Audit Procedure: 1) Obtain the fixed assets register. 2) Select a sample from the list of fixed assets that will be recalculated on the depreciation of the assets. 3) Perform asset verification on assets purchased in 2019. 4) Conducting a qualitative analysis at PT. MND, namely by interviewing and assessing the answers to the questionnaire.

Based on the results of the audit test on the receipt of goods, the results show that almost all processes of receiving goods are in accordance with existing policies and procedures, receipt of goods has been recorded and documented on the minutes of receipt of goods, minutes of receipt of goods have also been checked and approved by the pharmacist. the person in charge, receipt of goods is also equipped with complete supporting documents. As well as the receipt of goods has also been recorded on the inventory card. The recording in the receipt book is in accordance with the goods receipt document. But there was a receipt of goods with PO number 029 / SU / 2019 it was found that there was an official report on the receipt of the goods which was not signed by the delivery officer and the pharmacist in charge.

Based on the results of audit testing on the goods storage process, the results show that all storage processes are in accordance with existing policies and procedures, logistics or company operational staff have taken temperature measurements every three times a day and the results of these checks have been reviewed by the pharmacist in charge. Inventory of goods has also been placed and stored according to the type of product each. For warehouse four, the warehouse is always locked and requires permission from the pharmacist in charge if you want to enter the warehouse which is documented in the loan book and the return of the warehouse keys. The damaged or rejected or counterfeit or expired goods have been stored in the reject warehouse. Stock taking has been carried out once a month by the warehouse admin. Based on the results of audit testing on the process of releasing goods, the results show that all processes for releasing goods are in accordance with the existing policies and procedures, namely the release of goods has been documented on the official report of releasing the goods, the minutes of releasing the goods have been checked and approved by the pharmacist in charge. answer. The sales form is in accordance with the official report of the new expenditure and there is a cover letter and supporting documents in the process of releasing goods (certificate of analysis and material data safety sheet). Goods dispensed are recorded on the inventory card.

Based on the results of a comparison between the company's standard operating procedures (SOPs) and the BPOM Law No. 7 of 2016 it can be concluded that all standard operational procedures (SOPs) at PT.MND related to inventory management starting from the process of purchasing goods, receiving goods, storing and releasing goods have met the requirements and are in accordance with the BPOM

Law in effect in Indonesia. Based on the results of a qualitative analysis at PT. MND, namely conducting observations and assessing answers to questionnaires, interviews and reviewing company standard operating procedures (SOPs), the authors found several strengths and weaknesses related to inventory management at PT. MND, namely:

Advantages:

- There is a special goods receiving area;
- There is a special area for releasing goods;
- All warehouses are locked and can only be accessed by employees who have obtained permission from the pharmacist in charge of Java;
- Inventories that are found in the warehouse are all neatly arranged;
- There is CCTV in the warehouse area;
- There is a supply card and temperature recording form;
- There are standard operational procedures (SOPs) for the process of purchasing, receiving, storing and releasing goods;
- There are standard operational procedures (SOPs) for the supplier assessment process;
- Storage of medicinal raw materials is stored in accordance with the drug category in the warehouse;
- The warehouse area is clean and free of insects;
- Stock taking is done once a month. Weakness:
- There is no formal policy and procedure for regulating purchase orders;
- The absence of a formal policy regarding job descriptions at PT. So far, MND has conveyed job descriptions orally;
- Not making a budget analysis with the actual expenditure;
- There are no formal policies and procedures governing the purchase planning process such as determining safety stock to support purchase planning;
- Delays in delivery of goods to customers are caused by delays in delivery from suppliers and the company does not have sufficient safety stock;
- There is no separation of duties between the goods receiving staff and the storage staff;
- Never did a sudden stock-taking.

Based on the results of the recalculation of the depreciation calculation, the results show that the depreciation calculation has been carried out by the tax consultant at PT. MND is in accordance with the

existing procedure, namely the calculation of depreciation for the category of electronics, furniture and laptops has been calculated using the straight-line method with a useful life of 4 years. Meanwhile, the calculation of asset depreciation for the vehicle category has been calculated using the straight-line method with a useful life of 8 years. All depreciation calculations at PT. MND has also matched the results of the recalculation carried out by the author. Based on the results of asset verification, all assets purchased in 2019 have been labeled and are in accordance with the existing asset list. However, when performing the audit test method by matching the asset labeled with the asset list, it was found that there was a difference between the label printed on the asset and the label on the asset list. Based on the results of the analysis of observations, answers to interviews and questionnaires related to asset management, there are several strengths and weaknesses, namely:

Advantages:

- Assets at PT. MND has been labeled or clearly marked;
- Asset verification is performed by operational or administrative staff twice a year;
- At the time of disposal of assets there is a letter of approval by the board of directors.

