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## Analysis of the Internal Control System in an Effort to Prevent Fraud in Trade Goods Inventory at Minimarket Omi Kawan Hınca Bandar Island

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**Abstract:** The internal control system at Minimarket Omi Kawan Hınca Bandar Pulau is implemented to determine whether the management system has been implemented properly or not and to avoid fraud in the inventory of goods. The internal control system carried out at Minimarket Omi Kawan Hınca Bandar Pulau in terms of separation of duties and authority is still not running optimally with evidence of multiple positions. It is feared that there will be abuse of position authority which results in fraud. The internal control system is expected to prevent fraud that will occur. What this research aims to achieve is to analyze the effectiveness of the implementation of the internal control system as an effort to control or even prevent fraud. The qualitative method was applied in this study using data collection techniques carried out through observation and interviews. The results of this study are that the internal control system over merchandise inventory at Minimarket Omi Kawan Hınca Bandar Pulau has been implemented according to the components of internal control over inventory, but it is still not implemented optimally and internal control over inventory may be quite good but not effective in preventing fraud in inventory management.

**Keywords:** Internal Control; Inventory; Fraud.

### INTRODUCTION

Every company has a main goal, which is to make a profit or profit so that it can continue to grow and compete in the market. One aspect that is very vital in achieving these goals is inventory management.

Inventory includes goods or products that must remain available in the company's warehouse to meet customer demand. Good inventory management can prevent losses due to damage, theft, and data discrepancies. Therefore, companies need to maintain the accuracy of the stock of goods in the warehouse by implementing effective internal controls. In a company, controls are needed to maintain inventory, among others, there must be a separation of purchasing functions, warehouse functions and accounting functions, purchase transactions must involve more than one function, authorization of documents used to carry

out transactions that affect inventory, quantity, use of sequentially numbered documents, periodic physical counts between records and inventory. For this reason, it is necessary to carry out periodic physical calculations to correct the accounting records that have been made (Anastasia et al., 2023).

Internal control is a security measure to prevent damage, theft, or other irregularities (Setiyowati et al., 2023). The increasing complexity of company activities requires a good internal control system. However, internal control is not an absolute solution, but an important instrument that helps identify problems quickly. The success of internal control can be seen from the lack of fraud and errors in company activities, as well as the accuracy of information provided to management, such as inventory data (Pengendalian et al., 2023).

According Technology (2023), the loss of trade goods inventory is caused by the negligence of minimarket employees in managing inventory. Often employees do not record the use of inventory when the minimarket is busy with buyers so that the recording of inventory does not match the inventory data in the computer. This results in reduced minimarket assets in the form of inventory which is the main asset of the minimarket due to poor internal control. In the management of trade goods inventory, it is necessary to have internal controls that work effectively so that they can determine the optimal amount of trade goods inventory owned by the company (A. I. Pratiwi et al., 2021). Inventory contained in the company is part of the company's assets, so company leaders are very interested in monitoring it. This monitoring aims to keep inventory from loss and to always be available according to the company's needs and to ensure the smooth operation of the Company (Mustika et al., 2022). According Kusumaningrum et al., (2023), Inventory requires timely control and management. Good control can keep inventory at an optimal level, maintain the quality or quality of goods that are already good, and avoid fraud that can result in inventory loss.

According (Krismiaji (2015: 395) described in Prasetya, Susanti, and ... 2023) An inventory system is a system that maintains inventory records and notifies managers when certain types of goods require addition. In manufacturing companies, the inventory system controls the level (amount) of raw materials and the amount of finished products. Trading companies use inventory systems to ensure that goods are available for resale. An inventory system processes two types of transactions that have been discussed in the revenue cycle and expense system. the two transactions are the purchase of goods and the sale of goods.

Minimarket Omi Kawan Hınca Bandar Pulau is a trading company engaged in retail business that provides products for both basic needs and daily needs. Products sold, especially daily needs, are needs for consumption such as food products, drinks and for the needs of children to adolescents such as Personalcare and Homecare. The importance of internal control of inventory at Minimarket Omi Kawan Hınca Bandar Pulau is very crucial, especially in managing the inventory of trade goods. This condition requires effective control to maintain optimal stock, prevent damage, and avoid fraud that can harm the company. In this case, internal control is not only related to managing inventory in a timely manner, but also includes thorough monitoring of company assets and investigation of discrepancies between report data and physical goods. Thus, Minimarket Omi Kawan Hınca Bandar Pulau can ensure smooth operations and make better policy decisions. The following data on inventory of trade goods that differ between the system and the physical at Minimarket Omi Kawan Hınca Bandar Pulau can be seen from table 1 as follows.

