

The Inventory Audit Procedures in the Community Health Center: The Case Study of a Public Accounting Firm in Central Java Province

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ABSTRACT: *The purpose of this study is to meticulously explain the Central Java Province Health Center's inventory account audit methods and the crucial conclusions reached by the Wahyu Setyaningsih Public Accounting Firm. To ensure the existence and completeness of a community health center, and to identify any disparities or inadequacies between the balances in the current financial statements and the real inventory, an inventory audit must be conducted. This study's primary and secondary data are documentation, literature, and interviews. A thorough analysis of the data from the public accounting firm observations will be conducted to understand what transpired. The Firm, known for its adherence to procedural rules for expert auditing and conducting audit procedures in compliance with the professional accountant standards established by the Indonesian Institute of Public Accountants, has provided reliable findings and interviews. When inspecting a health center's financial report, the audit company frequently discovered nearly identical results from many audited health centers, such as improperly managed storage warehouses for inventories and manual inventory recording that differed from computerized recording programs. After the term, warehouse staff wrote out or zeroed out consumables. The management letter, including the crucial findings, will be delivered to the customer, who will then decide whether or not to fix any issues that are currently present.*

Keywords: *Central Java Province, community health center, inventory audit procedures, public accounting firm (KAP).*

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INTRODUCTION

In an era of tight financial management in the public sector, auditing has become an important tool to ensure accountability and transparency in the management of public funds. Among the various assets regulated by the Regional Government, supplies at Community Health Centers are of particular concern, considering their critical role in ensuring the availability of adequate medicines and health equipment for the community (Humas Birokrasi, 2023). Community Health Centers' inventory audits concern compliance with regulations, efficient resource management, and appropriate risk control.

In carrying out its business, a health center plays a crucial role in preparing a financial report as a summary of an entity's condition and financial performance, which will be structured in a financial report based on applicable standards. The health center's accountability to internal parties, external parties, or interested parties is manifested in these financial reports (Pratolo et al., 2022). Financial reports can be made every month, trimester (3 months), semester (6 months), or annually (12 months). Financial reports are prepared monthly to make it easier for community health centers to control their financial conditions and performance. Examination of financial reports needs to be carried out to obtain confidence and assess the fairness of the financial reports (Hoirunnisa, 2019). Internal and external auditors work for a particular entity. Internal auditors will work with health center management to stop irregularities before, during, and after activities are completed. Meanwhile, the external auditor will evaluate the final results of the activity or program being audited. The external auditor who examines the health center's financial records is an auditor employed by a public accounting firm. According to the Regulation of the Minister of Finance of the Republic of Indonesia, a Public Accounting Firm, also called KAP, is a legal entity that has received permission from the Minister to become a place for Public Accountants to provide their services, Number 17/PMK.01/2008. The main activity carried out by KAP Wahyu Setyaningsih is auditing financial reports for the Regional Public Service Agency (BLUD), such as community health centers and hospitals, or auditing financial reports for private organizations.

According to the Statement of Financial Audit Standards (PSAK), an audit is a systematic process to collect and evaluate evidence collected on statements or assertions about actions and economic events, determine the extent to which these statements or assertions correspond to reality, and inform interested parties about the findings. A financial audit is a specific type in which a company or organization's financial statements are examined to provide a third party's opinion on the financial accounts' accuracy, completeness, and applicability. The five main financial reports that an organization or corporation will produce for its business are a profit and loss report, a statement of changes in equity (LPE), a statement of financial position, a cash flow report (LAK), and notes to financial reports (CALK). According to Minister of Home Affairs Regulation No. 79 of 2018, BLUDs are required to make a total of seven financial reports, including Budget Realization Report (LRA), Budget Balance Change Report (LP SAL), Operational Report (LO), Change in Equity Report (LPE), Financial Position Report (Balance Sheet), Cash Flow Reports (LAK), and Notes to Financial Reports primarily create financial reports for the business (Mardiati et al., 2023), which are used to assess the overall financial health of the organization.

Inventory is included in one of the accounts in the assets section, more precisely, current assets, which have a fairly large amount and are easy to liquidate. It is important to determine the value of inventory accurately in accordance with applicable accounting standards (Listalia & Suryaningrum, 2023), as well as ensure that in the recording process, there are no differences between the amount of inventory in the warehouse, stock cards, and the balance contained in the financial statements (Siti, 2022). A valuation assertion is a method for determining whether inventory value has been recorded accurately in the financial statements. Management asserts how transactions and related accounts are classified and disclosed in the financial statements. Assertions are divided into five types, namely rights and obligations, occurrence, completeness, assessment and allocation, and presentation and disclosure. Factual inventory is an audit process designed to identify inaccuracies that could affect the accuracy of financial statements. These inaccuracies can be found in the rupiah value records or the actual state of the on-site inventory. The audit process aims to determine the value of inventory differences, which assesses whether the entity's financial statements present inventory accurately and in accordance with applicable accounting standards.

