

Analysis of Environment and Control Activities Over Inventory Management of Medicines and Supplies at Badan Kependudukan dan Keluarga Berencana Nasional (BKKBN) of North Sulawesi

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ABSTRACT

This research aims to determine the internal control system for inventory administration based on frameworks one and three of COSO, namely the environment and control activities at Badan Kependudukan dan Keluarga Berencana Nasional (BKKBN) of North Sulawesi. The research method used in this research is primary data using observation, interview and documentation data collection techniques. The results of this research show that the internal control system includes two COSO components, namely the environment and control activities over the administration of supplies at Badan Kependudukan dan Keluarga Berencana Nasional (BKKBN) of North Sulawesi, which has not been implemented properly, there are still inconsistencies between these two components, namely the frequent occurrence of multiple positions and behavior that lacks integrity and ethics.

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1. INTRODUCTION

In advancing a well-managed governance system, the government strives to continually improve its transparency and accountability in managing national finances. Each governmental agency endeavors to manage its resources as effectively and efficiently as possible in conducting its operational activities. Inventory is a component of current assets in the form of goods that are subsequently sold or distributed to the public to meet their needs. The representative office of Badan Kependudukan dan Keluarga Berencana Nasional (BKKBN) in North Sulawesi Province is a government agency engaged in services, specifically public services, to address the population explosion in the North Sulawesi region.

As a government agency that holds inventory, BKKBN must be able to optimally estimate the quantity of inventory. Therefore, government agencies follow guidelines for inventory management. Inventory management includes bookkeeping, inventorying, and reporting. The regulatory basis or standards governing inventory management accounting is outlined in Peraturan Menteri Keuangan (PMK) Number 181/PMK.06/2016 concerning guidelines for Barang Milik Negara (BMN) in the form of inventory.

To ensure adequate inventory management activities at BKKBN North Sulawesi Province, efforts must be made to enhance oversight and security of all existing inventory by



implementing an internal government control system. The Committee of Sponsoring Organizations of The Treadway Commission (COSO) defines internal control. According to COSO, the Internal Control System (ICS) is a process used by the board of commissioners, management, and other staff members to provide reasonable assurance of achieving the following three objectives: the efficiency and effectiveness of operations, the reliability of financial reporting, and compliance with applicable laws and regulations. COSO identifies five main components of the internal control system: control environment, risk assessment, control activities, information and communication, and monitoring. However, this study focuses on only two COSO components: control environment and control activities, as these two components are closely related to the issues being investigated.

Problems such as employees performing two or more tasks simultaneously, where one of the tasks is not their responsibility (dual roles), and issues like certain employees committing deviations by engaging in unethical and unintegrated behavior, are contrary to the components of the control environment and control activities according to COSO. Therefore, it is crucial to identify the causes of these issues that lead to inadequate internal control implementation in inventory management at BKKBN North Sulawesi Province.

2. LITERATURE REVIEW

2.1 Inventory

Based on Pernyataan Standar Akuntansi Pemerintah (PSAP) Number 05 Paragraph 4 Number 71 of 2010, inventory is a current asset in the form of goods or supplies intended or used to support government operational activities, and goods intended for sale and/or distribution in the context of public service. The main objective of government agencies is to improve public welfare through service (Nordiawan and Hendri, 2020).

2.2 Inventory Management

The Minister of Home Affairs Regulation Number 19 of 2016 on Guidelines for Regional Property Management defines inventory management as a set of actions that include bookkeeping, inventorying, and reporting of regional property in accordance with applicable provisions. The primary goal of regional property inventory management is to ensure the accurate recording of the value, legality, quantity, and condition of regional property to provide certainty in data conformity.

2.3. Ministry of Finance Regulation PMK Number 181/PMK.06/2016 on the Management of State-Owned Goods in the Form of Inventory

According to PMK Number 181/PMK.06/2016, inventory management involves a series of activities consisting of bookkeeping, inventorying, and reporting in accordance with applicable regulations. The results of inventory management can be used to prepare the central government's balance sheet annually and to safeguard the administration of BMN. Inventory management, as regulated in PMK Number 181/PMK.06/2016, is divided into three main parts:

- a. **Bookkeeping:** The registration and recording of BMN in the list of goods held by the user and the manager of the goods. The purpose of bookkeeping is to ensure that all BMN in the control of the user and manager of the goods are properly recorded. It includes the registration and recording of inventory in the list of goods, consisting of acquisition and distribution records.
- b. **Inventorying:** The process of collecting data, recording, and reporting the results of data collection from all BMN. The purpose of inventorying is to determine the actual quantity, value, and condition of BMN, both in the control of the BMN user and in the management of the BMN manager. Inventorying is divided into two important components: physical inventorying and the disposal or deletion of BMN in the form of inventory.
- c. **Reporting:** The activity of conveying data and information conducted by the unit responsible for BMN management to the User and Manager of Goods. The purpose of reporting is to present and deliver all data and information regarding BMN to the relevant parties accurately

to support decision-making in the management of BMN and to prepare the Central Government's Balance Sheet.