**Table 1. Inventory Calculation Minimarket Omi Kawan Hınca Bandar Pulau January 01 - October 31, 2023**

Item Code	Item Name	Number of Items in System	Physical Quantity Goods in Warehouse	Item Differences
0000520	SNOWMAN SPIDOL KC.HT	5KTK	4 CEC	-1 CEC
0002190	C/FATHER MNYK WIND10	5 CEC	3 CEC	-2 CEC
0003080	SOSRO F.TEA APPLE 500	18 CTN	17 CTN	-1 CTN
0003100	SOSRO F.TEA BLKCR500	14 CTN	12 CTN	-2 CTN
0004370	BLUE BAND CUP 250G	9 CEC	7 KTK	-2 CEC
0012690	WATER AQUA MINERAL 1500	32 CTN	31 CTN	-1 CTN
0012700	WATER AQUA MINERAL 600	111 CTN	110 CTN	-1 CTN
0030680	MARJAN COCOPDN 460ML	49 CASE	2 CASE	-47 CASE
0036630	PEPSODENT WHITE 75G	133 PCS	129 PCS	-4 PCS
0066530	INDOMILK LIQUID CHO190	11 CTN	8 CTN	-5 CTN
0108950	SWALLOW KAMPR ISI101	10 CTN	7 CTN	-3 CTN
1031330	NESCAFE ICE.CF OR240	10 CTN	11 CTN	-1 CTN
0286120	NYAM2 STICKCHOCO 25	49 CTN	48 CTN	-1 CTN

Data source: Minimarket Omi Kawan Hınca Bandar Pulau (Data Processed)

Based on Table 1 above about stock-taking data (inventory of goods) obtained from the head of the Omi Kawan Hınca Bandar Pulau Minimarket store, it can be seen that from January to October 2023 there are several different inventories of trade goods contained between the system and the physical at the time. Manually checked. This shows that the internal control system in the management of trade goods inventory at Minimarket Omi Kawan Hınca Bandar has not been implemented properly. A good internal control system in the management of trade goods inventory will minimize and prevent potential damage, loss or fraud of trade goods which aims to achieve company efficiency and effectiveness, maintain company assets, and prevent losses for the company.

Based on the results of interviews with minimarket employees including the head of the store where information was obtained that the problems that occur in Minimarket Omi Kawan Hınca Bandar Pulau are the frequent loss of inventory of goods caused by the absence of separation of duties in managing the inventory of trade goods, namely the absence of the head of the warehouse so that there are concurrent positions of the head of the store as a warehouse function and all store personnel are responsible for the inventory of trade goods in the warehouse. The authorization system and recording procedures have not been carried out properly due to the lack of independent authorization rights given responsibility between the shopkeeper and saleswoman (Yani, 2023).

Employee negligence in maintaining products on the sales area shelves both during product display and manual checking which is carried out every day causes damage to trade goods inventory. Lack of accuracy and reliability of employees in stock-taking calculations which are carried out once every 2 weeks. At the time of the physical calculation, it was not specifically signed, namely signed by the head of the store which should have been signed by the warehouse function, causing the loss of inventory of trade goods in the minimarket. This can cause a reduction in company property which is the main asset of Minimarket Omi Kawan Hinc Bandar Pulau. The greater the risk, the less the company's assets, namely inventory and the impact on company losses.

This research is expected to contribute ideas and useful information for the company as an evaluation material for the development and progress of the company. In addition, the results of this study can be used as material for consideration in other Minimarkets in evaluating, especially in internal control in the company, in the implementation of better monitoring of trade goods inventory, in order to reduce fraud in trade goods inventory in the Company.

This research is focused on monitoring work patterns in the Internal Control of Merchandise Inventory section within Minimarket Omi Kawan Hinc Bandar Pulau. In order to write this research, the author was actively involved in discussions and sharing information with workers and the head of the store in the Minimarket. Furthermore, this research combines the results of monitoring work patterns, discussions, and data that have been obtained by the author. The ultimate goal of writing this research is to evaluate the effectiveness of Internal Control of Merchandise Inventory as a part that also functions as an internal audit of the company. This aims to prevent acts or indications of fraud and ensure that the company's objectives can be achieved in the management of trade goods inventory.

## **TINJAUAN PUSTAKA**

### **Internal Control System**

In general, internal control is part of each system used as procedures and operational guidelines for a particular company or organization. With the implementation of an internal control system in a company organization, it is hoped that the company's assets can be protected from physical damage and human fraud and human fraud in this case are employees. In addition, the accuracy of the data and the avoidance of recording errors, whether intentional or unintentional, are also guaranteed. That way the internal control system greatly affects the revenue accounting information system in an organization (Rahman & Lathief Ilhamy Nst, 2024). Internal control is a policy and procedure that protects company assets from misuse, ensures that the business information presented is accurate and ensures that laws and regulations have been followed (Panjaitan, & Nasution, 2022).

The system in internal control includes all methods and tools determined to maintain the security of company assets and data, check the accuracy of data, improve operational efficiency, and maintain previously established regulations. Activities in internal control are important to discuss because they are not much different from other activities such as doing business, production, to the legality of goods (Syafuddin et al., 2023). Internal control is used by an agency to secure agency assets and provide adequate assurance relating to the reliability of an agency's financial statements, efficiency, effectiveness of agency operations and conformity between agency operations and the rules and regulations enforced (Sarana et al., 2023).