Weakness:

- PT. MND does not have written standard operational procedures (SOPs) related to the management of fixed assets (purchase, asset location, depreciation method, useful life and disposal of assets).
- The documentation related to the purchase of assets is still inadequate because there are no purchase orders and there is no written document regarding the selection of suppliers.
- The list of fixed assets does not include the location of the asset, which makes it difficult to detect the existence of the asset.
- Asset verification is not monitored by personnel who have responsibility for asset supervision. This could potentially lead to manipulation in the verification process of fixed assets.
- Never do a validation or review again on the calculation of asset depreciation by a tax consultant.
- List of fixed assets (fixed asset register) that is not updated.

The findings and recommendations development stage is the stage where the authors develop the findings at the fieldwork stage. Development findings

will be made using conditions, criteria, cause, and effect. After the findings, the author will provide recommendations regarding any findings and weaknesses that occur in inventory management activities and fixed assets at PT. MND. The following are the weaknesses found at the fieldwork stage:

- Purchases of medicinal raw materials are purchased from suppliers who are not registered in the supplier assessment.
- The official report on the receipt of the goods is not signed by the delivery officer and the pharmacist in charge.
- There are no formal policies and procedures governing who has the authority to create and approve purchase orders.
- There are no formal policies and procedures governing the purchase planning process such as determining safety stock to support purchase planning.
- Not making a budget analysis with the actual expenditure.
- There is no separation of duties between the goods receiving staff and the storage staff.
- The absence of a formal policy regarding job descriptions at PT. So far, MND has conveyed h. job descriptions orally.
- PT. MND does not have written standard operational procedures (SOPs) related to the management of fixed assets (purchase, asset location, depreciation method, useful life and disposal of assets).
- Documentation related to asset purchases is still inadequate because there is no purchase order and there is no written document on the supplier selection.
- The list of fixed assets does not include the location of the asset, which makes it difficult to j. detect the existence of the asset.
- There is a discrepancy between the physical asset label and the label on the fixed assets register.
- List of fixed assets (fixed asset register) that is not updated.
- Never conducted a validation or review again on the calculation of asset depreciation by a tax consultant.
- Never conducted a sudden stock taking (surprise audit).

After the authors identify the weaknesses that exist in PT. MND, the authors classify these weaknesses into several findings, which consist of:

- The inventory management process is not yet effective. Findings: 1, 2.
- Policies and procedures related to inventory management have not been effective and efficient. Findings: 3, 4, 5.
- There is no separation of functions between receiving goods and storing goods. Findings: 6, 7.
- Policies and procedures related to asset management are not yet effective and efficient. Findings: 8, 9, 10, 11, 12, 13.
- PT. MND has never done sudden stock-taking. Findings: 14.

Then, after the author has classified the findings into 5 findings, the author will develop these findings using 5 attributes, namely conditions, criteria, cause, effect and recommendation. Inventory management process has not been effective. Inventory management at PT. MND has not been effective because of the following weaknesses:

- There is a purchase of goods purchased from a supplier that is not listed in the supplier assessment list. Purchases should be made to suppliers who have been registered in the supplier assessment list carried out by the company. The occurrence of purchases of goods from suppliers who are not listed on the PT. MND is caused by not updating the supplier assessment list and the list of goods at PT. MND. Purchases from suppliers that are not registered in the company's assessment can risk poor quality goods and overpriced purchases of goods. The recommendation given is that PT. MND updates the supplier list every time there is a change to ensure that the goods received are of the best quality. As well as trying to start making a list of supplier data that can be used as a company database.
- There is an official report on the receipt of goods that were not signed by the delivery officer and the pharmacist in charge. The minutes of goods receipt should be signed and approved by the pharmacist in charge. The official report on receipt of goods is not checked and approved by the pharmacist in charge of it due to inaccuracy in the process of checking the item receipt which causes the item receipt of the item not signed by the pharmacist in charge. The impact of not signing the minutes of receipt of goods can lead to not achieving company goals (effectiveness). The recommendation given is that PT. MND increases control over the

management of its supplies, namely providing outreach to employees who do not comply with the policies and regulations that exist in the company, this is so that employees at PT. MND understands the importance of doing their job properly.