2.4. Internal Control System

According to Earl Strong (2017), control is the process of regulating various factors in a company to ensure execution aligns with plans (Earl P. Strong, 2017). Warren (2015) defines control as the measurement and correction of subordinate performance to ensure that the plans made to achieve the company's objectives can be implemented (Warren, 2015). According to ISA 315 in Tuanakotta (2013), internal control is a process designed, implemented, and maintained by Those Charged With Governance (individuals or organizations responsible for overseeing the entity's strategic direction and accountability obligations), management, and employees to provide reasonable assurance of achieving the entity's objectives regarding reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations (ISA 315 in Tuanakotta, 2013).

2.5. Internal Control System According to the Committee of Sponsoring Organizations of The Treadway Commission (COSO)

According to Sanyoto (2012: 257), the Committee of Sponsoring Organizations (COSO) defines internal control as a process related to the board of directors, management, and other individuals, designed to provide reasonable assurance of achieving objectives related to operations, reporting, and compliance. The objectives of the internal control system according to COSO are:

- a. **Operational Objectives:** These relate to the effectiveness and efficiency of operations, including financial performance goals and safeguarding assets against loss.
- b. **Reporting Objectives:** These relate to the reliability of internal and external financial reporting, and other non-financial reports, ensuring security, timeliness, and compliance with applicable rules and standards.
- c. **Compliance Objectives:** These ensure adherence to laws and regulations.

2.6. Components of the Internal Control System According to COSO

- a. **Control Environment:** This includes tools and resources available in the company to implement an effective internal control system. It encompasses management's perspective at all levels on overall operations, especially control. This component is the foundation of other internal control system parts. Sub-components influencing the control environment are: Integrity and ethical values, commitment to competence, participation of the board of commissioners and audit committee, management's philosophy and operational style, organizational structure, authorization and responsibility allocation, and human resource practices and policies.
- b. **Risk Assessment:** Management must identify various risks faced by the company. Understanding risks allows management to take preventive actions, helping the company avoid significant losses.
- c. **Control Activities:** These are processes and efforts undertaken by management to enforce supervision or control over company operations. Important control activities include: Authorization of transactions and activities, task assignment, use of appropriate documents and records, physical control over assets and documents, and independent performance checks.
- d. **Information and Communication:** Designing the company's information system and ensuring top management is aware of valid transaction identification and recording, appropriate classification of transactions, recording transactions in the correct accounting period, and presenting related transactions accurately in financial statements.
- e. **Monitoring:** Monitoring involves tracking the performance of the accounting information system to take immediate action if something deviates from expectations. General Managers, supported by internal auditors from the head office, typically conduct monitoring. Companies monitor internal control implementation of raw material inventory by observing whether

procedures affecting inventory and payments comply with provisions. If raw materials are lost in the warehouse, the warehouse department, supervisors, and warehouse head must report the loss as accountability to the General Manager. This study focuses only on the Control Environment and Control Activities components to delve deeper and clarify the issues raised.

2.7. Limitations of the Internal Control System

The limitations of the Internal Control System can include: a. Collusion practices rendering the Internal Control System ineffective. b. Government leaders ignoring the importance of the Internal Control System. c. Human error; poor decision-making leading to control failure (personal failure).

2.8. Inventory Internal Control

According to Herjanto (2014), inventory internal control can be defined as a series of control policies to determine the level of inventory to be maintained, when to order additional inventory, and how much to order (Herjanto, 2014).

3. RESEARCH METHODOLOGY

3.1. Type of Research

The type of research used in this study is qualitative research, which is descriptive and comparative. Descriptive research aims to provide an overview related to the condition of the subjects being studied, the conditions, and phenomena occurring in the field. Comparative research means comparing the application of COSO in the agency with theoretical frameworks.

