

TAK Hotel Purchase Function Management Audit On Effectiveness, Efficiency, And Economization

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Abstract: TAK Hotel purchasing function plays an important role in the procurement of raw materials for the company's operations. The increase in purchase costs in 2021 which affects hotel sales turnover can TAK hamper the sales process, not fulfilling orders for outlets that serve visitors according to the specified time. This study examines the effectiveness, efficiency, and economics of the purchasing function of TAK Hotel qualitatively and reveals the findings obtained during the management audit to provide appropriate recommendations for better company performance in the future. This descriptive research still performs calculations on the budget and the realization of purchasing costs and income to obtain efficiency, effectiveness, and economy with the data collection methods used are direct observation, unstructured interviews, and documentation. The results of data analysis show that in 2021 there will be an increase in purchasing costs and a decrease in income. This is due to the lack of attention to expenses and income generation. These obstacles are the weaknesses in the purchasing function, namely purchases without PO, not evaluating suppliers, being late for ordering goods, goods not according to orders, posting invoices late, and taking store goods without a store requisition. This study concludes that in 2021 the purchasing function is efficient and effective but not economical. The recommendation is to follow all SOP's that apply to each function involved in purchasing.

Keywords: Management Audit, Purchasing Function, Effectiveness, Efficiency, Economization

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Introduction

Companies are asked to carry out operations carefully so that they run economically, effectively and efficiently (Ambarwati and Supardi, 2020). Without good operational activities, the company will not be able to strengthen its position in the face of external competition (Sukmono and Supardi, 2020). The company's treatment in assessing operational activities that are running well requires periodic operational audits by management. According to Siregar (2020) management audit is not only to improve but also as an internal control to avoid the possibility of future weaknesses and deficiencies in the company's operational activities.

The purchasing function in the finance department of a company is an important operational part in terms of company expenses (Anandita et al, 2021) The purchasing function in question is a business function that carries out procurement activities for goods starting from supplier selection, purchase requests, and placement Purchase Order (PO), then receipt of goods, storage and distribution of goods, as well as recording of goods purchase transactions. The company's purchasing function has a Standard Operating Procedure to avoid possible risks that will be experienced. Therefore, the company's concern for competition in the business world as an anticipatory step and consideration of the company's sustainability in the future is implemented by conducting management audits, especially in the purchasing function. which indirectly affects the company's funds.

TAK Hotel is a company engaged in the tourism economy, especially luxury hotels that sell services located in Nusa Dua, Bali. TAK Hotel prioritizes and implements management audits in its efforts to assist the company in maximizing its operations for the sake of effectiveness, efficiency, and economy of activities and costs. The condition that occurred in 2021 at TAK Hotel was that the actual purchase cost was greater than the costs that had been budgeted by the company and had an impact on sales turnover compared to 2020. In 2020, it had a sales turnover of Rp. 26,852,466,873 and decreased in 2021, which was Rp. 25,364,245,944.

The decrease in sales turnover was due to several problems found during the initial direct observation, including the items ordered by the purchasing function and received by the receiving function that were not in accordance with the PO, confusion in the receipt of ordered goods by the receiving function, late posting of invoices. into the computer system, and the multiple functions performed by the cost controller when receiving the goods. The number of suppliers who came with too many orders for goods. If this is left without any follow-up by management, it is feared that in the future TAK Hotel will not be able to run its business properly or even go bankrupt. With this, there is interest in descriptive qualitative research on the performance of TAK Hotel with management audits and calculations of effectiveness,

efficiency, and economy with the aim of knowing weaknesses and evaluating policies and making the right decisions so that they do not happen again in the future.

Method

The type of research used is descriptive qualitative research. The location of this research was conducted at TAK Hotel which is located at Jl. Raya Nusa Dua Selatan, Benoa, Kec. Kuta Sel., Badung Regency, Bali for 6 months from February 1, 2022 to July 1, 2022. There are two types of data sources used, namely primary data including interviews with purchasing managers, goods receiving staff, goods storage staff, accounts payable staff, and cost controllers and secondary data including a collection of official records and documentation that have been permitted by the company and data that has been processed by TAK Hotel such as Standard Operating Procedures, budgets and realization of purchase costs, budgets and revenue realizations for 2020 and 2021. Data collection techniques used are direct observation, interviews, and documentation. To assess the accuracy of the data, the credibility test was carried out. In this study, the researcher plans to use triangulation test techniques such as unstructured interviews and appropriate source triangulation for checking data. In triangulation of sources, researchers conducted testing through the results of observations with at least 3 sources, namely the purchasing manager, assistant director of finance, account payable staff, and cost controller. Planning must be followed up with the implementation of the triangulation test to find a match between the data results and at the same time provide confidence that the data is truly valid. If the results of the triangulation data are found that do not match the results of the initial data, then it is necessary to triangulate again with a different approach, namely the time triangulation test in order to find truly significant results.