Policies and Procedures related to Inventory Management are not yet effective and efficient. Policies and procedures related to inventory management have not been effective because of the following weaknesses:

- There are no formal policies and procedures governing who has the authority to create and sign purchase orders. To achieve effective inventory management, there should be policies and procedures related to who has the authority to create and approve purchase orders and must be clear and detailed. This is caused by the ignorance of company owners about the importance of making clear and detailed policies and procedures in this regard. This can lead to purchase orders that are not recognized by the authorized party. The recommendation given is that PT. MND creates and develops policies and procedures related to who has the authority to create and sign purchase orders.
- There is no formal policy and procedure governing inventory purchase planning, namely the determination of safety stock to support purchase planning, in order to achieve efficient inventory management, there should be policies and procedures for determining purchase planning, namely inventory safety stock. This is caused by the ignorance of company owners about the importance of making policies and procedures related to safety stock inventory so that it can cause the risk of inventory shortages that can disrupt operations at PT. MND. The recommendation given is that PT MND should make and develop formal policies and procedures related to safety stock in the company by conducting stock analysis to determine safety stock based on the use of stock turnover and sales forecasts.
- The company does not make a budget analysis with the actual expenditure, it should be in order to achieve efficient inventory management, the company makes a budget analysis with the actual expenditure. This is caused by the ignorance of the company owner about the importance of making a budget

analysis with the actual expenditure. This can make it difficult to identify and mitigate any expenses that are not in accordance with the budget.

There is no separation of functions between receiving goods and storing goods. At PT. MND goods receipt is carried out by general operational staff who are personnel who have the authority to store and manage inventory in the storage warehouse. The company should separate the duties of each personnel regarding the function of receiving and storing goods. Companies can use different people to carry out activities in the company starting from the activities of receiving goods and storing goods. This occurs because the lack of resources owned by the company causes multiple positions to be carried out by these employees and this is due to the absence of a job description at PT. MND thus causing multiple positions. This can lead to the risk of fraud being committed against the warehouse inventory card. The general operational staff who recorded the calculations knew the actual amount actually received by PT. MND, if there is an excess amount of goods received at PT. MND, the general operational staff could record according to the receipt of goods, but the excess amount was not included in the recording and was instead taken or stolen. The recommendation given is that PT. MND increases supervision of personnel who carry out multiple positions and creates and formalizes a complete and clear job description in order to manage employee assignments.

Policies and Procedures Regarding Asset Management Are Not Running Effectively and Efficiently. Asset management has not been running effectively and efficiently because of the following weaknesses:

- There are no policies and procedures related to asset management. In order to achieve effective and efficient asset management, it is necessary to implement asset management procedures in the daily operations of the company for employees to carry out their duties. This is due to the owner's ignorance of the importance of establishing policies and procedures related to asset management. The impact of the absence of these policies and procedures can lead to ineffective and efficient asset management and can lead to inappropriate and inconsistent practices. And it will be difficult for PT. MND to ensure the completeness of assets and the existence of assets. The recommendation given is that PT. MND develops policies and procedures

related to asset management in writing for asset labeling, asset location, asset insurance, asset verification, depreciation method, asset useful life, asset purchase and disposal. Then, the procedures related to asset management must be checked periodically and approved by the authorized party and distributed to the authorized personnel.