Several problems were found that are still frequently encountered when auditors audit the financial reports of a community health center (BLUD); namely, manual recording for inventory is different from computerized recording programs. Inventory records are sometimes not updated according to program records, which are used as backups for the health center. This will be the auditor's finding when the financial statements are audited because they are inappropriate. The auditor can suggest that inventory recording,

either manually or by program, be carried out routinely once a month. Apart from that, the storage warehouse for supplies is not neatly organized. If storage is not neat, inventory items will not be controlled properly. For example, warehouse employees do not know which inventory has expired, damaged, or lost goods. This will affect inventory recording, which is different from the physical quantity. Internal control in inventory warehouses can be improved to make it neater and easier to control. There is also something often found by auditors, namely that consumables are written out or zero by warehouse employees at the end of the period. Recording consumables used up or zero at the end of the period because no inventory was recorded during the current period, so the remaining consumables are unknown at the end.

Research on an in-depth understanding of inventory audit procedures in Community Health Centers is still relatively new in the context of public sector audits in Indonesia (Fajar et al., 2017; Gustriansyah et al., 2017; Hoirunnisa, 2019; Indarti et al., 2019; Listalia & Suryaningrum, 2023). Previous studies tend to focus more on aspects of formal compliance with regulations. In contrast, attention to effectiveness, efficiency, and risk control in the inventory audit process is still relatively minimal. It is important to conduct in-depth research regarding inventory audit procedures in Community Health Centers, especially using a case study approach, which leads to contextual understanding and real implementation in the work environment. Through this study, it is hoped that best practice patterns and findings can be found to increase the effectiveness of inventory audits in Community Health Centers, especially in Central Java Province. This research aims to fill the knowledge gaps in the public sector audit literature, especially related to inventory audit procedures in Community Health Centers. Therefore, the research question is:

RQ: How do inventory audits at Community Health Centers in Central Java be carried out?

Amid the lack of research that specifically focuses on aspects of inventory audits in primary-level health institutions, especially in a more specific provincial context such as Central Java, this research is hoped to contribute significantly. Specifically, this research will explore the audit practices at the Sri Wahyuningsih Public Accounting Firm operating in Central Java Province, focusing on inventory audit procedures at Community Health Centers. This research will also try to identify existing problems and relevant audit standards and look for potential improvements and innovations to improve the quality of inventory audits in the health sector. Thus, this research can provide new insights and a deeper understanding of how to increase the effectiveness and efficiency of inventory audits at Community Health Centers and encourage improvements in the overall quality of health services in the context of regional autonomy in Indonesia.

LITERATURE REVIEW

Inventory

A company's inventory is a critical component that needs to be maintained for commercial operations to continue (Rumenser, 2022). Inventory also significantly impacts the value of an organization's assets and material value. Each entity must calculate the value of its inventory and do so in accordance with applicable accounting standards. The findings of evaluating inventory value significantly impact the income statement and financial statements and serve as a guide for deciding what actions stakeholders, both internal and external to the organization, should take.

According to PSAK No. 14 (IAI, 2014), inventory is an asset that contains organizational property intended for sale, inventory of goods being produced, inventory of goods for maintenance, and inventory of goods for general storage. According to Rudianto (2019), inventory is a commodity available for sale during an organization's routine operations, during such sales, or in the form of supplies or equipment used during production or when providing services. According to SAK (2014), stock is a current asset that includes products or equipment designed to support government operational activities and goods intended to be sold and/or provided in the context of public services.

According to Rudianto (2019), there are two recording techniques. The first is the physical method, where a physical inventory count must be performed to determine the inventory value at a particular time under periodic or physical inventory management methods because the flow of incoming and outgoing goods is not tracked closely (stocktaking). Second, the perpetual method is where inventory is carefully recorded as income and expenditure. Under this system, each type of inventory is assigned a stock card, which carefully documents the introduction of the product and its price into the warehouse.

In accounting, ending inventory value can be calculated in three ways [Rudianto \(2019\)](#) and [Tanjung et al. \(2023\)](#): 1) First in First out (FIFO) Method. According to the FIFO technique, the newly manufactured or first purchased goods are issued (sold), so the only goods remaining at the end of the period are the last produced or purchased goods. Thus, the cost price corresponds to the item or unit at the end of production or the final purchasing period. 2) Last in First out (LIFO) Method. According to LIFO valuation, products purchased or made last will be released (sold) first. As a result, goods at the end of time or remaining are made or purchased at the beginning. So, the latest purchase date or the earliest manufacturing date will determine the cost of goods. 3) Moving Average or Weighted Average Method. Leftover products and goods issued or sold are valued using moving average prices in the moving average technique. The last item contains the average value of everything produced during the period.

Audit

According to [Arens et al. \(2017\)](#), auditing is the act of collecting and assessing evidence regarding that information to ensure and communicate how much information is in accordance with specified standards. An independent and competent party must conduct the audit. Definition According to PSAK, an audit is a procedure that assesses information collected on claims made about various economic actions or events, determines how closely these claims correspond to reality and then communicates these findings to interested parties.