Internal control is also designed for the additional purpose of securing the assets of the organization, namely providing reasonable assurance that the acquisition, use and unauthorized disposal of organizational assets can be prevented or detected immediately. Thus the above definition contains the following fundamental concepts:

- a. Internal control is a process. Internal control is a method not an end result. Internal control contains a series of comprehensive and integrated measures within the organization's infrastructure.
- b. Internal control will not be achieved by providing procedures and formulas but also by the actions and attitudes of people at every level of an organization, including the top of the organization.
- c. Internal control can only provide reasonable assurance, not absolute assurance, for organizational leaders. This is due to the weaknesses inherent in all internal control systems and the need to weigh the costs against the benefits in organizing internal control.
- d. Internal controls are designed to achieve the objectives of financial reporting, compliance and these activities together (Arnida Wahyuni Lubis, 2021).

Sitohang (2023), states that internal control is a process carried out to achieve organizational goals consisting of various policies, procedures, techniques, physical equipment, documentation and people. The definition of the internal control system emphasizes the goals to be achieved and not the elements that make up the system. Thus, the above controls apply both in companies that processing information manually, with a bookkeeping machine or with a computer. The conclusion is that internal control must be implemented as effectively as possible in a company to prevent and avoid errors, fraud, and fraud.

A system can run well, it is necessary to pay attention to the existence of elements or special characteristics to increase the possibility of obtaining reliable accounting data to secure assets or assets. According to the AICPA (American Institute of Certified Public Accountants) in SAS (Statement on Auditing Standards) No. 78 contained in the Public Accountant Professional Standards states that the elements of internal control consist of:

a. Environmental Control

These components include the attitude of management at all levels of general operations and the concept of control in particular. The control environment sets the direction of the organization, which affects the control consciousness of its members. The control environment is the basis for the other components of internal control, providing discipline and structure. Factors that make up the control environment include integrity and ethical values, commitment to competence, board of commissioners or audit committee, management philosophy and operating style, organizational structure, empowerment and responsibility, and human resources policies and practices (Putra & Renaldo, 2020).

b. Risk Assessment

Risk assessment for financial reporting purposes is the identification, analysis, and management of an entity's risks associated with the preparation of financial statements, in accordance with generally accepted accounting principles. COSO adds consideration of objectives in all areas of operation to ensure that all parts of the organization function in harmony. Factors affecting the determination of risk in internal control are changes in the operating environment, changes in structure or new composition of personnel, development of information systems, organizational growth, and use of new technologies, development of new operations and areas of operation, and issuance of new accounting standards.

c. Control Activities

Control procedures are established to standardize work processes so as to ensure the achievement of company objectives and prevent or detect irregularities and errors. Generally, control activities that may be relevant to an audit can be classified as policies and procedures relating to performance reviews, information processing, physical controls and asset controls, adequate documentation and records, adequate segregation of duties,



proper authorization of transactions and activities, and the existence of new policies to prevent risks to the company.

d. Information and Communication

The accounting system contains procedures that must be followed by the company's personnel and is able to provide accurate information, especially to those who need it for management, and can intertwine with the accounting system. communication between existing sections so that implementation is uniform. Information systems relevant to financial reporting objectives, which include accounting systems, consist of methods and records created to record, manage, summarize, and report the entity's transactions (including events and circumstances) and to maintain accountability for assets related to liabilities, and equity. The quality of information generated by the system affects management's ability to take appropriate decisions in the management and control of the entity's activities to prepare reliable financial statements. Communication involves providing an understanding of the roles and responsibilities of individuals with respect to internal control over financial reporting. Communication includes the extent to which personnel understand how their activities in the financial reporting information system relate to the work of others and how to report deviations to the appropriate ethnic level. Factors affecting information and communication in internal control are identification of all transactions, timely provision of information, recording of various transactions into the correct transaction codes, and communication.

e. Monitoring

Monitoring is the process of assessing the quality of performance of the internal control structure implemented to achieve objectives and reviewing its feasibility is no longer in accordance with the existing circumstances. An optimal monitoring system can avoid bad debts. An effective internal control structure aims for efficiency, effectiveness, and internal control over company assets and other supporting facilities. Factors that influence the implementation of good supervision and monitoring in internal control are periodic inspections, surprise inspections, and job rotation (Renaldo et al., 2020).

## Supplies

According D. E. Pratiwi (2017), inventory is a term that will be sold in the normal course of the company or assets that are directly or indirectly included in goods to be produced and then sold. Sales will decrease if the goods are not available in the form, type, quality and quantity that the customer wants. So, it is important for companies to control inventory carefully to limit storage costs that are too large. Inventory is also very vulnerable to damage and theft.

According Indayati (2021), inventory is a property item that is sold in ordinary business activities or goods that are used or consumed in production activities that will be consumed in production activities that will produce ready-to-sell products in an accounting period.

