

EFFECTIVENESS OF INTERNAL CONTROL OF FINANCIAL REPORTING (PIPK) ON INVENTORY MANAGEMENT AT BPS PASURUAN REGENCY

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Abstract

Inventory is one of the important and liquid assets in an organization, including at BPS Pasuruan Regency. Effectively managed inventory can maintain smooth operations, minimize the risk of deviations, and help the organization achieve its goals. The flow of inventory management includes the process of receiving, storing, issuing, and controlling. Internal financial reporting control (PIPK) is the key to ensuring that inventory management has been running effectively and accountably. This study aims to analyze the effectiveness of the implementation of PIPK on inventory management at BPS Pasuruan Regency. The study was conducted using a qualitative approach with a case study method. Data were collected through interviews with inventory managers, direct observation, and documentation. The results of the study indicate that PIPK at BPS Pasuruan Regency has been implemented quite well. The implementation of PIPK has had a positive impact on inventory management at BPS Pasuruan Regency, such as increasing accountability, efficiency, and effectiveness in inventory management.

Keywords: Internal Control of Financial Reporting (PIPK), Inventory Management, BPS Pasuruan Regency

Introduction

Inventory is one of the important assets in an organization, including at BPS Pasuruan Regency. Well-managed inventory can help an organization achieve its goals, such as providing raw materials for production, meeting operational needs, and maintaining the smooth running of organizational activities. Inventory is a part of the balance sheet that has a large value and is prone to problems. According to Sasongko et al. (2016) Inventory is a current asset in the form of goods or equipment used to support government operational activities, and goods that are sold and/or will be delivered to provide services to the community. Within the scope of the BPS Pasuruan Regency organization, inventory is used to support office operational activities.

Vulnerable to damage, prone to misappropriation or theft and audit inspection are the main reasons for the need for internal control over inventory management so that the risk can be minimized. "Internal inventory control is a process designed and implemented to maintain the security and reliability of inventory records, including physical inventory." (Mulyadi, 2016:554). Internal control of financial reporting (PIPK) is a control system designed by the Central Bureau of Statistics to provide adequate assurance regarding the reliability of financial reporting, compliance with applicable laws and regulations, and the effectiveness and efficiency of organizational operations. PIPK plays a key role in ensuring that inventory management runs effectively and accountably. This study aims to analyze the effectiveness of PIPK on inventory management at BPS Pasuruan Regency.

Framework of Mind

This study uses a qualitative approach with a case study method. According to Creswell (2018), the qualitative research method is a research approach that emphasizes understanding social phenomena in depth and comprehensively through data collection. The data was collected through interviews, observations, and documentation. Interviews were conducted with BPS Pasuruan Regency employees who were involved in inventory management. Observations were conducted to see firsthand how the inventory management process was at BPS Pasuruan Regency. Documentation was conducted to collect data related to PIPK, such as procedures, policies, and other related documents.

Some literature to strengthen understanding in this scientific paper includes:

1. Supplies

Inventory accounting in government is regulated in Government Accounting Standards Statement (SAP) Number 05. Inventory is recognized when in the future the inventory has an economic value that can be measured reliably. At the end of the accounting period, inventory is recorded based on the facts of the physical inventory results. The acquisition costs presented include the purchase price, transportation costs, and other costs incurred directly until the inventory is ready for use. Inventory valuation methods consist of FIFO (First In, First Out), LIFO (Last In, First Out), and Weighted Average.

2. Internal Control

According to Amin (2020) the main elements of the internal control system include:

- a. The organizational structure clearly separates functional responsibilities. Division of responsibilities as a framework for separating the operational functions carried out by inventory operators from the storage functions by the warehouse department. One function is not fully responsible for carrying out all stages of the transaction.
- b. Authority system
Every transaction that exists is based on authorization from an authorized official in approving an inventory transaction to occur. A clear division of authority needs to be regulated in the regulations that need to be determined. Authorization ensures that accounting documents can be trusted for their reliability.
- c. The organizational unit carries out its duties and functions in a healthy manner.
Some of the ways an organization carries out healthy business processes include:
 - Use of a requisition receipt with a printed sequential number so that the authorized party can be held responsible for its use.
 - Surprise check
 - Inventory transactions are not carried out by one person from start to finish. - Job rotation
 - Periodically carry out stock taking to match the inventory balance with the physical quantity of inventory

Results and Discussion

The inventory at BPS Pasuruan Regency is categorized into three types of inventories, namely ATK (Office Stationery), ARK (Office Household Equipment), and field data collection questionnaires. The application of the assessment method used at BPS Pasuruan Regency is the FIFO Inventory Method. This method assumes that the inventory purchased early becomes the goods used first. The use of the FIFO method provides a more realistic picture of the organization's cash flow where initial purchases are used to calculate the cost of goods (Sasongko, 2016). The presentation of inventory in the financial balance sheet is categorized as part of current assets. Additional information regarding inventory can be disclosed in the notes to the financial statements.