The objective of an audit is to provide financial reports for external and internal stakeholders, along with the auditor's assessment of whether the financial statements are presented honestly and accurately, identify levels of significance, and confirm that accounting procedures comply with relevant procedures. Financial accounting framework. As a result of this auditor's assessment, the level of trust between internal and external stakeholders in the organization's financial reporting increases ([Arens et al., 2017](#)). A statement is made by one party that is implicitly intended for use by another party (third party). Statements regarding assertions will be seen for their conformity with applicable principles. The relationship between management assertions and audit procedures is that management assertions are needed to start the financial report audit stage.

Inventory Audit Procedures

According to [Ardianingsih, \(2018\)](#) and [Syakira & Aisyaturrahmi \(2022\)](#), the inventory audit procedure consists of several stages performed by a group or institution to measure how well financial reports that refer to related financial accounting can be presented and disclosed by standards (SAK). The process must be methodical and logical to provide a competent and consistent opinion on the fairness of the disclosure and presentation of inventory in financial reports ([IAPI, 2021](#)).

The exact activities that make up the audit process are used to collect various types of audit evidence. Auditors' data sets serve to base their assessments of audited financial accounts. Audit procedures, as defined by [Arens et al. \(2017\)](#), are detailed steps usually written as instructions. These audit procedures must be transparent enough to ensure each audit team member knows how to collect the eight types of audit evidence ([IAPI, 2021](#)). The main purpose of an inventory inspection is to ensure that:

- a) These supplies and inventories physically exist
- b) Inventories are presented in accordance with the generally accepted accounting principles (PSAK).
- c) Inventory cut-off procedures are routinely carried out in accordance with applicable Accounting Standards (PSAK).
- d) Expired or damaged and slow-moving inventory has been separated and stored in sufficient reserves
- e) All calculations are carried out mathematically carefully and accurately
- f) Notes to financial statements provide an accurate and transparent presentation of all inventory accounts (CALK)

RESEARCH METHOD

This research is qualitative, using interview, observation, and documentation methods ([Ghozali & Latan, 2015](#)). The analysis was descriptively based on interviews, observations, and documentation results. The research location for this study is KAP Wahyu Setyaningsih. Located in Cluster Dinar Indah 4D No. 9 RT 004 RW 026 Meteseh, Tembalang, Semarang, 50271. The objects of this research are ten Community

Health Centers in Central Java Province, which were audited by the Wahyu Setyaningsih Public Accounting Office in 2022 regarding inventory accounts.

Theoretically, the stages of an inventory audit procedure are inspecting, scanning, observing, confirming, inquiring, counting, tracing, vouching, reperforming, and computer-assisted audit techniques. The stages of the audit procedure were observed during the audit at ten Community Health Centers in Central Java. In addition to observing the implementation of audit procedures, interviews were conducted at each stage to ensure the audit procedures' accuracy. Next, each procedure stage was discussed by comparing them with inventory audit theoretically.

RESULTS AND DISCUSSION

Wahyu Setyaningsih Public Accounting Firms

KAP Wahyu Setyaningsih obtained permission with Minister of Finance Decree No.733/KM.1/2019, and Wahyu Setyaningsih obtained permission in accordance with Minister of Finance Decree No.82/KM.1/2018 as a Public Accountant. He is also registered as a Partner of the Financial Audit Agency (BPK) with registration number 27/DSAP/MITRA/JKT/07/2018. Mrs. Wahyu Setyaningsih, an Indonesian Chartered Accountant and Certified Public Accountant (CPA), formed the Wahyu Setyaningsih Public Accounting Firm (KAP) (CA). He worked as a Senior Auditor for almost 13 years at KAP Sugeng Pamudji, now known as KAP Kumalahadi, Kuncara, Sugeng Pamudji, and Partners. He also worked as a partner at KAP Sarastanto for a year in Semarang as a partner at KJA Wahyu, Yeni, and Novi. Professionals from UNDIP, Semarang State Polytechnic, UI, UNS, and other prestigious universities assist KAP Wahyu Setyaningsih. KAP Wahyu Setyaningsih is ready to help transform businesses into ethical ones.

The organizational structure and relationship between each component and position within an organization or business are necessary to carry out operational tasks and achieve goals. Figure 1 provides an overview of the organizational structure at the Wahyu Setyaningsih Public Accounting Firm.

Survey results and preliminary observations

Observations regarding audit procedures for inventory accounts carried out by KAP Wahyu Setyaningsih. The research object is the Community Health Center in Central Java Province as a client of KAP itself. There are several things discovered by the author that will be used as the subject of discussion for this report, including:

- a) Know how to implement audit procedures for inventory accounts carried out by KAP Wahyu Setyaningsih at the Central Java Province Health Center.
- b) The audit procedures for inventory accounts carried out by the Wahyu Setyaningsih Public Accounting Firm in practice do not significantly differ from existing theoretical inventory audit procedures.
- c) Findings when auditing financial reports on inventory accounts, namely:
 - 1) Manual recording of inventory is different from computerized recording programs
An entity's Inventory accounts are usually manually recorded on stock cards or with a computer program. However, several community health centers still do not update inventory records manually. So, only computerized records are updated. Manual recording will be a backup if the entity program experiences problems. There are differences when the auditor checks the suitability of recording between physical inventory, manual recording, and program recording.
 - 2) The storage warehouse for supplies is not neatly organized. If the storage is not neat, it will cause goods to become untidy
Inventory becomes poorly controlled. For example, warehouse employees do not know which inventory has expired, damaged, or lost goods. This will affect inventory recording, which is different from the physical quantity.
 - 3) Consumables are written down as out of stock or zero by warehouse employees at the end of the period
Warehouse employees often record out-of-stock or zero consumables at the end of the period. The aim is that when an audit is carried out on consumable materials (BHP), there is no need to show the goods physically. The reason is that inventory was not recorded during the current period. So that it is not used as an auditor's finding, and the goods are made out of stock.

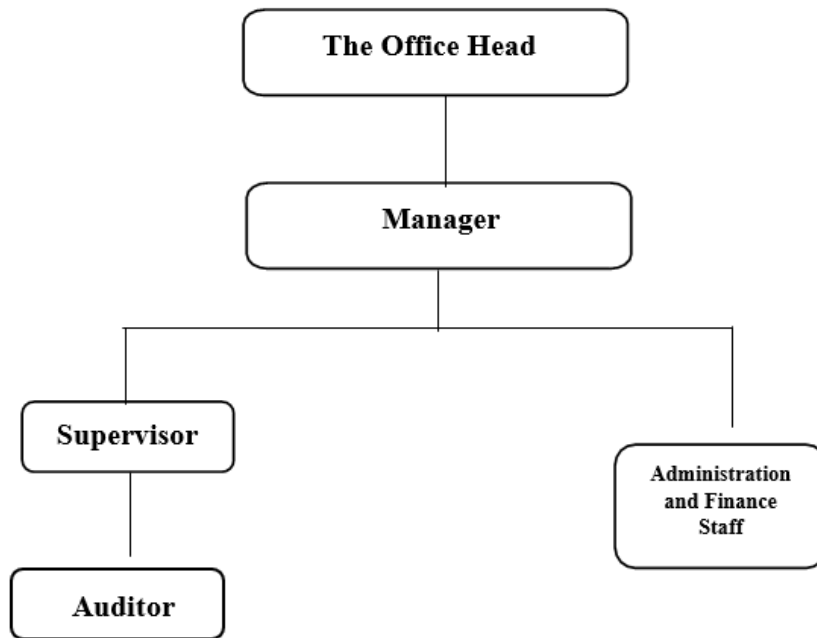


Figure 1. The Organizational Structure of KAP Wahyu Setyaningsih

Source: KAP Wahyu Setyaningsih

Inventory Audit Program

One of the most crucial business components is inventory. Stock is a term used to describe current assets such as goods intended for sale or provision of public services and commodities or equipment used to support government operational activities, according to SAK tahun 2014 (IAI, 2014).

Inventory is a resource that can be saved to anticipate strong consumer demand. It is a product that a company owns and obtains by purchasing from third parties. It will later be sold and returned to customers according to their needs to obtain income. Inventory is classified as a component of current assets in an entity's financial position statement (Karongkong et al., 2018). One of the asset values owned by an entity in large quantities is inventory.

However, inventory should not be stored too long because it poses several risks for the entity. For example, there are quite a few additional costs for storing these supplies. Also, inventory stored for too long will expire or become damaged because it is piled up with other items. Therefore, an inventory audit must be implemented diligently.

KAP Wahyu Setyaningsih has a standard inventory program audit (Table 1), which auditors must implement. This is supported by the results of interviews with office leaders as follows:

"That's right. We have a standard audit program generally required to be implemented by auditors conducting inventory audits. Deviations from the program may occur if the auditee limits the program or makes extraordinary findings that require more in-depth examination..."

"Benar, kami punya standar program audit yang secara umum wajib dilaksanakan oleh auditor yang melakukan audit persediaan. Penyimpangan dari program tersebut mungkin terjadi bila ada batasan oleh auditee atau ada temuan luar biasa yang membutuhkan pemeriksaan lebih mendalam..." (in Bahasa)

Based on interviews, observations, and documentation, Table 2 compares inventory audit procedures carried out by KAP Wahyu Setyaningsih with the standards set in accordance with the Audit Standards (AS) 501 (IAPI, 2021).

Table 1. Inventory Audit Program

INVENTORY AUDIT PROGRAM			
Client Name : xxxx			
Book Year : xxxx			
No	Audit Procedures	Reff KKP	Paraf
1.	Request or create an inventory list and a physical count of goods for the period covered by the financial report. Write a summary if necessary.		
2.	Obtain the inventory ledger and compare the balance in the inventory list with the amount displayed.		
3.	Compare the opening balance in the general ledger or similar format with the balance determined by the previous year's audit results.		
4.	Check the inventory list included with the physical count report, calculate using samples of various types of products or goods deemed necessary, in large quantities, etc., and look for matches between the list and the balance sheet date.		
5.	Perform an ending inventory pricing test to see whether the various items sampled are priced according to a widely accepted and used methodology.		
6.	Analyze changes for a particular month using voucher sheets as proof of income and expenses.		
7.	Compare the ending inventory value reported in COGS (Cost of Goods Sold) or cost of goods calculation with the ending inventory value listed in the ledger or other equivalent format.		
8.	Check to see if any supplies or inventories are stored elsewhere.		
9.	If necessary, keep a recommended correction diary.		
10.	Draw conclusions and comments on inspection findings.		