Inventory is one of the important components for the continuity of the company because inventory can show everything or organizational resources that are stored in anticipation of meeting demand. Inventory is a current asset or asset owned by a company that usually conducts business activities by selling merchandise or goods produced by it. So that the company must have the ability to organize and manage every need for raw materials so that they are always available both in stable and fluctuating market conditions (Wagiyo & Bella, 2020).

According Sitohang (2023), inventory is a company asset that has a very sensitive influence on financial development. company. In accounting, inventory is a current asset owned by a company that is used for business activities to be sold without changing form or

for further processing in a manufacturing company so that it has a new value and form and then marketed. Inventory is also the most current asset in the company because inventory supports the company's operations, from inventory it can be seen how a company can manage its company properly. dapat dilihat bagaimana sebuah perusahaan dapat mengelola perusahaannya dengan baik.

Based on SAK EMKM (2018), Inventory is an asset:

1. For sale in the normal course of business
2. In the process of production for later sale; or
3. In the form of materials or equipment for use in the production process or provision of services.

### **Inventory Function**

According Alhafish et al.(2021), said that streamlining the material inventory system, the company's operational efficiency can be improved through the inventory function by streamlining:

- a. Decoupling function, which is inventory that allows the company to meet customer demand without depending on the supplier. The company's function is to hold decouple inventory by holding separate operational groupings.
- b. Economic Size function, namely the storage of large amounts of inventory in consideration of discounts on the purchase of discounted materials for quality to be used in the conversion process, and supported by adequate warehouse capacity.

Anticipation function, is the storage of material inventory whose function is to save if there is a delay in the arrival of material orders from suppliers.

### **Types of Inventory**

In Atin Suprianto (2019) states, Types of inventory are inventory usually includes several types of inventory such as raw material inventory, semi- finished material inventory, and finished goods inventory (merchandise). Raw materials are materials that will be used to produce merchandise. Semi-finished goods are goods that have not been fully completed into merchandise. Finished goods are goods that have been completed and are ready for sale.

The types of inventory are as follows: For trading companies, inventory means all traded goods that are still in the warehouse / have not been sold as of the balance sheet date. For manufacturing companies (which produce goods), the inventory owned includes:

- a. Raw goods inventory
- b. Goods-in-process inventory
- c. Finished goods inventory

So Types of Inventory are Inventory usually includes several types of inventory such as raw material inventory, semi-finished material inventory, and finished goods (merchandise) inventory.

### **Internal Control System over Inventory**

Internal control of goods in a company is very important because goods or supplies are vulnerable to theft, spoilage, obsolescence, and waste. Internal control of inventory is all methods whose actions and records are carried out to secure inventory starting from the process of ordering, receiving, storing, and spending both physically and in quality, determining, and regulating the amount of inventory (Kawatu, B. M. L., Tinangon, J. J., & Gerungai, N. Y, 2020).

It can be concluded from the above understanding that the internal control system not only includes the organizational structure, methods and tools used in the company, but also includes all control activities to conduct monitoring aimed at protecting company assets.

According to (Karyono (2013: 72) in Sitohang 2023) fraud prevention on inventory can be done, namely: a.) by recording and checking suddenly the amount of inventory on a regular basis in order to reduce fraud, namely by sudden inventory, b.) there is a separation between authority, storage and recording in order to control each other between the three functions, c.) the existence of preprinted documents to prevent misuse of documents, d.) the existence of a safe storage of supplies in the form of physical security, namely by being locked, guarded by security guards, and installing CCTV cameras to facilitate monitoring in it.

## **Fraud**

According to Putu et al., (2018), the term fraud can be interpreted as fraud, but actually has a broader meaning than fraud. In addition, the term fraud can also be defined as fraud which means an irregularity and illegal act, which is carried out intentionally for certain purposes, such as deceiving other parties, which is carried out by people both inside and outside the organization.

According to Winardi & Saifudin (2021), fraud is an illegal act characterized by deception, concealment, or threats of trust. This action does not depend on the application of threats of violence or physical force. Fraud is committed by individuals, and organizations to obtain money, property, or services to avoid payment or loss of services, or to develop personal business profits.

According to (Devi Puspita Anggraeni, 2018), the Association of Certified Fraud Examinations (ACFE), divides the forms of fraud irregularities into 3 types, namely:

1. Fraudulent Financial Fraud or financial statement fraud is defined as fraud committed by management in the form of material misstatement of financial statements that is detrimental to investors and creditors. This fraud can be financial or nonfinancial fraud.
2. Asset Misappropriation is described as the easiest fraud to detect because it is tangible or easy to calculate. This deviation usually includes misuse or theft of company assets or property. However, sometimes this deviation of assets becomes difficult to detect due to the many inhibiting factors in its disclosure. In the public sector area, various forms of asset irregularities that often occur include asset theft and asset utilization for personal gain.
3. Corruption is defined as fraud that is difficult to detect, because corruption is not carried out by one person, but has involved other parties (collusion). Cooperation in the form of abuse of authority, bribery, acceptance of illegal gifts and economic gratuities.