In every inventory management flow, it is necessary to balance it with complete administration, this is a gap that is often overlooked by inventory management officers so that it becomes an inspection finding. Completeness of inventory management documents includes:

- Inventory Receipt Documents: Invoice, note, receipt or Handover Report – Inventory Transfer In
- Inventory Documents: Inventory Control Card and Inventory Report
- Goods Release Documents: Goods Request Receipt, Goods Used Report, and Minutes of Handover – Inventory Transfer Out
- Inventory Documents: inventory list and inventory reconciliation report. - Other documents: Standard Operating Procedure (SOP) for Inventory Management and Inventory Policy.

The implementation of control at BPS Pasuruan Regency is based on the Regulation of the Minister of Finance Number 17/PMK.09/2019 concerning Guidelines for the Implementation, Assessment, and Review of Internal Control over Central Government Financial Reports. The results of the study indicate that PIPK at BPS Pasuruan Regency has been implemented quite well. The implementation of PIPK has had a positive impact on the administration of inventory, such as increasing accountability, efficiency, and effectiveness of inventory management. The implementation of PIPK aims to provide assurance that the preparation of financial reports carried out by the Central Government has been carried out with an adequate internal control system. One of the significant accounts that has the potential for material misstatement or according to management considerations needs to be evaluated is inventory. The PIPK website makes it easy for inventory operators to organize supporting documents needed in each inventory process or transaction. The following is the appearance of the PIPK website.

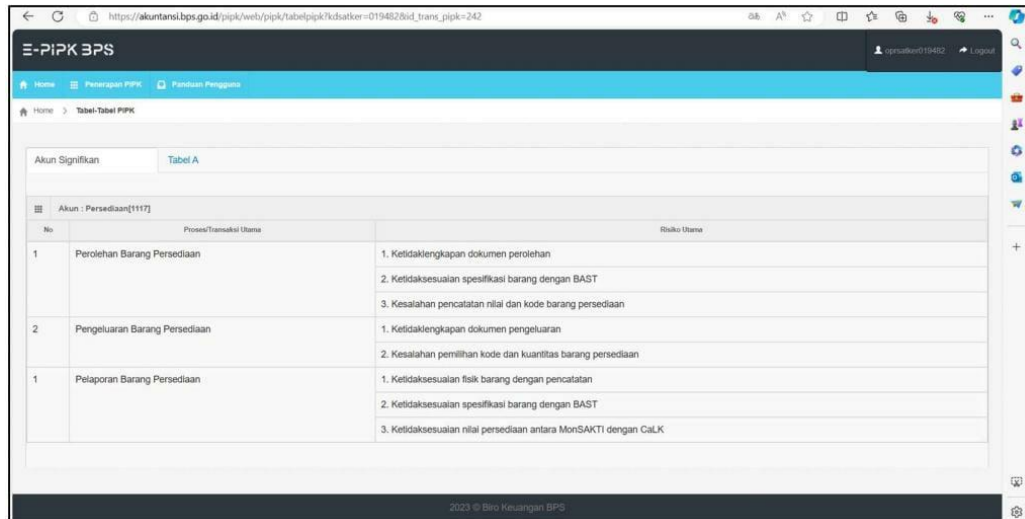


Figure 1
Appearance of the PIPK Website

The parties involved in the implementation of control have been listed on the website so that there is a clear division of authority. In addition, a digital container has been provided to store supporting transaction documents (soft file).