Source: KAP Wahyu Setyaningsih

Table 2. Inventory Audit Procedures based on KAP and AS 501

No.	Inventory Audit Procedure by KAP	Inventory Audit Procedures Based on Audit Standards (AS)
1.	Initial Audit Procedures	Based on Audit Standards (SA) 501, the Indonesian Institute of Public Accountants (IAPI) explains inventory as follows:
	a. Make observations and assess the effectiveness of the client's SPI.	
	b. Create an inventory audit program.	1) If the inventory amount is material in the financial statements, the auditor must have actual, sufficient and consistent audit evidence regarding the inventory amount by:
	c. Request data from clients	
	d. Checking the arithmetic correctness of client data	
	e. Request Last Year's KKP	
	f. Match the initial balance to the ending balance of the previous year's KKP with the Inventory Ledger.	2) Request a physical calculation:
	g. Create an Inventory KKP	a. Evaluate procedures and client instructions,
	h. Determine a sample from the inventory population with a large value, or that looks conspicuous when taking stock.	b. Observe the implementation of calculation procedures made by the client,

No.	Inventory Audit Procedure by KAP	Inventory Audit Procedures Based on Audit Standards (AS)
<p>2. Testing of Account Balances</p> <ul style="list-style-type: none"> a. Study the physical inventory count plan that has been implemented b. Request a copy of the client's physical count results c. Make observations d. Make Minutes of Calculation (BAP) of stock-taking e. Carry out the above calculation test supplies that are sampled and traced to the balance sheet date (traceback) f. Perform testing of ending inventory pricing for sampled inventory g. Confirm inventory h. Match the data with the ending balance of the Inventory Ledger and Inventory List i. Make a list of questions related to the findings j. Third parties or clients will answer all questions from KAP Wahyu Setyaningsih (senior auditor) in inventory confirmation letters and other forms. k. Make suggestions in error journaling l. Discuss with the client the findings m. Make conclusions 	<ul style="list-style-type: none"> c. Carry out inventory inspections d. Perform physical calculation tests. 3) Review the implementation of audit procedures on final inventory records to see whether the records match the actual physical count results or vice versa. 4) Seeing the conformity of the dates in the financial statements with the physical calculations carried out, the auditor must ensure that these changes have been recorded properly. 5) If the auditor cannot attend the physical inventory count due to certain conditions, the auditor must change the observation schedule to another date 6) If physical inventory counting is impractical, the auditor can perform alternative audit procedures to obtain appropriate evidence regarding inventory conditions. 7) If the inventory held by a third party is of material value, the auditor must obtain sufficient audit evidence by doing the following: <ul style="list-style-type: none"> a. Request information from third parties regarding the quantity and condition of inventory stored on behalf of the client. b. Carry out inspections on other audit procedures adapted to conditions. 	
<p>3. Verifying Inventory Presentation and Disclosure</p> <p>Propose a comparison of the presentation of the financial statements applied by the client with generally accepted accounting principles in determining whether the presentation applied by the client has been presented fairly and is not material:</p> <ul style="list-style-type: none"> a. Check the inventory classification on the balance sheet. b. Check the relevant inventory disclosures. 		

Source: KAP Wahyu Setyaningsih and AS 501

First Stage: Audit Engagement

In this first stage, the client and the KAP will agree to enter an audit work agreement on the financial statements (Wu et al., 2023). The following is a summary of the results of the interview with the head of the office and one of the auditors:

“When carrying out an audit engagement, the client will submit a financial report on the client organization's inventory account. After reviewing the financial reports, the KAP will decide whether to accept the audit engagement with the client or not...”

“Pihak klien akan menyerahkan laporan keuangan atas akun persediaan organisasi klien ketika akan melakukan suatu perikatan audit. Setelah mereview laporan keuangan, KAP akan memutuskan apakah akan menerima perikatan audit dengan klien atau tidak...” (in Bahasa)

“Several considerations need to be taken in deciding to accept or reject the audit engagement, including measuring independence, management honesty, and audit proficiency. When the KAP accepts cooperation, an audit engagement letter will be written with the client...”

“Beberapa pertimbangan perlu dilakukan dalam memutuskan menerima atau menolak perikatan audit, antara lain mengukur independensi, mengukur kejujuran manajemen, dan mengukur kemahiran audit. Apabila KAP menerima kerjasama maka akan dibuatkan surat perikatan audit dengan klien...” (in Bahasa)

Second Stage: Planning

The second stage when auditing financial reports on inventory accounts is carrying out a planning audit (Glover et al., 2000). A summary of the results of interviews with office heads and managers is as follows:

“Audit planning must be carried out before the audit begins. We must first understand the client's business processes to plan this audit. We ask clients to fill out a questionnaire. Besides that, analytical procedures were also carried out...”