## **Causes and Triggers of Fraud**

Based on research from Dewi et al.,(2021), the causes or triggers of fraud can be divided into three things as follows:

- a. Pressure (Unshareable pressure / incentive). Pressure is a person's motivation to commit fraud. Motivations for committing fraud include economic motivation, emotional reasons (envy/jealousy, revenge, power, prestige), values, and some are driven by greed.
- b. Perceived Opportunity. Opportunity is a condition or situation that allows someone to commit or cover up dishonest acts. Usually this can occur due to weak internal company controls, lack of supervision, and or abuse of authority.
- c. Rationalization. Rationalization is an important element in the occurrence of Fraud, where the perpetrator seeks justification before committing a crime. Rationalization or attitude, the most widely used is only borrowing the stolen assets and the reason that his actions are to make his loved ones happy.

Another view of human behavior is explained by (Manossoh, 2019) based on GONE Theory, which consists of 4 (four) factors that encourage a person to behave deviantly, in this



case fraud behavior, namely: greed, opportunity, needs, and exposure. Greed is related to the greedy behavior that potentially exists in everyone. Opportunity relates to the state of the organization or agency or society which is such that there is an opportunity for someone to commit fraud against it. Necessity relates to the factors needed by individuals to support their lives which they think are reasonable; and disclosure relates to the actions or consequences that will be faced by the perpetrator of fraud if the perpetrator is found to have committed fraud.

### **Internal Control System VS Fraud**

There is more and more information about fraud cases involving many parties in the corporate environment and in the government. This illustrates how fraud has reached an alarming level. One of the causes of this occurrence is the weak internal control system of an organization. In a management, evaluation and control are important components to ensure that the goals to be achieved by an organization are carried out properly. Evaluation and control can be carried out by management itself, which is called internal control (Humam et al., 2020).

In PP No.60 of 2008, the Internal Control System is an integral process of actions and activities carried out continuously by leaders and all employees to provide adequate assurance of the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, safeguarding state assets, and compliance with regulations. The implementation of the Fraud Control System has been carried out since 2012. This term is adapted from systems that have been running in other countries which usually use the term Fraud Control Plan, Australian National Audit Office Fraud Control Strategies, and others.

### **Penelitian Terdahulu**

As for this research, the results of the review of several previous studies will be presented, including:

Review Audit Operational On Inventory Goods Trade In Improving Effectiveness and Efficiency at PT Tunas Baru Lampung Banyuasin III Company. Compiled by A. Rahman Alhafish, Edduar Hendri, Nurmala (2021). Where the results showed that the implementation of the operational audit of the inventory of trade goods at PT Tunas Baru Lampung Banyuasin III, the valuation of goods carried out economically, effectively, efficiently and the audit results at the company were adequate. So that the operational audit that runs in the company has an effect on getting the level of effectiveness and efficiency.

Research conducted by Ririn Indriyati (2021). With the research title Operational Audit of Trade Goods Inventory Management at CV. Artha Duta Motorindo Surabaya. Stating that the results of research conducted for the management of trade goods inventory at CV. Artha Duta Motorindo Surabaya has not run effectively.

In 2021 A. Shabani, G. Maroti, Sandeer de Leeuw, Wourtt Dullaert conducted a study entitled Inventory record inaccuracies and store-level performance. Numerical results show that the increase in IRI is small for nearly efficient stores and very large for highly inefficient stores.

Research conducted by Siahaan & Muhidin (2020), conducted research with the title "Evaluation of the Internal Control System for Finished Goods Inventory at PT. Denso Manufacturing Indonesia" Based on qualitative descriptive methods, sampling methods and the population in this study consisted of 15 employees of the logistics department and 5 employees of the production department. The results showed that PT. Denso Manufacturing Indonesia has a good and effective finished goods inventory internal control system but there are still several obstacles and obstacles in the implementation of existing internal controls,

and no deviations were found, only some shortcomings in the internal control of finished goods inventory that have been carried out at this time.

Based on the problem formulation, research questions, and propositions that have been built previously, the analysis in this study will focus on the internal control system that aims to prevent fraud in merchandise inventory at Minimarket OMI Kawan Hınca in Bandar Pulau. The analysis model will investigate the implementation of control systems implemented by related parties, and evaluate the extent to which the effectiveness of these functions in preventing fraud in the management of merchandise inventory in the minimarket.