Data analysis starts from collecting data from interviews with informants and then presenting data in tabular and descriptive form, verifying data by setting criteria, conveying conditions, finding causes, and conveying consequences and then doing 3E calculations (effectiveness, efficiency, and economization).

Result and Discussion

This study uses a management audit by describing the criteria, conditions, causes, and effects and then calculating the 3E to assess the effectiveness, efficiency, and economization of the purchasing function of TAK Hotel. The research results obtained are as follows:

• Initial Audit

In conducting the preliminary audit, direct observations were made in February to determine the activities of the purchasing function as well as identify existing problems and set temporary audit objectives. The purpose of the temporary audit is to determine the suitability of the purchasing function carried out with the SOP, then identify existing problems, and provide recommendations for the problems found. The findings will be explained in more detail into 4 main elements at the detailed audit stage including criteria, conditions, causes, and effects.

• Management Control Review and Test

The results of the review and testing of management control over the purchasing function state that the purchasing function activities at TAK Hotel have been described in the company's SOP. All TAK Hotel employees, especially those related to the purchasing function, already know the SOPs used in these purchasing activities. According to the SOP set by TAK Hotel found that there are still purchasing activities carried out that are not in accordance with the company's SOP, namely there are several purchases of goods to suppliers without being accompanied by the delivery of purchase orders by purchasing, purchasing does not evaluate to ensure quality, delays in ordering the daily market list to suppliers by purchasing, purchasing goods received by receiving from suppliers are not in accordance with the PO, late posting of invoices into the system by receiving staff, and collection of store goods without a store requisition.

• Detailed Audit

The findings of the purchasing function management audit at TAK Hotel are as follows:

- There are several purchases of goods to suppliers by purchasing without PO delivery.
This condition is due to the lack of planning carried out by outlets in need. Outlets that need it do not make PO and even suddenly make PO when purchasing has made an order to the supplier. In addition, this condition occurs because purchase orders made by outlets require a long approval process, so that PO for urgent items cannot be ordered directly by the purchasing department. This results in expenses that exceed the budget and the stock of goods is not maintained due to the uncertain delivery schedule in the PO.
This result is in accordance with Mulyadi(2016) theory regarding the flow and purchasing accounting system that POs run to suppliers are POs that are as needed at prices and quantities that have gone through purchasing considerations to achieve economics in cost and quality of the goods. The discrepancy of the ordered goods will facilitate reordering which is unstable and does not fit the budget of each outlet so that the cost will be a lot. In addition, according to Dhamayanti, S.K. (2022), items ordered by outlets that need it without sending a PO by purchasing result in throwing each other responsibility for the expenditure of the purchase of these goods.