“Perencanaan audit harus dilakukan sebelum audit dimulai. Pertama-tama kita harus memahami proses bisnis klien untuk merencanakan audit ini. Kita minta klien untuk mengisi kuesioner. Selain itu, prosedur analitis juga dilakukan...” (in Bahasa)

Audit planning by KAP includes:

- a. Understand the client's business process by creating a questionnaire to submit to the client when conducting field audits of inventory accounts.
- b. Carrying out analytical procedures:
 - ✓ Evaluate data, find key variances, and perform evaluations to check for any errors in inventory accounts.
 - ✓ Find the calculation or comparison that must be performed and use it.
 - ✓ Know and evaluate the client organization's internal control of inventory accounts;
 - ✓ Take into account the first level of materiality;
 - ✓ Take into account financial statement levels and account balance levels for inventory accounts
 - ✓ If you have done the things mentioned previously and made considerations, then an appropriate audit plan will be developed on the client organization's inventory account.

Third Stage: Testing

The internal control system for inventory and substantive testing is tested in the third stage (Smith et al., 2000). A summary of the results of interviews with office heads, managers, and auditors is as follows:

“We need to determine the extent of the audit by conducting internal control testing. The worse the internal control, the more extensive the inventory audit process. The area referred to determines the type, quantity, and value of inventory to be audited...”

“Pada dasarnya kita perlu menentukan sejauh mana audit dengan melakukan pengujian pengendalian internal. Semakin buruk pengendalian internal, semakin ekstensif proses audit persediaan. Area yang dimaksud menentukan jenis, jumlah, dan nilai persediaan yang akan diaudit...” (in Bahasa)

The inventory account will be tested by the auditor in this third step, including:

a. Testing of Controls

- 1) Control Environment
Top management, directors, commissioners, and owners of an organization all have a role in the control environment through their actions, rules, and procedures.
- 2) Risk Assessment
Management must consider factors that may occur within the organization in the risk assessment process.
- 3) Information and Communication

An information and communications system enables an entity to obtain and communicate important information. It also manages, controls, and carries out all operational activities that enable employees or staff to carry out their responsibilities.

4) Control Activities

Includes procedures and policies that need to be implemented by the organization. Control activities consist of:

- Appropriate division of work
- Authorize transactions
- Adequate document records
- Physical control of assets and records
- Independent checking of implementation

5) Monitoring

Monitoring is determining the performance of an entity's internal control. Determining operations and control designs to implement necessary corrective actions may be one of the activities performed.

b. Substantive Testing

1) Initial Audit Procedures

The customer's entry for the inventory balance on the balance sheet must match the physical balance as of the balance sheet date. Balance sheet account balance information is compared with notes.

2) appropriate accounting by the auditor. Reconciliation is required to ensure the accuracy of accounting records that support balance sheet information. To check the information on the balance sheet with the relevant accounting records, the auditor performs the following audit procedures:

- Relate the applicable Inventory account balance in the general ledger to the inventory balance shown on the balance sheet
- Recalculate the general ledger inventory account balance
- Link the opening balance of the Inventory account to a working document from the previous year
- Follow the posting of inventory account debits and credits to the relevant journals
- Reconcile inventory subsidiary ledger with general ledger inventory control accounts

3) Analytical Procedures

Analytical techniques, in particular, closely examine whether the inventory reflected in the balance sheet is reasonable. During this process, the auditor calculates some inventory-related ratios, such as if there are variations in certain ratios from the previous year's ratios and the turnover rate of different inventory groups; the auditor must obtain an explanation of the reasons for the variation in the ratios. Inventory levels at the balance sheet date, sales volumes, and turnover rates must be related to support the auditor's substantive tests.

4) Testing of Detailed Transactions

The occurrence of the following transactions, which are debited and credited to the Accounts Receivable account, has a significant impact on the accuracy of the inventory balance:

- Purchase transactions
- Sales transactions
- Usage transactions.

Another element that influences inventory account balances' reliability is the accuracy of the cutoffs used to record the various transactions discussed previously. So, transactions involving these accounts are recorded using cut-off tests, and the auditor performs substantive tests on certain transactions that debit and credit the Inventory account.

5) Testing of Detailed Account Balances

Observe physical inventory counts to support claims that:

- existence and occurrence
- completeness
- inventory assessment

The examiner of the physical inventory count is the auditor. Auditors use the following audit protocol to observe physical inventory counts:

- Check written instructions regarding physical inventory counts
- Checking the physical inventory count carried out by the client

6) Verify Presentation and Disclosure

Based on applicable accounting principles, the auditor verifies the presentation of inventory in the statement of financial position or balance sheet by:

- Check inventory classification in the statement of financial position or balance sheet
- Check the employee's explanation regarding the physical inventory
- Conduct analytical reviews on inventory accounts

Fourth Stage: Reporting

The fourth stage is the final, creating an audit report (Minutti-Meza, 2021). A summary of the results of interviews with office heads and auditors is as follows:

“Yes, at this final stage, the auditor makes a report requiring approval from the head of the office and the client. Clients will receive evaluation results and recommendations for improving inventory management...”

