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Analysis Of Merchandise Inventory Audit In Retail Companies

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ABSTRACT
This study aims to analyze the operational audit of merchandise inventory in retail companies. The methods used include interviews, observations, and documentation to collect relevant data related to procedures for receiving, selling, and checking merchandise inventory. The results of the study indicate discrepancies between recorded data and physical stock, caused by errors in record-keeping, oversight in inspections, and lack of supervision. Although technology such as barcode scanners has been implemented, issues like inaccurate data entry and insufficient employee training remain challenges. Investigative audits revealed that measures such as CCTV review and interviews are effective in identifying root causes, but unfair accountability policies can lower employee motivation. This study recommends improving training, supervision, and data-driven policies to minimize stock discrepancies and enhance the operational efficiency of retail companies. These findings contribute to better and more sustainable inventory management.

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INTRODUCTION

The retail industry in Indonesia has shown significant growth in recent years (Azlina, 2022). According to data from Statista, retail sales in Indonesia are projected to reach approximately USD 243 billion by 2026, up from over USD 100 billion in previous years (Statista, 2024). This growth reflects increased consumer spending and the expansion of retail networks across various regions. However, along with this growth, challenges in inventory management have become increasingly complex. Retail companies must ensure the timely availability of goods in appropriate quantities to meet diverse consumer demands (Hasan *et al*., 2023).

One of the key indicators in the retail industry is the Real Sales Index (RSI). Bank Indonesia reported that the national RSI reached a level of 242.9 in April 2023, the highest record since the start of the Covid-19 pandemic (Ahdiat, 2023). This increase indicates recovery and growth in the retail sector, which inevitably impacts the need for more efficient inventory management. However, rapid sales growth also brings challenges in inventory management. According to a report by CEIC Data, Indonesia's retail sales growth was recorded at 0.0% in May 2023, down from 1.5% in April 2023 (Ceicdata, 2024).

These fluctuations emphasize the importance of adaptive inventory management to respond to market demand changes. Another challenge faced by retail companies is stock

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management across various locations (Sari, Arfi and Hwihanus, 2024). Businesses with multiple warehouses or stores in different areas may experience difficulties in centralized stock management, leading to stock imbalances between locations. This situation can result in overstocking in one location and stockouts in another, ultimately affecting customer satisfaction (Nasirly *et al.*, 2024). Furthermore, changes in consumer behavior and dynamic market trends demand retail companies to be more responsive in inventory management (Sulistyawati, 2024). According to a report by ScaleOcean, consumer demand variability is one of the biggest challenges in the supply chain management of the retail industry. Companies must be able to adjust inventory quickly to meet shifting market needs (Team, 2023).

In addressing these challenges, operational audits of inventory become an essential tool that retail companies cannot overlook (Indayati, 2021). These audits serve as evaluation instruments to assess how efficiently, effectively, and in compliance with established standards inventory management is conducted (Yudiana and Rahayu, 2014; Alhafish, Hendri and Nurmala, 2021). Beyond identifying procedural weaknesses, operational audits also provide strategic insights that help companies mitigate risks that could affect financial stability. When weaknesses in inventory management systems are detected, such as stock imbalances, recording errors, or potential fraud, operational audits enable companies to take immediate corrective actions (Aprillia, 2020; Anwar, 2022; Febrina, Kusumastuti and Jumaili, 2023).

Moreover, operational audits support data-driven decision-making, allowing companies to design proactive strategies to enhance operational efficiency (Sinaga and Linawati, 2023; Azizah, Evitasari and Kustiwi, 2024). Information obtained from audit results helps companies identify the root causes of issues, such as overstocking or stockouts, and formulate inventory management policies that are more responsive to market demand changes (Dewi and Rizkia, 2023; Sudarwanto *et al.*, 2024). In the context of increasingly intense competition, the ability of retail companies to ensure optimal product availability not only enhances customer satisfaction but also strengthens their competitive position (Seftyananta *et al.*, 2024). Therefore, operational audits are not just a necessity but also an important investment in maintaining business sustainability and growth for retail companies (Syamil *et al.*, 2023).