## METODOLOGI PENELITIAN

The research approach used in this research is a qualitative approach. Which qualitative approach is included in naturalistic inquiry, which requires humans as instruments because the research they do is full of naturalistic elements, as mentioned that "Naturalistic inquiry is always enough, in a natural setting, since context is so heavily implicated in meaning instruments". The researcher is the human being himself, this means that the researcher must understand and adapt to the social environment they face during the research. This happens because of their experience in using research methods that suit their subjects, such as interviews, observation, document analysis, participant observation, literature, concrete documentation analysis, life-history approach techniques, and other research techniques (Abdussamad, 2021). Researchers use the following data collection techniques:

### 1. Interview Technique

An interview is a type of face-to-face communication between two or more people. One party acts as an interviewer and the other party acts as an interviewee with a specific purpose, such as obtaining information or collecting data. The interviewer asks a number of questions to the interviewee to get answers (Fadhallah, 2021).

**Tabel 2. Research Informants**

NAME	JOB
Yani	Store Head
Yuli	Cashier
Riki	Salesman

Source: Data Processed by Researchers (2023)

\*Notes: The informant's name is not the full name

### 2. Observation Technique

Observation is a systematic process of recording real behavior patterns of people, objects, and events that occur. During observation, researchers pay attention to the research situation and record everything related to the object of research to obtain the desired information. The primary data collection method known as observation technique involves systematic data collection through events without asking questions or communicating with someone. This is based on the researcher's observations. Observation research has the advantage of providing information that respondents themselves cannot convey verbally (Sugiarto, 2021).

### 3. Literature Technique

According to M. Sari & Asmendri (2020), library research is a type of research that involves collecting data and information using various materials available in libraries or on the internet related to the problems that researchers want to solve. This research is conducted

systematically to collect, manage, and summarize data to find solutions to problems that occur.

#### 4. Scope of Research

The scope of research is a limitation of a study so that researchers focus on the research plan that has been prepared previously. The research restrictions in this study are:

- a) The research object in this study is internal control
- b) The research subject in this study was Minimarket Omi Kawan Hınca Bandar Pulau.
- c) The informants in this study are employees who are directly involved with inventory.

## RESULTS AND DISCUSSION

The management of inventory of goods against fraud prevention efforts in the company is inseparable from internal control over the inventory used by the company. If internal control is good, the company's assets or assets will be maintained and can avoid loss of inventory or damage to inventory. Based on data analysis regarding internal control over inventory and also fraud prevention efforts (fraud) for the management of trade goods inventory that has been implemented by Minimarket Omi Kawan Hınca Bandar Pulau is considered still weak and less effective.

### Implementation of internal control over trade goods inventory at Minimarket Omi Kawan Hınca Bandar Pulau

#### 1) Control Environment

Researchers assess that the control environment in Minimarket Omi Kawan Hınca Bandar Pulau has been running effectively. This is characterized by the existence of elements of the control environment, which include:

##### a. Integrity and ethical values

Based on all sources that all employees at Minimarket Omi Kawan Hınca Bandar Pulau have instilled ethical values where they must arrive on time at 08.00 because these employees carry out according to what has been arranged in the values with the aim of making employees with integrity and good ethical values, which requires each employee to be polite both in the way of speaking and dressing, honest in doing tasks and work, and discipline towards attendance to arrive on time in accordance with the provisions set by the company.

This is supported by a statement from informant 3, namely: Come on time according to working hours. The working hours here are every working day from 08.00- 20.00.

21.00 sometimes the store is closed due to holidays or if there are incoming goods from suppliers that require it to be closed for checking goods. Prioritizing the values listed in the company, namely making employees with integrity and good ethical values, which requires every employee to be polite both in the way of speaking and dressing, honest in performing tasks and work, and discipline towards attendance to arrive on time.

##### b. Commitment to competence

Based on all sources that all employees in Minimarket Omi Kawan Hınca Bandar Pulau set certain criteria in recruiting new employees, namely by considering the expertise, education, and seeing the work experience of prospective workers. This is done with the aim that employees who are hired have the expertise and education that is in accordance with the field of work that will be submitted, and it is hoped that in carrying out the work can be done effectively and efficiently. So that the activities that occur in the company can run smoothly because each employee understands well the duties and responsibilities they must complete. From the explanation above, it can be

said that the application of this component has been carried out effectively. This is supported by a statement from informant 1, namely: Every employee who occupies a certain section must have a training, indirectly the employee is equipped.

c. Management philosophy and operating style

Based on all sources that in Minimarket Omi Kawan Hince Bandar Pulau there is already a job disc. All employees in Minimarket Omi Kawan Hince Bandar Pulau have integrity in carrying out each job in accordance with their respective job discs. The manager of each section always provides a reflection of ideas, direction, and evaluation of employees so that it can be used as a benchmark for future improvements.

This is supported by a statement from informant 4, namely: Already have their respective job descriptions in accordance with the SOP.

d. Organizational structure

Based on all sources, namely that Minimarket Omi Kawan Hince Bandar Pulau already has an organizational structure. The organizational structure in Minimarket Omi Kawan Hince Bandar Pulau has been designed and arranged properly, namely functionally. Where this arrangement is clear in the division of tasks and authorities of each functional in the company. One of the deficiencies of internal control at Minimarket Omi Kawan Hince Bandar Pulau does not have a warehouse staff section with the aim of performing warehouse functions so that it often does not record the amount of goods it releases so that the warehouse function cannot be held responsible if there is a difference or loss of merchandise inventory that occurs due to negligence to maintain the Company's assets. this function is duplicated by the head of the store, cashier and saleswoman.