“Ya, pada tahap akhir ini, auditor membuat laporan yang memerlukan persetujuan kepala kantor dan klien. Klien akan menerima hasil evaluasi dan rekomendasi untuk meningkatkan manajemen persediaan...” (in Bahasa)

In the fourth or final stage, the auditor will report on the results of the audit of the inventory account that has been carried out. After an audit of the financial reports, the client will receive the evaluation results as an audit results report (LHA). In the LHA, the auditor will write recommendations for developments the client can achieve.

Audit procedures for inventory accounts explained, in theory, tend to be more difficult to understand. This procedure is explained theoretically and has not been carried out in more in-depth practice. KAP Wahyu Setyaningsih has carried out audit procedures on inventory accounts in accordance with those in theory. If, in theory, the audit procedures are discussed in a complex manner, the direct practice carried out by the KAP will not be too complicated, but pay attention to the applicable auditing standards. Audits carried out by KAP are carried out in accordance with the type of client organization to be audited. Organizations are divided into private organizations and BLUD.

Audit Findings on Inventory Account

Based on the results of observations carried out in financial report audits on inventory account financial reports, several findings generally occur in Central Java Province Health Centers. The samples taken for analysis were from five districts of Central Java Province; four health centers were taken from each district. So, the total sample studied was 20 community health centers. Table 3 summarizes the audit findings at twenty Community Health Centers in Central Java.

Based on Table 3, eight (8) of the 20 community health center samples had no audit findings or 40%. Meanwhile, 12 other community health centers, or 60%, had several different audit findings. These findings include:

- a. Manual recording of inventory is different from computerized recording programs
Inventory accounts at a health center are usually recorded on a stock card, either manually or with a computer program. However, several community health centers still do not update inventory records manually. So, only computerized records are updated. Manual recording will be a backup if the entity program experiences problems. There are differences when the auditor checks the suitability of recording between physical inventory, manual recording, and program recording.
- b. The storage warehouse for supplies is not neatly organized. The inventory will not be controlled properly if the storage is not neat. For example, warehouse employees do not know which inventory has expired, damaged, or lost goods. This will affect inventory recording, which is different from the physical amount.

Sometimes, due to the large number of patients coming for treatment at the Puskesmas, warehouse staff pay less attention to the expiry date of supplies. The most abundant supplies are medicines. The large inventory sometimes makes warehouse staff pay less attention to existing details. Related employees need to cooperate to carry out internal inventory control.

When inventory is still recognized as inventory and has not been removed from the records, it will affect the internal control aspects of a health center. So, destroying expired medicines and recording them in minutes is necessary. The auditor will later use the minutes as supporting evidence stating that expired medicines have been destroyed and are not considered health center supplies.

Apart from expired medicines, there are goods whose physical condition is damaged or unfit for use but are still stored in the warehouse and are recognized as inventory. This is because there is a large stock of medicines in the warehouse, and the organization is not neat enough, so the medicines are piled up in the warehouse for a long time. There needs to be internal control, such as checking inventory every month to assess the condition of supplies and arranging the warehouse to make it neater. When the damaged item is removed from the warehouse, an inventory stock card is also created to update the warehouse's inventory amount.

- c. Consumables are written down as out of stock or zero by warehouse employees at the end of the period. Warehouse employees often record out-of-stock or zero consumables at the end of the period. The aim is that when an audit is carried out on the BHP, there is no need to show the goods physically. The reason is that during the current period, inventory was not recorded, so it is not used as an auditor's finding, and the goods are made out of stock.

If something like this happens, it is a deviation and needs to be raised by the auditor as a finding. If the BHP is found when checking the warehouse, there is physical evidence, but the records do not match the actual conditions.

Table 3. Audit Findings on Inventory Account

CENTRAL JAVA PROVINCE COMMUNITY HEALTH CENTER YEAR 2021			
Name	Auditor Opinion	Audit Findings	
Regency A	Puskesmas 1	Clean (unqualified) opinion	Recording Differences
	Puskesmas 2	Clean (unqualified) opinion	Recording Differences
	Puskesmas 3	Clean (unqualified) opinion	no difference
	Puskesmas 4	Clean (unqualified) opinion	no difference
Regency B	Puskesmas 5	Clean (unqualified) opinion	Untidy warehouse
	Puskesmas 6	Clean (unqualified) opinion	no difference
	Puskesmas 7	Clean (unqualified) opinion	Recording Differences
	Puskesmas 8	Clean (unqualified) opinion	BHP is written as zero
Regency C	Puskesmas 9	Clean (unqualified) opinion	no difference
	Puskesmas 10	Clean (unqualified) opinion	Recording Differences
	Puskesmas 11	Clean (unqualified) opinion	Untidy warehouse
	Puskesmas 12	Clean (unqualified) opinion	BHP is written as zero
Regency D	Puskesmas 13	Clean (unqualified) opinion	no difference
	Puskesmas 14	Clean (unqualified) opinion	no difference
	Puskesmas 15	Clean (unqualified) opinion	Recording Differences
	Puskesmas 16	Clean (unqualified) opinion	Untidy warehouse
Regency E	Puskesmas 17	Clean (unqualified) opinion	no difference
	Puskesmas 18	Clean (unqualified) opinion	Recording Differences
	Puskesmas 19	Clean (unqualified) opinion	no difference
	Puskesmas 20	Clean (unqualified) opinion	BHP is written as zero