- Purchasing does not carry out evaluations to ensure supplier quality
Purchasing does not evaluate all suppliers according to the specified time, which is every day. The evaluation was carried out only for a few suppliers who had problems with the process of purchasing activities at TAK Hotel. There are no formal meetings with all suppliers at the end of the month according to the standards they have. This is because it takes a long time and suppliers have also been trusted by purchasing to send ordered goods according to TAK Hotel quality standards, which results in repeated quality and quantity of goods that do not match demand.
The result of the above is also mentioned in the theory of Erwin et al (2016) that supplier evaluation is an effort to choose a supplier that suits the company's wishes. Companies definitely want high quality but minimal costs to streamline performance. According to research by Mariana and Abrian (2020) that product quality, experience, and financial stability from suppliers are considered as important attributes in supplier selection. Therefore, if the evaluation is not carried out according to theory and research, the opposite will happen.
- Delay in ordering daily market list to suppliers by purchasing
There are several suppliers on certain days sending purchase orders until 13:00 WITA, so purchasing must get a daily market list from the kitchen not past the time specified in the SOP so that a PO is immediately made. The kitchen department often submits the daily market list form too late (after 1-2 hours or even a day from the agreed time). In addition, the kitchen section often makes multiple orders or additional orders for items in many items that are not done simultaneously. This happens because user outlets lack discipline in making daily market lists. The SOP for procurement requests has stated that the maximum delivery of DML to purchasing is at 13:00 WITA, while the user department is later than 13:00. This condition causes purchasing to be forced to procure goods as soon as possible or make their own orders that are not in accordance with the consideration of the costs incurred so that the purchase costs exceed the budgeted.
In accordance with Mulyadi's (2016) theory that this condition results in repeated orders for goods or additional orders with many items that are not made at the same time. In line with Merquri and Kawedar's research (2016) that resulted in the procedure for receiving goods carried out by the receiving department not in accordance with the company's SOP.
- Purchased goods sent by the supplier do not match the purchase order
Goods received and checked for quantity and quality are appropriate but in terms of the prices of the goods listed in the invoice brought by the supplier, this is not in accordance with the contract price, this is due to an increase in the price of some goods but the purchasing department has not updated the latest prices on the computer system outlets that need to make a PO with the old price. This results in re-checking making receiving operational time slow to receive ordered goods from other suppliers. Receipt of invoices that have a price different from the contract price or PO will be returned and follow-up done to change it, delaying the entry of invoice data information into the computer system. In particular, the account payable department will be late in handling the payment process for the purchase of the item.
In accordance with the theory of purchasing management systems according to Mulyadi (2016) that purchases need to be made according to the PO so as not to interfere with hotel operations because of the delay in in-voice data information obtained by each department in terms of inventory. According to Nurjanah and Mayasari's research (2020) it results in disrupting hotel operations in the procurement of goods and leads to complaints from guests, suppliers will make deliveries when the prices listed on the PO have been corrected so that the delivery process is disrupted.
- Late posting of purchase invoices into the computer system.
Posting invoices carried out by receiving is very clear that there is a lack of time because the receiving of goods takes the time and energy of the staff to continue posting invoices. The result is that the payment process to suppliers for accumulated purchases does not match the time of the agreement. If you are slow in posting invoices, then there are several invoices belonging to the supplier that are not recorded so that it slows down the payment process because you need a physical search for the invoice.
Supported on the basis of Mulyadi's (2016) theory, that the consequences of posting invoices that are not done according to the day of arrival will create a pile of invoices that may be lost due to forgetting to post. According to Nurjanah and Mayasari (2020), the result of the delay in posting the invoice is that information that has its own use in each department is slow to convey. Payments to suppliers are not in line with the flow due to the lack of information obtained from vendors of incomplete trial balance details.
- Taking store goods without a store requisition
Inventory goods for purchases brought by suppliers at the store do not use store requisitions as physical evidence of releasing goods. The cause of this condition is the time in authorizing the collection of goods at the store, which is often complained of by the department who needs it quickly to get the goods for guest satisfaction. Picking up goods using SR requires approval from the head of the relevant department.

As a result, it is difficult to search for items that are less in number because they are recorded more or less on the computer system. In addition, the distribution allocation of ordered goods becomes irregular.

In line with Mulyadi(2016)theory, retrieval of goods needs to attach a store requisition. If you do not attach it will result in confusion in ordering goods back. In addition, the consequences arising from these conditions are mentioned in Trisnawati, NP (2020) research that the result of the conditions and criteria that are owned is that the movement of stock items becomes messy. The stock in the store needs to be recalculated but because there is no SR, it makes it difficult for the storekeeper to allocate the cost of the item.

• **Reporting**

The reporting stage aims to communicate audit results including providing recommendations on findings that occur in the purchasing function. The recommendations that can be given to anticipate these findings are:

- Purchasing manager should provide direction and understanding regarding the time discipline that must be adhered to by the user department in submitting POs to the purchasing department, especially the submission of daily market lists. The outlet should also be able to predict the total material that will be used for the next day so that the purchasing department should communicate to the relevant officials in order to speed up the PO approval process that will be sent to the supplier and communicate to the relevant officials if there are items that are urgent so that the official who has the authority do not ignore the PO line list made by the purchasing department
- Before making a purchase to a supplier, the purchasing department should look for at least 3 similar suppliers as a comparison, both from the availability of suppliers in fulfilling goods and the availability of suppliers in complying with the existing agreement regulations. The purchasing department can also submit a blind tasting to the outside purchasing department to test the quality of the goods if needed. The suppliers will then be classified according to the goods sold by the supplier from the lowest to the highest bid. This classification will make it easier for the purchasing department to purchase goods if one of the suppliers holds or blocks so as not to hinder the company's operational activities. After the supplier meets the criteria, a written contract will then be drawn up which is approved by the TAK Hotel and the supplier. The written contract contains information on the supplier's business activities, such as bank account information, business license, and TIN, price agreement, payment period, maximum credit purchase limit, and contains sanctions if the agreement is violated. After the procurement of goods is carried out, the purchasing department must evaluate the activities that have taken place to determine the feasibility of the supplier. The purchasing department should also hold regular meetings with suppliers and innovate suppliers so that procurement activities can run smoothly.
- At the time of purchasing the purchasing process to suppliers. The purchasing department should first confirm with the supplier regarding the PO that has been made by the outlet and then forward it to purchasing both from the availability of goods and the price listed on the system so that when the supplier makes the delivery, the goods are in accordance with the PO made by the purchasing department. At the time of making the PO, the purchasing department should put a check mark on each item that has been ordered, so that it is easier to re-examine if there are items or orders that have not been ordered.
- When the supplier delivers the goods, the receiving item must check the goods based on the PO. The goods sent must match the PO made in terms of quality, quantity, and price of the goods, the receiving section also needs to re-weigh the goods - Items that need to be re-weighed. When the goods arrive, the purchasing department should confirm with the relevant outlet that ordered the goods to participate in checking the goods, ensuring the specifications of the goods ordered if the goods are in accordance with the PO, the receiving section immediately makes the receiving document and complete documents which will be submitted to the cost control section then the document will be forwarded to the account payable section. Goods received by the receiving department will then be stored in the warehouse and managed by the store department.