This is supported by a statement from informant 1, namely: In Minimarket Omi Kawan Hince Bandar Pulau already has an organizational structure. However, due to the absence of employees or lack of employees, it resulted in duplication of duties.

## 2) Risk assessment

The obstacles experienced at Minimarket Omi Kawan Hince Bandar Pulau in managing inventory, namely the frequent differences between inventory in the system and physically due to the absence of permanent employees in the inventory section or the Warehouse function section. So that other employees participate in the following tasks.

Based on the results of interviews at Minimarket Omi Kawan Hince Bandar Pulau does not yet have a warehouse head in the store. Minimarket Omi Kawan Hince Bandar Pulau uses advanced technology, namely the OMI System which has been systemized which aims to facilitate the internal inventory control system. trade goods and make it easier for the Company to monitor the management of trade goods inventory in stores. In the section that holds responsibility for the inventory of merchandise in minimarkets, the responsibility is given to the store coordinator, namely the head of the store and all store personnel so that at the time of the physical calculation of inventory in the store because there is no head of the warehouse, the separation of duties and responsibilities in the implementation of stock-taking is not separated responsibilities but there are concurrent positions by cashiers, saleswomen and shift holders as well as the head of the store's head of store funds. This results in the loss of merchandise inventory in minimarkets because the party who regulates the entry and exit of inventory from the warehouse for sale by the same person. Based on organizational theory on the elements of the inventory internal control system, the committee for physical inventory calculation must be separated, namely the warehouse function and the inventory accounting function, and costs because it is these two parts that must be evaluated for their responsibility for inventory.

The separation of duties and responsibilities in the implementation of an activity has the aim of minimizing conflicting functions. So from the results of the analysis of Minimarket Omi Kawan Hınca Bandar Pulau, it is better to implement a warehouse function in each of its minimarket outlets where there must be a warehouse head to separate the functions of the head of the store and the sales assistant function. In addition, in the warehouse function, the task of receiving and issuing inventory of trade goods must also be applied and at the time of the physical calculation of inventory, the stock of name consists of the function of the physical calculation card holder, the counter function, and the checking function which must be formed to avoid fraud and misappropriation so as to minimize damage and loss of trade goods.

This is supported by a statement from informant 1, namely: Sometimes there are mistakes when doing stock of names where the data in the system is different from the physical data, even though there is CCTV installed but not every time employees keep an eye on it. And fraud occurs whether negligence from within or from outside.

### **3) Information and Communication**

Based on the source, namely that the company can use a manual system and a direct system called OMI SYSTEM. When using a direct system, it can be directly programmed, while when using a manual system it is in the form of notes, so when using this direct system, all data and information can be stored automatically starting from incoming goods and outgoing goods. The company has been facilitated in the form of a computer to make it easier to do work.

This is supported by a statement from informant 2, namely: Here you can use a manual system and a direct system called OMI SYSTEM. The direct system is directly programmed and the manual system is recorded in the officer's book. There are already adequate computers.

### **4) Control Activities**

#### **a) Adequate authorization of transactions and activities**

Informants 1, 2, and 3 that in every activity in Minimarket Omi Kawan Hınca Bandar Pulau is always authorized by the relevant parties where for the authorization of transactions in this inventory section every expenditure and entry of goods must have the authority of the owner so that the letter from the owner will be intended to order the head of the warehouse. However, Minimarket Omi Kawan Hınca Bandar Pulau does not have staff or the head of the warehouse so that the expenditure and entry are only approved by the owner.

This is supported by a statement from informant 1, namely: every receipt and release of goods is only signed by the owner, because there is no warehouse staff so that when the physical calculation is carried out by employees in the store it is better to put a clear signature on the document so that it is more accountable when an error occurs in the physical calculation of inventory. The recording procedure document for Minimarket Omi Kawan Hınca Bandar Pulau can be seen in the attachment.

#### **b) Division of duties and responsibilities**

Based on the results of interviews with several sources that at Minimarket Omi Kawan Hınca Bandar Pulau there is still a double task carried out by one of the sections because there is still a shortage of employees.

This is supported by a statement from informant 3, namely: Yes, there should be a separation of their respective duties, but if there is a heavy task here, they must be assisted together. Because in this warehouse section there is none, so there are other



employees such as shopkeepers, cashiers, and saleswomen with two parts or double duties.

c) Good design and use of documents and records

Based on the results of interviews with several informants, there are documents in the form of reports, such as daily recaps, weekly recaps, and monthly recaps to see the amount of stock inventory in the warehouse. Existing documents are sequentially numbered to make it easier to include and also use notes that can be manually or automatically programmed directly through the computer.

