

Management Audit in Retail Companies (Review of Internal Control of Human Resources in the Franchise Department)

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ABSTRACT

This research adopts a qualitative approach with subject data and primary data sources. The research object is the Franchise Department of PT SAT, with the entire department's employees as the population. The study uses a saturated sample, which includes all 10 employees. The data collection methods used are Observation, Interviews, and Documentation. The data analysis method employs Data Reduction, Data Display, and Conclusion Drawing. The overall result indicates that the internal control of human resources in the Franchise Department of PT SAT is functioning well. However, there are some findings resulting from employee dynamics, such as resignations or job transfers, which lead to vacant positions that are then delegated to other employees. Additionally, there is a need for educational qualifications adjustment, even if an employee already possesses significant experience.

Keywords : Management Audit, Internal Control Review, Human Resources

1. INTRODUCTION

Human resources is one of the crucial factors in a company, alongside other factors such as capital. Therefore, human resources must be effectively managed to enhance the effectiveness and efficiency of the organization, which is known as human resource management. The evaluation process is one way to achieve the company's goals optimally. One form of evaluation in a company is conducted through management audit of human resources to ensure that the quality of human resources complies with the company's established regulations and contributes positively to the company.

Management audit can be defined as an examination to assess or evaluate the quality of organizational resource management by the management in order to achieve the company's objectives. This activity is carried out to assess which parts are performing well or are still weak, with the aim of improving organizational management. Therefore, management audit needs to be conducted with the objective of evaluating human resources to provide information on whether human resources have improved the effectiveness and efficiency of work within the organization, thus enabling the achievement of the company's goals to the fullest extent.

This research is conducted in the Franchise Division of PT. SAT, a retail company located in Jember. PT. SAT is a large retail company founded on July 27, 1999. The Franchise Division is engaged in the franchise business, where the owned and operated minimarkets are based on a franchise agreement with PT. SAT is the trademark holder. The Franchise Department was chosen for this research because it comprises employees with diverse academic backgrounds, such as communication, finance, taxation, and law.

2. LITERATURE REVIEW

2.1 Audit

Auditing is the accumulation and evaluation of evidence about information to determine and report on the degree of correspondence between the information and established criteria. Auditing should be done by a competent, independent person Arens et. al. (2012). Meanwhile, according to Mulyadi (2014), an audit is a systematic process of obtaining and objectively evaluating evidence regarding questions about economic activities and events. The purpose is to establish the level of correspondence between those statements and established criteria and to communicate the results to interested users.

2.2 Types of Audits

According to Agoes (2012), the types of audits are as follows:

- a. **Operational Audit**
An examination of the operational activities of a company, including accounting policies and operational policies established by management, to determine whether the operations are being conducted effectively, efficiently, and economically.
- b. **Compliance Audit**
An audit is conducted to assess whether a company complies with applicable regulations or policies, both internally established by the company (management, board of commissioners) and externally established by authorities such as the government, Bapepam (Indonesian Capital Market Supervisory Agency), Bank Indonesia, Directorate General of Taxation, and others.
- c. **Internal Audit**
An examination conducted by the company's internal audit department, which includes reviewing the company's financial statements and accounting records, as well as assessing compliance with established management policies.
- d. **Computer Audit**
An audit conducted by a Public Accounting Firm (KAP) on companies that process their accounting data using Electronic Data Processing (EDP).

2.3 Objectives of Management Audit

According to Bhayangkara (2015), several objectives can be achieved through an HR audit, which include:

- a. Assessing the effectiveness of the HR function.
- b. Evaluating whether HR programs/activities are being conducted economically, effectively, and efficiently.
- c. Ensuring compliance of various HR programs/activities with legal provisions, regulations, and company policies.
- d. Identifying areas for improvement in HR activities to enhance their contribution to the company.
- e. Formulating appropriate improvement measures to enhance the economization, efficiency, and effectiveness of various HR programs/activities.

2.4 Stages of Management Audit

According to Bhayangkara (2015), a management audit consists of several stages, which are:

- a. **Preliminary Audit**
The preliminary audit is conducted to prepare for a more in-depth audit. This stage focuses on gathering background information and obtaining a general overview of the HR programs or activities being audited. The auditor formulates temporary audit objectives based on the information obtained. The audit objectives consist of three elements:
 - 1) **Criteria:** These are the standards established by the company as guidelines for individuals and groups within the organization to carry out operational activities.
 - 2) **Causes:** These are the implementation of various HR programs within the organization that have led to the current HR conditions. Causes can be positive or negative.
 - 3) **Consequences:** These are the impacts borne by the company when activities deviate from the established criteria.
- b. **Review and Testing of Management Controls**
The management control system is the system used to collect, analyze, evaluate, and utilize information, as well as the actions taken by management to exercise control.
- c. **Advanced Audit**
In this stage, the auditor further investigates and analyzes all information related to the audit objectives, leading to the formulation of audit conclusions and recommendations that are acceptable to the audited entity.
- d. **Reporting**
In this stage, the auditor presents the audit findings. The audit report should be concise, precise, and clear, making it easily understandable. The audit report should include background information, audit conclusions, and supporting evidence of audit findings.