Over the past five years, various studies have highlighted the importance of operational audits and internal controls in managing merchandise inventory in retail companies. A study by Situmorang (2017) revealed that inventory management policies and procedures at PT. Indomarco Prismatama Medan were quite effective, but there were still areas requiring improvement to enhance operational efficiency. Additionally, research by Zulaikah (2022) discussed inventory audit sampling methods applied by auditors. The findings indicated that using non-statistical sampling methods, particularly Directed Sampling with limited sample sizes, could lead to bias and lack of representativeness. It was suggested that auditors increase sample sizes to obtain more accurate results. Furthermore, Hidayat and Widyastuti (2022) emphasized that internal audits of merchandise inventory and sales significantly contribute to internal control of financial reporting. Effective internal audit implementation improves the accuracy of financial reports and supports management decision-making.

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Internal control theory emphasizes the importance of coordinated organizational structures, methods, and measures to safeguard company assets, including inventory. Good internal controls ensure accurate transaction recording and protect assets from misuse. In the context of inventory audits, procedures such as stocktaking, document verification, and inventory recording method assessments are crucial. These procedures assist auditors in evaluating the accuracy of inventory records and ensuring compliance with applicable accounting principles. Thus, the integration of internal control theory and empirical findings from recent research underscores the critical importance of effective operational audits of merchandise inventory for retail companies. This ensures not only the accuracy of financial reporting but also supports operational efficiency and customer satisfaction (Mulyadi, 2017; Luthfih *et al.*, 2023).

The urgency of research on operational audits of merchandise inventory in retail companies is highly relevant amidst the rapid growth of the retail industry and the complexity of inventory management. Challenges such as overstocking, which increases costs, and stockouts, which reduce customer satisfaction, significantly impact financial and operational performance. This research is essential to evaluate the efficiency of inventory management systems, support strategic decision-making, and identify internal control weaknesses that pose financial risks and potential fraud. Based on previous findings, effective internal audits have been shown to improve the accuracy of financial reports and operational efficiency. This research aims to provide adaptive and accurate recommendations for better inventory management, contributing to the sustainability and competitiveness of retail companies.

METHODS

This research employs an approach designed to gain an in-depth understanding of operational audits of merchandise inventory in retail companies. In its implementation, the researcher combines three primary data collection methods: interviews, observation, and documentation. These three methods provide complementary perspectives, enabling a clearer depiction of field conditions (Yusuf, 2014; Nihestita *et al.*, 2018; Khotimah and Audina, 2021).

The interview method was chosen to directly understand the experiences and views of informants involved in operational audits. The researcher conducted direct interviews with relevant officials and operational staff familiar with the merchandise inventory management system. In this process, unstructured interviews were used to allow for flexibility and deeper exploration of emerging issues. An interview guide containing key points helped the researcher stay focused while providing room to delve into unforeseen matters. During the interviews, the researcher gathered information about procedures for receiving goods, reporting, and checking remaining stock. Questions also covered tools such as barcode scanners and reporting mechanisms implemented by the company. Through this approach, interviews not only collected data but also served as a means to understand the daily dynamics of retail operations (Creswell and Poth, 2016).

In addition to interviews, observation was an equally important method. In this study, the researcher employed non-participant observation, acting solely as an observer. Observations were conducted to directly observe operational activities, such as the goods

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receiving process, quality checks, and reporting. The researcher carefully recorded every relevant detail, including the procedures performed and how coordination among departments occurred. These observations focused on three main aspects: merchandise receipt, merchandise sales, and physical stock checking. For each aspect, the researcher used an observation format with a checklist to ensure all critical elements were covered. This approach helped the researcher document findings systematically and support data accuracy.

The documentation method complemented interviews and observations by providing document-based data. The researcher collected reports on goods receipt, sales records, audit documents, and other relevant evidence. This documentation was used to confirm and strengthen findings from interviews and observations. Additionally, these documents provided an overview of the procedures implemented by the company in inventory management. The data collection instruments were designed according to the methods used. The unstructured interview guide directed conversations with informants, while the observation guidelines ensured that all critical aspects during observation were well-documented. For documentation, a library format helped the researcher select documents relevant to the research focus.

The data analysis process was carried out in several stages. First, the researcher performed data reduction to filter relevant information and eliminate unnecessary data. This process ensured that only truly significant data was used in the analysis. The remaining data was then organized into concise descriptions, tables, or diagrams for easier understanding. The next stage was data presentation, where the reduced findings were organized to reveal clear relationships between variables. Good data presentation allowed the researcher to identify patterns and anomalies, as well as plan further analytical steps. The final stage was drawing conclusions. In this stage, the researcher formulated key findings based on the analyzed data. The conclusions included an overview of operational audit procedures, causal relationships, and recommendations for improving inventory management systems.