Source: KAP Wahyu Setyaningsih

A management letter will convey the auditor's findings to the client (Saiewitz & Kida, 2018). This management letter is confidential and only known to the auditor and client. If the auditor has conveyed it to the client, the final decision is in the client's hands. If the client is willing to correct the findings, it will not be submitted to the auditor's opinion. However, if the client does not want any changes, the auditor will issue these findings in his opinion.

CONCLUSION

Inventory is one of the most valuable assets, including health centers. This resource is one of many that community health centers use to carry out daily operations and care for their patients. In this case, there needs to be an auditor's role to ensure that inventory accounts have been recorded in accordance with applicable audit procedures. This is also done to minimize incidents that should not occur. The results of the research carried out show that the research objectives were achieved. It can be concluded that:

- 1) The Wahyu Setyaningsih Public Accounting Firm implemented audit procedures for inventory accounts at the Central Java Province Health Center through four stages: the audit engagement stage, the planning stage, the testing stage, and the reporting stage.
- 2) To determine whether the method for inventory accounts auditing of Central Java Province Health Centers inventory accounts by Wahyu Setyaningsih Public Accounting Firm has met the relevant auditing standards. Wahyu Setyaningsih Public Accounting Firm has adopted expert audit procedure guidelines in addition to carrying out audit procedures in accordance with the professional standards for accountants set by the Accountants Association. Indonesian public. However, in carrying out audits in the field, KAP Wahyu Setyaningsih does not always apply audit procedures as a whole in accordance with applicable standards. This depends on the type of client organization being audited.
- 3) There are several findings regarding the health center's inventory account after the auditor audited the financial statements, including:
 - ✓ Manual recording of inventory is different from computerized recording programs.
 - ✓ The storage warehouse for supplies is not neatly arranged.
 - ✓ Consumables are written down as out of stock or zero by warehouse employees at the end of the period.

Based on the existing findings, the auditor will recommend suggestions for correcting errors in the management letter. Then, it will be up to the client to correct the error or not.

There are several obstacles encountered and things that future researchers might worry about. In addition, the research must be further improved because it still contains shortcomings that need to be corrected in future investigations. Several research limitations, including:

- 1) There is limited research time due to carrying out activities in a fairly short time, namely three months, the writer's limitations in terms of staff and researcher ability in searching for information in KAP.
- 2) In conducting the data collection process through interviews, informants only provide general explanations and are less detailed. Amid the auditor's busy work, setting aside a little time for the interview process is necessary.
- 3) There are obstacles during the data collection process, namely that KAP cannot provide detailed documentary evidence because it is included in organizational secrets.
- 4) Some documents used as audit evidence are incomplete because the client did not provide complete information.

Based on the research results at the Wahyu Setyaningsih Public Accounting Office at the Central Java Province Health Center, much new knowledge and experience can be drawn from these activities. Several things can be used as input to minimize existing errors, including:

- 1) KAP can suggest to clients or community health centers to improve the recording of inventory accounts manually and with computerized programs. The aim is to make it easier for clients when auditing financial reports, recording the physical condition of inventory is appropriate, and there are no discrepancies. It will also affect the auditor's opinion because there are no material findings.
- 2) Poorly organized warehouse management can make detecting expired, lost, or damaged goods difficult. Therefore, community health centers should review warehouse management once a month to make it easier for warehouse employees to check existing inventory.
- 3) Apart from that, consumable materials (BHP) were found to be zero at the end of the period. This can be said to be inconsistent with actual conditions or a deviation. To facilitate auditing at the end of the period, the community health center must discipline employees to keep records of incoming or outgoing goods to avoid misusing their duties. So, when the auditor audits the inventory account, he can prove the goods with existing records.

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Abbreviations List

Public Accounting Firm (KAP), Regional Public Service Agency (BLUD), Community Health Center (Puskesmas), Statement of Financial Audit Standards (PSAK), Budget Realization Report (LRA), Budget Balance Change Report (LP SAL), Operational Report (LO), Change in Equity Report (LPE), Financial Position Report (Balance Sheet), Cash Flow Reports (LAK), Notes to Financial Reports (CALK), audit results report (LHA), consumable materials (BHP).

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Conflict of Interest

The authors declare no competing interests.

Data Availability

Research data can be obtained by requesting and providing information on the reasons for needing the data to the author via email.

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