2.5 Human Resources Audit

A human resources audit involves a comprehensive assessment and analysis of HR programs. The purpose of a human resources audit is to evaluate various HR activities within a company to determine if they are being conducted economically, efficiently, and effectively in achieving their objectives. The audit aims to identify any deficiencies in the audited HR activities and provide recommendations for improvement to enhance the performance of the programs/activities (Bhayangkara, 2015).

2.6 Scope of Human Resources Audit

To meet the needs of human resources, the HR process, from planning to employment termination, must be carried out in alignment with the overall objectives of the company, by applicable regulations and laws, and in an economical, effectively, and efficient manner. The scope of the audit encompasses the entire HR process, both

partially (in one program/activity area) and comprehensively, based on the needs identified from the audit results. The audit can be conducted on a single department (division) or the entire company as a whole.

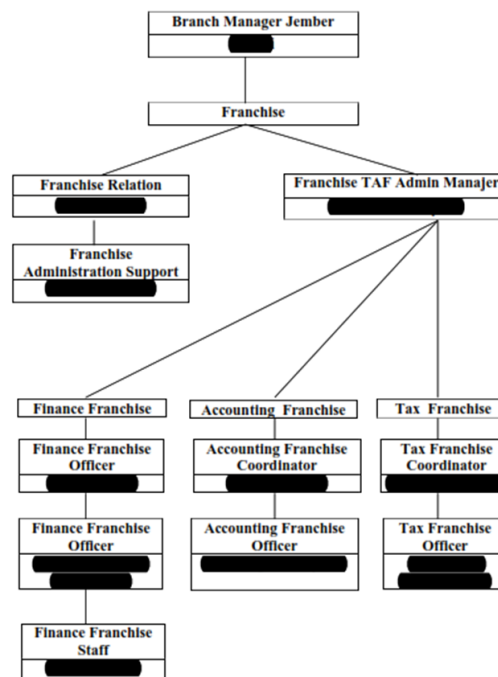
3. RESEARCH METHOD

This study adopts a qualitative approach, using subjects as the data type and primary data sources. The research object is the Franchise Department of PT SAT, with the entire department's employees as the population. A saturated sample or the entire population of 10 employees is used. Data collection methods include observation, interviews, and documentation. The data analysis method follows the process of data reduction, data display, and conclusion drawing. (Moleong, 2014).

According to Bhayangkara (2015), the indicators of a management control system are as follows:

- a. Clear and explicit objectives of HR programs/activities.
- b. Quality and quantity of human resources.
- c. Work guidelines/methods and qualification requirements.
- d. Job specifications and descriptions.

4. RESULT AND DISCUSSION



4.1 Findings

- a. The existing organizational structure does not match the actual situation. In the organizational structure, there is a coordinator in the finance sub-division, but in reality, there is no coordinator in the finance sub-division.
- b. There are still several positions with overlapping job responsibilities due to a lack of personnel compared to the ideal number. For example, in the finance department, some officers are handling the duties of a finance coordinator.
- c. The educational background of each employee does not meet the qualifications set by the company. This can also affect the quality of their work, and the required certificates or courses specified by the company have not been fulfilled by each employee.

4.2 Recommendations

- a. The company should pay attention to the vacancies in the established organizational structure according to company regulations and fill them promptly to ensure a properly structured organizational hierarchy.
- b. The company should review its business processes or operational activities. It is necessary to find replacements for vacant positions such as the finance coordinator to avoid overlapping responsibilities and ensure optimal work outcomes.

- c. The company should align with the predetermined qualifications as per company procedures. Reassess the employees' work experience and educational background to ensure they are placed in positions that are suitable for their qualifications.

5. CONCLUSION

In general, the internal control of human resources in the franchise department of PT SAT is functioning well. However, some findings are a result of employee dynamics such as resignations or job transfers, leading to vacant positions that need to be assigned to other employees. Additionally, there is a need for educational qualifications to be adjusted formally, even if an employee has extensive experience. The COVID-19 pandemic has also affected decision-making at the top management level

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