RESULTS AND DISCUSSION

Results

The operational audit of merchandise inventory in retail companies highlights the importance of structured procedures for systematically managing, verifying, and accounting for goods. Based on an audit conducted at a modern retail company, discrepancies were found between recorded stock and the physical inventory available. For example, in the case of the Bright Gas 5.5 kg item, there was a discrepancy of one cylinder between the stock record and the physical inventory in the store, while for Gas LPG 12 kg, the discrepancy reached two cylinders. This indicates errors in managing or recording goods during the receiving, selling, or cashier data entry processes.

The goods receiving process is based on orders made by the store manager or their assistant. The received goods are checked using a barcode scanner to ensure conformity with the delivery documents. However, inaccuracies in the physical inspection of incoming goods resulted in some items, such as Aqua Gallon 19-liter, showing a surplus of one gallon in physical stock compared to the recorded stock. Conversely, in the case of Le Minerale 19-liter, a deficit of one gallon was found between the physical stock and recorded stock.

Merchandise sales are handled by the cashier through procedures involving quality checks, barcode scanning, and end-of-day reporting. Although these procedures help maintain sales data accuracy, cashier input errors remain a contributing factor to stock discrepancies. For instance, reports on the ABC Juice 250 ml item revealed an overstatement in cashier reports caused by incorrect data entry.

Physical inventory checks are conducted unexpectedly to ensure consistency between physical stock and recorded stock. During this process, all goods in the store are recapitulated manually and digitally. However, audit results identified discrepancies in several items. For example, Indomie Fried Noodles showed a shortage of two packs in the stock report compared to the physical inventory. In cases of surplus, some items like Active Isotonic 360 ml and Hydro Coco 500 ml also showed higher recorded stock than physically available. An investigative audit process was also applied to determine the root causes of stock discrepancies. Steps such as CCTV reviews, interviews with store teams, and drafting official reports were undertaken to identify the source of the issue. A case was found with Milk Liquid 250 ml, which had an overstatement due to incorrect data entry in the cashier system.

Discussion

The audit results indicate that technology, such as barcode scanners, has facilitated stock recording but has not entirely eliminated the risk of errors. Errors in cashier data entry and physical stock inspections highlight the need for more intensive training and supervision of employees responsible for these processes. The multi-step goods receiving procedure is a good practice; however, a lack of attention to detail led to errors. Improving training for store managers and their assistants is a critical step to minimize potential errors in goods receiving.

In the sales process, the complexity of procedures has helped prevent major errors, but there are still gaps allowing cashier input errors. Simplifying procedures or implementing additional technologies, such as automated entry systems, could be a solution to reduce manual errors. Unannounced physical inventory checks have proven effective in identifying stock discrepancies. However, policies that impose losses on employees without considering the root cause need to be evaluated. Such policies can reduce work motivation and lead to dissatisfaction among employees.

Investigative audits involving steps such as CCTV reviews and team interviews have shown effectiveness in identifying the causes of issues. However, involving independent parties to provide more objective evaluations could enhance the accuracy of findings and deliver more valuable recommendations. The findings of this study show that, while the inventory management system in retail companies is fairly good, there is still room for improvement, particularly in training, supervision, and accountability policies. By optimizing the use of technology and creating fairer policies, companies can minimize losses from stock discrepancies and improve operational efficiency.

CONCLUSION

This research demonstrates that operational audits of merchandise inventory play a crucial role in ensuring the efficiency and effectiveness of inventory management in retail companies. Although procedures such as goods receipt using barcode scanners and physical inspections have been implemented, audit findings reveal significant discrepancies between recorded

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stock and the physical condition of goods. These discrepancies are caused by various factors, including data entry errors, negligence during goods inspections, and a lack of oversight during operational processes. These results indicate a strong need for further employee training and enhanced supervision at every stage of inventory management. Additionally, investigative audits highlight the importance of a systematic approach in identifying the root causes of issues, such as the use of CCTV, interviews, and comprehensive documentation. However, policies that impose loss liability on employees without thorough analysis can negatively impact work motivation. Therefore, this research recommends increasing technology integration, simplifying operational procedures, and implementing fairer, data-driven policies to minimize stock discrepancy risks and improve the operational performance of retail companies. With these measures, retail companies can enhance their competitiveness and ensure the sustainability of their business in an increasingly competitive market.

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