3.2. Types, Sources of Data, and Data Collection Methods

The types of data in this study are qualitative and quantitative. Qualitative data is obtained from fieldwork through direct interviews with informants. Quantitative data includes organizational structure documentation, financial reports such as balance sheets, and others. The data sources used in this research are primary and secondary data. Primary data is obtained from observations, while secondary data is obtained through intermediaries, such as already published data. Data collection methods used include observation, interviews with informants, and documentation.

3.3 Analysis Methods and Processes

The analysis methods used in this study are descriptive and comparative analysis methods. The analysis process is as follows:

- 1. Observation and Research:** Conducting observations and research at the BKKBN North Sulawesi Province office to obtain an overview of the subject.
- 2. Data Collection and Presentation:** Through interviews and documentation related to Internal Control of Inventory directly with sources at the BKKBN North Sulawesi Province office.
- 3. Data Analysis and Processing/Reduction:** Processing data to obtain the necessary final results regarding the Government Internal Control System over Medicines and Supplies Inventory at BKKBN North Sulawesi Province.
- 4. Research Results/Verification:** The research results are then used as a reference in drawing conclusions and providing recommendations.

4. RESULTS AND DISCUSSION

4.1 Results

4.1.1 Inventory Management Procedures including: Bookkeeping, Inventorying, and Reporting at BKKBN North Sulawesi Province

- A. **Bookkeeping:** The bookkeeping at BKKBN North Sulawesi Province includes transaction recording and distribution. Acquisition records include opening balances, inventory purchases, incoming transfers, and incoming grants. Acquisition records at BKKBN North Sulawesi Province include opening balances of Contraceptive Tools and Medicines (Alokon) inventory and supplies such as Office Supplies (ATK). Inventory procurement at BKKBN North Sulawesi Province is conducted in two ways: self-procurement and central procurement if self-procurement is not possible. Distribution occurs when inventory management staff perform distribution based on receipt evidence. The usage receipt is received as proof of distribution and inventory control tools. For Alokon inventory ready to be granted to family planning agencies in each district/city, several documents are needed for outbound activities, such as grant manuscripts, minutes, and Goods Release Letters (SBBK) for Alokon, and stock cards for ATK.
- B. **Inventorying:** BKKBN North Sulawesi Province conducts an inventory process consisting of two components: physical inventorying and destruction or deletion. The inventory process at BKKBN North Sulawesi Province is done by adjusting transaction records written in both inventory cards and inventory applications with the physical quantity of inventory in the Alokon and ATK storage warehouses. Sistem Informasi Rantai Pasok Alokon (SIRIKA) is an application used by BKKBN North Sulawesi Province to record Alokon inventory from the central BKKBN, and an additional application called the Sistem Aplikasi Keuangan Tingkat Instansi (SAKTI) issued by the Ministry of Finance to record Alokon and ATK. For the destruction of damaged or expired Alokon at BKKBN North Sulawesi Province, minutes must be issued by partners working with BKKBN North Sulawesi Province.
- C. **Reporting:** The reporting process at BKKBN North Sulawesi Province involves presenting inventory reports and inventory mutation reports based on matching the condition and quantity of physical inventory with data in SIRIKA and SAKTI. These reports are signed by the Authorized Goods User (KPB) and consolidated into other BMN reports. Inventory reporting schedules are conducted semi-annually and annually, with semi-annual reporting in January and July, and annual reporting in January.

4.1.2 Internal Control System Including Control Environment and Control Activities Over Inventory Management of Medicines and Supplies at BKKBN North Sulawesi Province

1. Control Environment:

- a. **Commitment to Integrity and Ethical Values:** Based on interviews with three sources, employees are required to arrive on time at 07.30 AM and leave at 4.00 PM. Employees who violate this will face strict sanctions, as employee activities at BKKBN North Sulawesi Province are monitored through the Human Resources Management Information System (SIMSDM). Despite this, there are still individuals at BKKBN North Sulawesi Province engaging in irresponsible behavior regarding the application of integrity and ethical values.
- b. **Commitment to Competence:** According to interviews, the main requirement to work at BKKBN is passing the joint selection for becoming Aparatur Sipil Negara (ASN). Although employees primarily work within their competencies, they may work outside their competencies for various reasons but will be trained until they fully understand their duties and responsibilities. Routine job rotations are also implemented.
- c. **Board of Commissioners or Audit Committee Participation:** The internal audit committee at BKKBN North Sulawesi Province is headquartered in Jakarta. For BKKBN North Sulawesi

Province, an internal team, Zona Integritas Wilayah Bebas Korupsi dan Sistem Pengendalian Internal Pemerintah (ZIWBK and SPIP), handles audits. Each province has such an audit team, but they do not audit directly; they assist with accountability before central audits.

