

Management Audit of Purchasing Function on the 1st Semester of 2020 in Jimbaran Bay Beach Resort & Spa Hotel

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Abstract. This research aims to determine whether management audit can detect weaknesses that occur in the purchasing function at the Jimbaran Bay Beach Resort & Spa Hotel and provide recommendations for these weaknesses. This research uses descriptive qualitative methods, namely the stages of management audit. The results of the management audit of the purchase function showed that there are weaknesses such as the price of goods not following the purchase order (PO), the supplier does not send the goods under the purchase order (PO), late payment of the debt to the supplier, the process of releasing goods without store requisition (SR), and the difference in the number of items in the store physically with the visual hotel program (VHP) system. The recommendations regarding to these weaknesses are by (1) selecting suppliers that/which are fit to the required criteria, and (2) do not just choose more than one supplier, (3) conduct meetings with suppliers regularly, and (4) tighten in releasing goods in stores.

Keywords: Management audit, purchasing function, and standard operating procedure.

1. Introduction

Jimbaran Bay Beach Resort & Spa Hotel is one of the 4 (four) star hotels located in the Kedonganan beach area. This hotel has a written procedure that are outlined in Standard Operating Procedures (SOP). However not all activities in the purchasing function are carried out in accordance with the SOP during the first semester of 2020. The purchasing function is chosen because every operational activity requires goods obtained through the purchasing process. Purchasing function has a very important role in supporting the company's operational activities. Purchasing is a series of actions to obtain goods and services through exchange with the intention of being used for themselves or resold[4]. Standard Operating Procedures as standardization of the way employees complete the work that completes their duties[2].

The purchasing process needs to go through several procedures, starting from submitting a starting from submitting a purchase requisition, placing a purchase order in accordance with the standards, receiving all ordered items, ensuring that the goods received are in good condition, maintaining the goods, recording the purchase transactions that occur, until the goods are paid for. In order for the purchasing process to run well, the company must establish a purchasing procedure. The procedure has a standard of work which is written in the standard operating procedure (SOP). Every activity carried out by the company must be in accordance with established procedures[5]. Jimbaran bay Beach Resort & Spa Hotel is a company that uses SOPs as a reference in carrying out its business activities.

The process of purchasing goods at the Jimbaran Bay Beach Resort & Spa Hotel has several problems such as shipments being held by suppliers due to late payment and there was a problem when making a market list by the user. The reason is because the physical inventory available at the store at that time did not match the inventory available in the system. Besides that, the prices of the goods sometimes do not match the PO. When there is an urgent collection for goods at the store, sometime doesn't use store requirements, which resulted in a difference between the system and the manual recording. The purpose of this study is to find out how management audits can be used to detect weaknesses that occur in the purchasing function at Jimbaran Bay Beach Resort & Spa Hotel.

2. Literature Review

2.1 Management Audit

To conduct a management audit, there are five stages of a management audit that must be passed. First, a preliminary audit is carried out to obtain background information of the object that being audited. Second, review and testing of management controls, with the aim of assessing the effectiveness and efficiency of management controls in supporting the achievement of company goals. The third stage is a detailed audit, which aims to collect competent and sufficient data to support the audit objectives. The fourth stage is reporting, which aims to communicating the results of the audit and the recommendations given to interested parties. And the last one is a follow-up that aims to encourage the authorities to follow up or improve based on the given recommendations[1].

2.2 Purchasing Function

The purchasing function is responsible for obtaining information about the price of goods, determining the selected supplier in the procurement of goods, and issuing purchase orders to the selected supplier[3]. The purchasing function referred to here is the whole activity in the purchasing process as well as all parts involved in the purchasing process, such as purchasing receiving, store, cost control, and account payable sections.

2.3 Standard Operating Procedure (SOP)

SOP is a guide used to ensure that the operational activities of an organization or company run smoothly[6].

3. Research Methods

This research uses a qualitative approach with a case study method to focus the research, and to highlight the processes and meanings contained in the phenomenon under study. Primary data used in this study are data in the form of results from interviews in the purchasing process guided by standard operating procedures (SOP). Secondary data in this study are in the form of standard operating procedures (SOP) from the purchasing, receiving/store, cost controller, and account payable sections. The analysis technique used in this research is descriptive qualitative analysis technique. The stages of data analysis in this study are as follows.

3.1 Preliminary audit

The preliminary audit in this study was carried out to obtain information about the purchasing process carried out at the Jimbaran Bay Beach Resort & Spa Hotel and its standard operating procedures (SOPs), as well as analyzing various information that has been obtained to identify potential weaknesses during the purchase process at the Jimbaran Bay Beach Resort & Spa Hotel.

3.2 Review and Testing of Management Control

At the review and testing stage of management control, the author reviews and tests the purchasing process whether it is according to the established SOPs, with the aim of assessing the effectiveness of

management controls in supporting the achievement of company goals. In the results of this test, the author can have better understanding of the controls that apply to the purchasing process, so that the author can easily find potential weaknesses in the purchase process.