This is supported by informant 2's statement, namely: There is for the warehouse to be recorded manually and then later recorded automatically through the system and there are documents in the form of reports

d) Protection of Company property and records

Based on the results of interviews with several informants, there is protection or physical control of inventory in the warehouse, which is carried out in accordance with the SOP in the company by checking inventory every 2 weeks by all employees.

This is supported by a statement from informant 3, namely: Yes, it must be based on the SOP. Then checks are carried out every 2 weeks by all employees because there is no warehouse staff.

e) Independent checks on employee performance

Based on the results of interviews with several informants, they must come exactly at 08.00 in the morning until the working hours are finished, namely 21.00 at night where the working hours are every day, but if it is a holiday or collective leave, it will be closed. Regarding the independent examination of employee performance, this can be done by their activities at work and also their discipline when attending the store. If the employee is disciplined, the work done will follow so that the employee's performance can be seen from the reports that have been recapitulated. mengikuti sehingga bisa dilihat kinerja karyawan tersebut dari laporan-laporan yang sudah di rekap. Hal ini didukung oleh pernyataan dari informan 1 dan informan 3, yaitu: Datang tepat pada jam 08.00 pagi sampai jam 21.00 malam, karena jam kerjanya setiap hari. Ada rekap harian, mingguan, dan bulanan.

## 5) Monitoring

Monitoring in the management of inventory of goods at Minimarket Omi Kawan Hince Bandar Pulau is by monitoring the checking of inventory of goods and if when there is a supply of goods that are lost and damaged, the person responsible is the head of the store and other employees who are responsible for doing stock-taking.

This is supported by a statement from informant 1, namely: Checking the warehouse once every 2 weeks is called stock-taking. In the event of loss and damage, the head of the store and other employees are responsible.

## Internal Control over Inventory at Minimarket Omi Kawan Hince Bandar Pulau can prevent fraud (fraud) in the management of inventory.

Where the prevention of fraud (fraud) is carried out, namely by:

a. Inventory of supplies

Based on the results of interviews with several sources, namely that in Minimarket Omi Kawan Hince Bandar Pulau, a routine calculation of inventory in the warehouse is always carried out where there are incoming goods and outgoing goods must do stock-taking.

This is supported by a statement from informant 1, namely: Yes, every day a routine calculation is always carried out. There are incoming goods and outgoing goods that must do stock-taking, so all employees do stock-taking every 2 weeks.

b. Separation of authority, storage and recording

Based on the results of interviews with several sources, namely that in Minimarket Omi Kawan Hince Bandar Pulau in the separation of authority has been carried out and also there is no separation of functions where in the warehouse section there are no special employees there, so other employees hold their duties into two parts, namely in the reception and storage section still together so that there is a catch-up. This is supported by a statement from informant 1, namely: In the warehouse, it should have been separated between the receiving, storing, issuing and recording parts, but because there were no personnel in the warehouse, other employees held their duties in two parts.

c. Inventory document

Based on the results of interviews with sources, namely that there are documents for receiving goods, issuing goods, and transporting goods. This is supported by a statement from informant 1, namely: There are documents.

d. Physical security

At Minimarket Omi Kawan Hince Bandar Pulau in physical security against inventory, there is already a place to store goods such as a warehouse. In the warehouse, CCTV has been installed in the warehouse and surrounding areas.

This is supported by a statement from informant 3, namely: In securing inventory in the warehouse there is CCTV which is monitored by the shop head on the monitor in his room.

The existence of good internal control for the company will prevent the risk of inventory fraud. Internal control in this company in preventing the risk of inventory fraud can be said to be good, but there are still obstacles experienced by the company.

## CONCLUSIONS

Based on the results of research and discussion regarding the analysis of the internal control system of trade goods inventory in the effort to prevent fraud of trade goods at Minimarket Omi Kawan Hince Bandar Pulau, it can be concluded that it has not been implemented quite well. But where there are obstacles faced regarding the internal control system of trade goods inventory, namely the organization, there is a duplication of functions, namely the absence of a warehouse function, when the physical calculation of inventory still occurs, the authorization system is not independent, and the steps in minimizing damage and loss of trade goods and maintaining inventory levels have not been implemented effectively.

Internal control over the inventory of goods at Minimarket Omi Kawan Hince Bandar Pulau may be good enough to prevent fraud in inventory management, such as there is an inventory of inventory, there are inventory documents, and there is also physical security but the separation of functions has not been carried out properly because in the warehouse section there are still no special employees in the division so that there are concurrent and there is still a risk of fraud but it can still be minimized and also it all depends on the performance of employees can comply with the rules in the company or not.

Some things that can be suggested based on the results of the analysis in a way to improve the internal control system of trade goods inventory is to separate the Warehouse function as the task of receiving and issuing inventory. So minimarket omi kawan hince bandar pulau must strictly separate the functions of the warehouse function, the function of the head of the store and the function of the saleswoman.

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