- d. **Management's Philosophy and Operating Style:** BKKBN North Sulawesi Province's slogan for the family planning program is "two children are healthier," replacing "two children are enough." The tagline is "planning is cool," and the motto is "ready to move towards a corruption-free integrity zone, clean and serving." The management operating style includes clear communication and guidance for employees.
- e. **Organizational Structure:** The organizational structure at BKKBN North Sulawesi Province is functional and systematic, with duties and authorities assigned appropriately to employees.
- f. **Authorization and Responsibility Setting:** Employees at BKKBN North Sulawesi Province are required to carry out their responsibilities to the fullest, with sanctions for those who do not perform or neglect their duties.
- g. **Human Resources (HR) Practices and Policies:** Employees at BKKBN North Sulawesi Province, who have passed the CPNS and PPPK selection to become ASN, are required to participate in various training programs to improve their skills and competencies. Regular monitoring of employee performance is conducted through SIMSDM and the Employee Performance Visum System (SIVIKA).

2. Control Activities:

a. Authorization of Transactions and Activities

Authorization for transactions is carried out with approval or orders from supervisors or authorized personnel on inventory documents as proof of the transaction activities in question. Without authorization from supervisors or those with the appropriate authority, no significant events at BKKBN North Sulawesi Province will take place. Supervisors hold the highest authority to handle matters and make decisions at BKKBN North Sulawesi Province.

b. Segregation of Duties

Based on the interviews conducted, the authority and responsibilities applied by BKKBN North Sulawesi Province are in place. However, in practice, there is still frequent overlapping of tasks and responsibilities in daily work. This overlapping often involves one employee performing more than one task, where one of the tasks is not their responsibility. This situation is particularly evident in inventory management, where the delegation of authority results in a single responsibility covering two or more tasks, which can lead to fraud.

c. Use of Proper Documents and Records

To effectively control all inventories, BKKBN North Sulawesi Province uses applications to monitor inventory inflows and outflows. For contraceptives, BKKBN North Sulawesi Province uses a platform called SIRIKA, which is exclusively used by BKKBN. Additionally, there is an application called SAKTI issued by the Ministry of Finance. For office supply inventories, only the SAKTI application is used.

d. Physical Control Over Assets and Documents

Physical control over assets and documents is crucial for maximizing inventory management activities. To ensure all documents at BKKBN North Sulawesi Province are well-maintained, the institution archives all important documents in an archive warehouse located in Pumorow. The warehouse key is held solely by the warehouse officer. In addition to archiving physical documents, BKKBN North Sulawesi Province archives soft copies in a computer storage system. Physical control over inventory assets at BKKBN North Sulawesi Province is implemented through internal stock takes. Additionally, the central office requires a stock take every semester, with reports from the province sent to the central office. This process usually involves synchronizing physical stock with inventory cards and application data.

e. Independent Performance Checks on the Institution

Performance checks on the institution are conducted by Badan Pemeriksa Keuangan (BPK). These inspections typically occur annually or more frequently to ensure that activities involving state funds are thoroughly examined. Regular inspections by BPK help verify performance and compliance in using government resources.

4.2. Discussion

4.2.1 Analysis of the Internal Control System Including Control Environment and Control Activities Over Inventory Management of Medicines and Supplies at BKKBN North Sulawesi Province

1. Control Environment

- a. **Commitment to Integrity and Ethical Values:** The commitment to integrity and ethical values at BKKBN North Sulawesi Province exists but has not been well implemented. Integrity and ethical values represent the standard of behavior and morality of the entity, including how these standards are communicated and applied. However, there are still employees at BKKBN North Sulawesi Province who exhibit dishonest and irresponsible behavior, undermining the institution's integrity and ethical standards. This ongoing issue, if left unaddressed, could negatively impact the institution's development.
- b. **Commitment to Competence:** The commitment to competence at BKKBN North Sulawesi Province is appropriate and effectively implemented. All permanent employees have passed the selection process for Civil Servants (ASN) and are qualified. Additionally, BKKBN North Sulawesi Province conducts job rotations to balance workloads, enhance knowledge and experience, and prevent job monotony.
- c. **Board of Commissioners or Audit Committee Participation:** The internal audit committee for BKKBN North Sulawesi Province is based at the central office in Jakarta. The central audit team conducts annual inspections. BKKBN North Sulawesi Province also has a special audit team, the Integrity Zone Work Team and Government Internal Control System (ZIWBK and SPIP), which functions as an early warning system.
- e. **Organizational Structure:** The organizational structure at BKKBN North Sulawesi Province is functionally and systematically designed, with duties and authorities appropriately distributed among employees.
- f. **Authorization and Responsibility Setting:** The methods for establishing authority and responsibility at BKKBN North Sulawesi Province are well-defined and effectively implemented. This is evident from the clear assignment of authority within the organization, where supervisors have the right to lead and issue directives to their employees, provided it is within a positive context. Additionally, the responsibilities at BKKBN North Sulawesi Province are diligently upheld by both the leadership and the