No	Proses/Transaksi Utama	Risiko Utama	Nama Pengendalian Utama	Aplikasi Pendukung	Pelaksana Pengendalian	Dokumen Pendukung	Terdapat Unggah Dokumen	Atribut Pengendalian	Tipe Pengendalian	Asumsi	Masalah
1	Perolehan Barang Persediaan	1. Ketidakeengkapan dokumen perolehan	1. Pemeriksaan dokumen perolehan	-	- Pejabat Pembuat Komitmen (PPK) - Penanggung Jawab Gudang - Kasubag Umum	- BAST, - Surat jalan, - Bukti pembelian (Invoice, nota, dll)	Tautan Unggah Dokumen Perolehan BPS Kabupaten Pasuruan	(td, paraf, stempel)	Manual	Ketengkapan	
		2. Ketidakeesuaian spesifikasi barang dengan BAST	2. Pemeriksaan fisik barang	-	- Pejabat Pembuat Komitmen (PPK) - Penanggung Jawab Gudang - Kasubag Umum	- BAST, - Surat jalan, - Bukti pembelian (Invoice, nota, dll)		(checkmark, ttd, paraf, stempel)	Manual	Keberadaan/Keterjadian	
		3. Kesalahan pencatatan nilai dan kode barang persediaan	3. Verifikasi hasil input dengan dokumen perolehan dan referensi klasifikasi barang	SAKTI-Modul Persediaan	- Operator Persediaan - Approver Persediaan - Penanggung Jawab Gudang	- BAST, - Surat Keterangan Koreksi, - Surat jalan, - Kartu Kendali - Bukti pembelian (Invoice, nota, dll)		(td, paraf, stempel)	ITDM	Penilaian/Alokasi	

Figure 2
Supporting Transaction Document on the PIPK Website

Several indicators that show the effectiveness of PIPK in managing inventory at BPS Pasuruan Regency, include:

- Increased accountability: There is complete and accurate recording of every inventory transaction. Employees responsible for inventory can show evidence to support each transaction.
- Increased efficiency: The inventory management process becomes more efficient, such as reducing the time required to receive, store and issue inventory.
- Increased effectiveness: Inventory is managed effectively, such as meeting the organization's operational needs in a timely manner and according to needs.

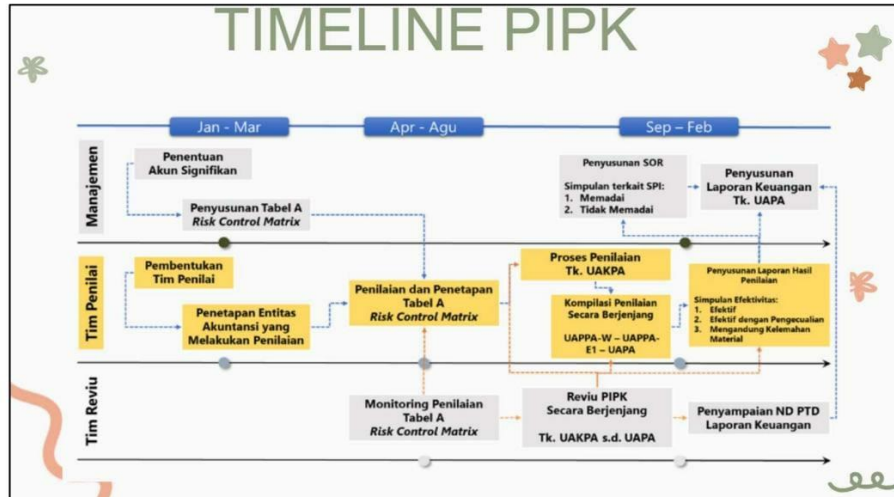


Figure 3
Timeline of PIPK

Conclusion

BPS Pasuruan Regency in inventory management is based on the Government Accounting Standards Statement (PSAP) Number 5 concerning inventory accounting. Before presenting the inventory value in the balance sheet at the end of each period, a physical check is first carried out on the inventory. The FIFO valuation method is used because it is more realistic with the current inventory price. Inventory administration cannot be separated from the importance of documenting supporting documents in each transaction. The existence of clear authorization in each stage of the administration process is a form of reliable and accountable management. Separation of authority between the recording section and the physical inventory section is carried out as a step for control. The implementation of PIPK has had a positive impact on inventory administration at BPS Pasuruan Regency such as increasing accountability, efficiency, and effectiveness of inventory management. The implementation of PIPK aims to provide assurance that the preparation of financial reports carried out by the Central Government has been carried out with an adequate internal control system.

Suggestion

Monitoring of the use of the PIPK website needs to be carried out continuously so that inventory administration control can run according to procedure. In addition to inventory, the PIPK website is also expected to add features for state-owned goods administration. This is a form of more accountable use of state funds.

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