3.3 Detailed Audit

In the detailed audit stage, the author gathers sufficient and competent evidence to support audit objectives relating to the purchasing process. The evidence in question is purchases orders, invoices, supplier lists and lists of articles goods. At this stage, the development of findings is also carried out to find a connection between one finding and another in examining problems related to purchasing activities at the Jimbaran Bay Beach Resort & Spa Hotel.

3.4 Reporting

The reporting stage aims to communicate the results of the audit including the recommendations given to the interested parties. This is important to convince the management of Jimbaran Bay Beach Resort & Spa Hotel about the validity of the audit results and to encourage the authorities to make improvements to weaknesses found in the purchasing process.

3.5 Follow-up

Follow-up aims to encourage the authorities to carry out follow-up (improvements) in accordance with the recommendations given. The author does not have the authority to require the management of the Jimbaran Bay Beach Resort & Spa Hotel to carry out a follow-up in accordance with the recommendations given.

4. Result and Discussion

The preliminary audit was carried out using the observation method in the purchase function to determine whether it's already conduct according with the SOP or not. At the detailed audit stage, the author gather evidence and describe the audit findings.

4.1 The price of goods does not match the purchase order (PO)

Table 1. Comparison of the price in the system with the note

No.	Name of goods	Price in system	Price on note	Difference
1	ARTISS Tissue	115,000	105,000	(10,000)
2	Gelato tags	385	193	(192)
3	Bombay	35,000	70,000	35,000

Source: Jimbaran Bay Beach Resort & Spa Hotel.

Based on Table 1, it shows the goods purchased from suppliers. The table contains price in system and price on note. The price in the system obtained through the last price from the supplier and the price on the note obtained through the transaction. It can be seen that there are items that are obtained cheaper than the previous price and there are items that can be more expensive than the price given by the previous supplier by a fairly high difference.

The price of the goods is not in accordance with the purchase order. Because the supplier doesn't deliver the goods so when there are urgent needs of goods the company choose a new supplier. The increase in the price can also be caused by the fact that these goods are difficult to find so the market will increase the price twice than the normal price. As a result of price changes, expenses that should be avoided will turn into unexpected expenses, purchasing should be able to negotiate so that the price given by the new supplier can be cheaper.

Each supplier that provides an offer is classified based on categories such as the groceries, seafood, fruit and vegetable suppliers, beverage, material supplies etc. When looking for a new supplier can be checked through the data in the filling.

4.2 Suppliers do not send goods in accordance with purchases order (po)

Based on Table 2, it contains the quantity ordered based on the purchase order (PO). In the table, it can be seen that there is a difference between the quantity ordered and the quantity on the note brought by the supplier of Sumar Abadi. Based on the table, the supplier does not deliver one of the goods ordered and some of the weight of the goods is or more than the purchase order. This difference occurs because the Purchasing department does not carry out the procedure for ordering goods as stated in the standard operating procedure (SOP). The consequence is the Purchasing section have to purchase the goods that not delivered by the supplier using cash or looking for a new supplier who is able to bring the goods at the specified time. This difference usually occurs in goods of vegetables, meat, fruit and fish.

Table 2. Comparison of the quantity of goods and goods received

Description	Quantity At PO	Quantity on the Note
Shrimp paste	2 pcs	2 pcs
Brown sugar	1 kg	1 kg
Bombay	2 kg	-
White cabbage	4 kg	(3.7 kg)
Pineapple	15 pcs	15 pcs
Green paprika	1 kg	1 kg
Green vegetables	3 kg	(2.5 kg)
Red watermelon	3 kg	3.5 kg

Source: Jimbaran Bay Beach Resort & Spa Hotel.

When choosing suppliers, they should conduct a meeting first. At the time of the meeting, the purchasing department must know the criteria to choose a supplier. If the supplier is in accordance with the provisions, then a written cooperation contract is made by the Jimbaran Bay Beach Resort & Spa Hotel and the supplier.

To be able to control the supplier every month, the purchasing department must review and evaluate whether the supplier is still feasible or not to work with. Furthermore, what must be done is to find new suppliers and the suppliers that are not feasible can be replaced so that problems that can hinder operational activities does not arise in the future.

4.3 Late payment of debt to suppliers

Table 3. List of suppliers that are holding and blocking

No.	Supplier Name	Status
1	Bhineka Jaya	Hold
2	Centralsari	Hold
3	Dimatique	Hold
4	Coca Cola	Hold
5	Fanny Jaya	Hold
6	Kumda	Hold
7	Multipillar	Hold
8	Sababay	Blocking

Source: Jimbaran Bay Beach Resort & Spa Hotel.

Based on Table 3, it is a table that lists the names of suppliers who hold deliveries and block cooperation with Jimbaran Bay Beach Resort & Spa Hotel which occurred during the first semester of 2020. Some suppliers will continue to send goods ordered after the account payable department made payments. There are several reasons that cause the late payments such as lack of white invoices as the supporting data for making payment transactions, lack of cash flow makes it impossible to make payments and difficulty to meet with general manager to withdraw funds through check or current account.