- staff, with everyone striving to fulfill their duties to the best of their abilities.
- g. **Human Resources (HR) practices and policies:** at BKKBN North Sulawesi Province appear to be effective. This is evident from the organization's commitment to providing various specialized training programs for its employees. These training sessions are held regularly throughout the year and include professional speakers, training at the central BKKBN office, and online webinars. This approach demonstrates a commendable effort by BKKBN North Sulawesi Province to continually enhance the skills and competencies of its staff, making them more effective and efficient in their work.

2. Control Activities

- a. **Authorization of Transactions and Activities:** The authorization of transactions and activities at BKKBN North Sulawesi Province has been effectively implemented. Every transaction and activity undergoes an authorization process by the relevant authorities (supervisors). This authorization process often involves the supervisor's signature as a form of approval. Government agency leaders have the responsibility to authorize important transactions and events. To carry out this responsibility, they must establish and communicate the terms and conditions of authorization to all employees.
- b. **Segregation of Duties:** The segregation of duties and responsibilities at BKKBN North Sulawesi Province is in place but not yet implemented as it should be. In practice, several employees still perform multiple roles. This job overlapping occurs due to a shortage of human resources and the need to assist colleagues who are on leave or face difficulties attending work on a given day. In the inventory management section specifically, one employee handles tasks from recording and data entry to distributing goods. This situation, resulting from the HR shortage, forces inventory staff to take on multiple roles. Such a practice is risky as it can lead to various intentional or unintentional issues.
- c. **Use of Proper Documents and Records:** The documents and records at BKKBN North Sulawesi Province are adequate and well-maintained, making them effective. Every transaction requires documentation or proof of transaction, and it is meticulously recorded to prevent fraud or data manipulation. Good documentation and record-keeping are usually accompanied by the appropriate and responsible use of authority. Additionally, the documents should be user-friendly for employees, made from quality materials to ensure longevity when stored or archived in the warehouse.
- d. **Physical Control Over Assets and Documents:** Physical control over assets such as contraceptive tools and medicines, as well as office supplies and records at BKKBN North Sulawesi Province, is well-managed. This is evident from the availability of a dedicated warehouse for contraceptive supplies (Alokon) and the proper storage of all documents/records in filing cabinets, with soft copies stored on BKKBN's computers. To enhance supervision and security in the Alokon warehouse, CCTV cameras are installed, allowing BKKBN North Sulawesi Province to monitor and protect its Alokon inventory. Additionally, the institution conducts regular checks or stock takes of Alokon and office supplies at least once a month to ensure accurate inventory management.
- e. **Independent Performance Checks:** Independent performance checks are conducted regularly by Badan Pemeriksa Keuangan (BPK) to ensure proper use of state funds and overall compliance.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

Based on the research conducted at BKKBN North Sulawesi Province, the following conclusions can be drawn:

1. The control environment at BKKBN North Sulawesi Province is inadequate. Integrity and ethical values are not fully implemented, with some employees engaging in dishonest and manipulative behaviors.
2. Control activities are also inadequate due to job overlapping, resulting in employees handling multiple tasks, which violates the delegation of authority and increases the risk of fraud.

5.2. Recommendations

1. BKKBN North Sulawesi Province should enhance monitoring and supervision of its employees to minimize fraud and apply strict sanctions to violators to deter repeat offenses.
2. BKKBN North Sulawesi Province should address HR shortages with the central office to find solutions, particularly in inventory management of contraceptives and office supplies.
3. Supervisors should regularly evaluate employee performance to ensure accountability and responsibility, preventing employees from neglecting their duties or delegating tasks without proper authority.

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