• **Follow-up**

The final stage of the management audit is the follow-up of TAK Hotel regarding the conditions found and the recommended recommendations. When a procedure is no longer a concern, the activities carried out by the purchasing function become ineffective, efficient, and economical, therefore the company must follow up on these conditions in accordance with the recommendations given to the next purchase in August 2022 so as not to create new conditions that can hinder the company's operational activities.

• **Calculation of Effectiveness, Efficiency, and Economization**

Analysis of variance is used to find out the actual results with the budgeted plan by comparing factual costs. If the realized cost is less than the budgeted cost, it is considered profitable (Hongren et al, 2008).

Table 4.11 Calculation of 3E in 2020

2020		
Description	Analysis Result	Desc Result
Total Revenue	106,274	Very effective
Total Food Cost	95,238	Ekonomical
Total cost daily market list (<i>food</i>)	98,762	Ekonomical
Total cost daily market list (<i>beverage</i>)	99,763	Ekonomical
Total cost <i>general item</i>	93,872	Ekonomical
Efficiency Measurement	25%	Efficient

Table 4.12 Calculation of 3E in 2021

Tahun 2021		
Description	Analysis Result	Desc Result
Total Revenue	96,963	Effective
Total Food Cost	103,024	Not Economical
Total cost daily market list (<i>food</i>)	102,527	Not Economical
Total cost daily market list (<i>beverage</i>)	109,111	Not Economical
Total cost <i>general item</i>	102,336	Not Economical
Efficiency Measurement	34,866	Efficient

Based on table 4.11 and table 4.12 in calculating the effectiveness, efficiency, and economical performance of TAK Hotel, the results are effective and efficient but not economical. Findings that resulted in the cost of purchasing DML (food) increased and became uneconomical because the kitchen was late in submitting DML to purchasing. Some suppliers have time limits on the delivery of goods so that the items needed will be difficult to obtain. Suppliers try to provide similar goods but do not match the quality and quantity demanded. In addition, purchasing tries to procure these goods from other suppliers at high prices with the same quality.

The uneconomical cost of DML (beverage) is caused by taking store goods without SR. The cost allocation of the beverage items taken is irregular in the expenditure and inventory of each outlet. Irregular quantities of outlet inventory make outlets reorder so that the cost of purchasing beverage items will be excessive as well. Not only purchase costs, but storage costs for beverage items will increase.

The cost of purchasing general items for a year becomes uneconomical because purchasing does not send POs in several orders to suppliers. In addition, purchasing does not carry out routine evaluations of all suppliers. The impact that occurs is that suppliers take advantage of time gaps and opportunities to commit fraud such as lack of quantity and quality of ordered goods brought. Several times the ordered goods received did not match so that it required another supplier to make deliveries of the required goods.

Conclusion

Based on the results of research conducted on the management audit of the purchasing function at TAK Hotel, it can be concluded that the management of the purchasing function is not in accordance with the Standard Operating Procedure. The existence of a management audit with the stages of a preliminary audit, review and testing of management control, detailed audit, reporting, and follow-up as well as the main targets, namely the criteria, causes, and effects of obtaining findings in the purchasing function of TAK Hotel as follows: a) purchasing goods to suppliers by purchasing without sending a purchase order, b) purchasing does not evaluate to ensure the quality of suppliers, c) delays in ordering the daily market list to suppliers by purchasing, d) ordered goods received are not in accordance with the purchase order, e) late in posting invoices to the in the computer system, f) taking store goods without a store requisition resulting in losses to the company. The management audit applied to the purchasing function of TAK Hotel has an influence on the effectiveness, efficiency, and economy of a company. The purchase function of TAK Hotel has been running effectively and efficiently but not economically in accordance with the established SOP. One of the recommendations that have been submitted is to follow up SOPs properly and consistently on the next purchase and make technical improvements in accordance with technological advances that will realize the company's goals.

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