The amount of money that goes out must all be approved by the General Manager of Jimbaran Bay Beach Resort & Spa Hotel. The supplier holds the delivery of goods, the goods are out of stock in the store. As the result, where there are urgent needs of goods, the purchasing department must immediately look for new suppliers or make cash purchases made by the purchasing department itself. If this continues, it will affect company's reputation to other suppliers so it will be difficult to find the desired supplier in the future.

Jimbaran Bay Beach Resort & Spa Hotel must make a policy regarding payment, if payment is not able to be made according to the due date, then the purchasing department must develop a strategy that is to have more than one supplier. If one supplier holds the delivery then the other supplier is able to handle the order and know the criteria for the items needed at the Jimbaran Bay Beach Resort & Spa Hotel.

4.4 *Process of releasing goods without store requirements (SR)*

The user department does not bring a store requirement, because the inventory in the system is different from the inventory in the store. In the system, the goods needed are empty or the quantity is less than what is needed by the User, but after confirmation is made directly to the store, it turns out that the items needed are available. So that the user cannot print the store requisition.

The release of goods without a store requisition's number cause a difference in the number of goods physically at the store compared to the system. The reason is because the goods that taken from the store are not recorded in the system, so the number of inventories in the system exceeds the physical inventory in the store which has an impact when ordering goods by the user. In addition, when the inventory is carried out by the cost control department, there is a difference between the inventory in the system and the inventory in the store so its needs to be adjusted again. The reason is because when doing inventory there will be a difference between the number of items in the store, bin card, and recording in the visual hotel program system.

That's problem happened as a result of delayed incoming, it is necessary to first make improvements to the store requisition printing process so that incoming goods do not experience obstacles and the inventory of goods can be adjusted according to their physical appearance. With side note that if there is no store requirement then the goods will not be issued and this must be known by every department that requires goods from the store.

4.5 *Physical differences in the amount of goods in the store and the visual hotel program (VHP)*

Table 4. List of items in the store with the hotel program visual system

No.	GOODS	VHP SYSTEM	STORE	DIFFERENCE
3301138	Double Tape ½	2 rollers	3 rollers	1 roller
3301133	Double Tape 1	13 rollers	14 rollers	1 roller
3302030	Luggage Tag Green	271 pcs	250 pcs	(21 pcs)
3302002	Transfer Form	22 pad	22 pad	-
3302022	Spa Bill Form	20 pads	19 pads	1 pad

Source: Jimbaran Bay Beach Resort & Spa Hotel.

Based on table 4, it is a list of items found in the Jimbaran Bay Brach Resort & Spa Hotel store. The table contains the article number of the goods in the system, the name of the goods, the number of items available in the VHP system, the number of items available in the store physically which is held an inventory every month. It can be seen that there is a difference in the amount of goods in the VHP system and in the store.

The number of items in the system is physically different due to an error in taking goods from the user, causing a difference between the notes on the bin card, physical, and visual hotel program system that it is not according with the store requirements. Confiscation of similar goods occurs on double tape ½ with double tape 1 so there is difference in the records of the VHP system with the bin card and the physical. Sometime when there are urgent needs of goods, the user doesn't use SR which result in the goods taken doesn't recorded in the VHP. Due to the difference between the number of goods in VHP system and physically, it raises doubts from the user to print a requisition to request goods from the store so it is necessary to confirm the number of items available.

Differences can also be caused by errors in writing on the bin card so that in writing in the bin card, note how many items are taken and how many items come out and fill in the amount column so that you know how many items are available in the store, in writing it is also necessary to pay attention to the names and the code of the item so that there is no typo. In issuing goods, it is important accompanied by the receiving/store so that errors can be minimized.

5. Conclusion

Based on the results and discussion presented, it can be concluded that management audit is able to detect weaknesses that occur in the purchasing function. Jimbaran Bay Beach Resort & Spa Hotel has a written procedure as outlined in Standard Operating Procedures (SOP), but there are several SOPs that are not implemented so that there are several problems in the purchasing process as follows:

1. The price of goods is not in accordance with the purchase order (PO), because the goods are difficult to obtain, which causes the cost of goods to be higher than the price in the PO.
2. Suppliers do not send goods in accordance with purchases (POs) because of a lack of reviews by the purchasing department against suppliers.
3. Delay in paying debts to suppliers due to lack of complete documents such as white invoice, insufficient cash flow to make payments and bureaucracy to withdraw funds through the check/current account experienced problems so Jimbaran Bay Beach Resort & Spa Hotel had not made payments, so the debt owed reach the limit set by the supplier. The consequence is some suppliers held back the delivery.
4. Issuance of goods without store requirements (SR) due to differences in store, bin card, and Visual Hotel Program (VHP) inventory systems.
5. The difference in the number of items in the physical store with the VHP system is due to an error in picking up goods that are not in accordance with the store requirements.

Recommendations that can be given are when determining suppliers, it is better if you conduct a meeting first. The hotel and supplier should make an agreement regarding the payment including the debt limit given by the supplier. When receiving an offer from a supplier, all bid documents should be filled based on the lowest price from the supplier and the issuance of goods must be tightened.

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