- Purchases of assets are made without being based on specific document records. To achieve effective and efficient asset management, sufficient documentation in asset management is required. This is due to the company's owner's ignorance of the importance of making documentation related to asset purchases. The effect of inadequate paperwork on asset purchases will result in receipt of incorrect or ordered assets. The recommendation given is that the company must make the required recording documents, namely the purchase reacquisition so that each asset purchase is approved by the authorized personnel and avoids the risk of receiving unsubscribed assets.
- Asset management has not been running efficiently because the fixed assets register does not include the location of the assets and differences are found between the labels on the assets and the labels on the fixed assets register. In creating good practice for the company, everything related to changes in fixed assets should be updated immediately on the fixed assets register. This is due to the company's owner's lack of understanding of the importance of carrying out maintenance on assets which results in suboptimal and efficient asset management. The impact of not listing the location of assets and the difference between the physical label of the asset and the label on the fixed asset register can cause difficulties when verifying assets, as well as assets that are lost or damaged will not be detected quickly. Recommendations given in the form of control over asset management must be improved by always updating the list of fixed assets if there are changes.
- PT. MND has never performed a validation or review again on the calculation of tax depreciation by a tax consultant. To achieve optimal asset management, PT. MND must monitor the depreciation calculation made by the tax consultant. This is due to the company's owner's lack of understanding of the importance of monitoring the depreciation

calculation. The impact of not validating or reviewing the depreciation calculation will lead to the ignorance of PT. MND if there is an error in the depreciation calculation such as an incorrect input of the cost of assets. The recommendation given is that PT. MND conducts a review or validation on the asset calculation carried out by a tax consultant at least once a year.

PT. MND has never done sudden stock-taking. PT. MND conducts stock-taking on inventory of goods in the warehouse on a regular basis, i.e. once a month, the company never does a surprise audit. PT. MND only conducts stock taking according to the schedule and procedures that have been determined and with prior notification by the responsible pharmacist. In creating healthy practices, PT. MND needs to carry out a surprise stock-taking of the inventory in the warehouse without notification. This happened because PT. MND feels that it is enough just to take stock according to the set schedule and policies. The impact of never carrying out a sudden stock-taking (surprise audit) on the inventory of goods that allows fraud - fraud committed by employees because they already know the schedule of stock taking. This can cause the company to suffer losses. The recommendation given was that the company should conduct a surprise audit, that is, take stock taking outside the specified schedule. This is done to avoid cheating - cheating that can occur. With a surprise audit of inventories, the company can find out whether fraud has occurred or not and can encourage employees to carry out their duties appropriately.

4 CONCLUSION AND SUGGESTION

4.1 Conclusion

Based on the results of operational audit research conducted at PT. MND, the following conclusions are obtained:

- Inventory management policies and procedures have been defined in a written procedure. Policies and procedures for managing purchases, receiving, storing and releasing inventory of goods at PT. MND is in accordance with the Food and Drug Administration Act No. 7 of 2016 in existence. Inventory management policies and procedures are not yet effective and efficient

because the purchasing policies and procedures do not clearly state who has the authority to make the purchase order. There is no inventory planning process such as determining safety stock to support purchase planning. Asset management is not defined in a written procedure. Purchase of assets is carried out directly by the responsible pharmacist without adequate supporting documents. Asset verification is carried out twice a year by operational or administrative staff and the calculation of asset depreciation is carried out by a tax consultant.

- Inventory and asset management procedures at PT. MND still cannot be said to be effective and efficient, it is indicated by the existence of weaknesses in the management of inventories and assets as follows:

Purchases of medicinal raw materials are purchased from suppliers who are not listed in the supplier assessment list. The official report for the receipt of the goods is not signed by the delivery officer and the pharmacist in charge. Do not do budget analysis with actual expenses. Lack of a separation function, namely the function of receiving and storing goods. There is no written job description. Documentation related to asset purchases is still inadequate because there are no purchase requests and purchase orders as well as written documents regarding supplier selection. The list of fixed assets does not include the location of the asset which makes it difficult to detect the existence of the asset. Asset verification is not monitored by responsible personnel which could potentially lead to manipulation in the fixed asset verification process. PT. MND has never done sudden stock-taking. There is a difference between the label on the physical asset and the label on the fixed asset register.

4.2 Suggestion

Suggestions or recommendations given based on research and all stages of the operational audit are as follows:

- Regarding policies and procedures for purchasing plans and inventory management that are not detailed, the suggestions put forward by the authors are some of the corrective actions as follows:
Develop purchasing policies and procedures to be more detailed and approved

by authorized personnel and disseminated to relevant personnel.

The development of policies and procedures must be monitored by authorized personnel to ensure the timeliness of completing these policies and procedures.

Stock analysis to determine safety stock must be carried out based on estimated sales and stock turnover.

Making budget analysis and actual expenditure must be documented and checked every month.

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