

Internal control and audit procedures for inventories. . Case study in the textile factory “GETEX-SPA” unit of Maghnia (Tlemcen)

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Abstract :

This study aims at presenting the role of internal audit and internal control in managing the company's inventory. Indeed, we conducted a study on the textile company “GETEX-SPA” unit Maghnia (w) Tlemcen, by integrating between an interview with the internal auditor and a sampled questionnaire from the company population. The results obtained indicate that there are some strengths, such as the system of approving purchase orders and good inventory valuation. However, at the operational level, significant weaknesses were identified, particularly: there is no purchasing department; lack of negotiation; and poorly organized store layouts. Hence, the study proved that "internal control and systematic internal audit can actually improve inventory management, help reduce costs, and improve the operational effectiveness of the company.

Keywords: Internal control, Internal auditing, Inventory management, ‘GETEX-SPA’ factory unit of Maghnia .

Jel Classification Codes: M 42, M 11.

Introduction

The control and internal audit of inventories are one of the main pillars of the financial and administrative governance systems of modern companies, as they guarantee the accuracy of financial reporting, prevent fraud and contribute to improving operational efficiency. The development of this control has undergone important historical transformations, in the period between 1905-1933 auditors began to systematically realize the importance of internal control. The major turning

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point came with the adoption of the Sarbanes-Oxley (SOX) in 2002 which imposed strict requirements on internal control and management, including inventory controls. The Unified Framework (COSO)² published in 2013 reinforced this trend by providing a comprehensive internal control framework focused on risk and performance. This growing importance continues in modern times, making effective inventory control an imperative necessity in contemporary institutions.

In Algeria the emergence of internal control and inventory auditing has been marked by the transition from centralized systems to the adoption of international standards. This turn marked a decisive turning point with the publication of the financial accounting system (SCF) by Law 07-11 of 2007, which obliged organizations to apply the principles of international stock assessment, requiring the strengthening of internal control systems to guarantee the accuracy of the inventory and financial assessment. The supervisory role was also later reinforced by the publication of specialized legislation, such as Legislative Decree 24 of 2019, which regulated the control of strategic stocks, highlighting the vital importance of internal audit for asset protection and economic transparency.

The problem of the study

Based on the above, we will try to answer the following problem:

What are the procedures for controlling and auditing inventories in “GETEX-SPA” unit Maghnia factory?

Problematic hypothesis:

The institution relies on a set of procedures coordinated by the internal auditor to manage its inventories effectively.

Methodology:

The analysis in this study was conducted using a qualitative case study approach, focusing on the company GETEX Maghnia. A content analysis method was applied to the responses collected from employees involved in inventory operations and from the internal auditor. This allowed for the systematic identification of strengths and weaknesses within the internal control and audit processes, thereby providing insights into their impact on inventory management.

1. Literature review:

Internal control system is a major component of the company's inventory control. The internal control is to ensure the company's objectives are achieved and the misuse of company assets is reduced. According to COSO³ internal control, relies on the actions of an organization's governing body, management, and employees to provide reasonable assurance that objectives are achieved in respect of operations, reporting, and compliance. Components of internal control in inventory have been identified by some expert studies as follows:

1.1. Control environment: Sets the company's ethos and culture. It is essential as it promotes and communicates the policy to employees at all levels to ensure that proper internal controls are adhered to and reinforced. COSO; Budiandru, 2024⁴

² COSO. (2013). Internal Control- integrated Framework. Committee of sponsoring Organizations Of the Treadway Commission.

⁴ Budiandru, 2024, 'The Impact of Internal Audit Effectiveness, Risk Management Practices, and Organizational Culture on Financial Performance, Journal of Social Science Vol.1(4) page 698-711

points out that a good control environment consists of an organizational structure, leadership philosophy, integrity, HR policies, and strategies.

1.2. Risk assessment: The entity must assess the risk of not achieving its inventory control objectives in order to determine, develop, and implement appropriate control activities. According to COSO(2013), the risk assessment process includes setting objectives, identifying risk events, assessing risks, and considering risk responses. Marpaung & al⁵ state that the risks are the absence of control policies over data preparation, processing, and reporting in the inventory account.

1.3. Control activities: Control activities include physical controls (e.g., inventory storage, access control, inventory holding) and supervisory controls (e.g., inventory adjustments). These activities include reconciliation of inventory list cards, continuous inventory, inventory stock-outs, and other actions taken by officials to comply with the prescribed procedures. According to codes, the company has to ensure the existence of physical inventory that is stored properly. Ananta & Indah⁶ says that control procedures consist of manual procedures to periodically summarize recorded inventory balances and compare them with physical counts of inventory.

1.4. Information and Communication: Appropriate, relevant information must be obtained and communicated to appropriate personnel in a timely manner to enable them to carry out their responsibilities. COSO (2013) points out that information must be generated and disseminated at all levels. It is necessary that the inventory data in all systems and various stages of processing must be accurate, credible, consistent over time, and accessible. Information flowing from the inventory office must also reach management and control at an appropriate level. It must also cover all inventory transactions and states.

1.5. Monitoring activities: Ongoing evaluations, separate evaluations, or some combination of the two must be used to ascertain whether each component of internal control is present and functioning. COSO emphasizes the importance of ensuring that policies and procedures are being followed and that they continue to operate effectively.

An effective system of internal control is evaluated continually and modified as appropriate due to changes in conditions or as a result of the findings of supervisory agencies and auditors. Fadhel & Indah⁷ explain the importance of control policies and procedures over corrective control that identifies, analyzes, and minimizes the impact of deviations from prescribed material disclosure practice during the inventory process.

⁵ Marpaung, S. A., Siagian, H. L., & Manalu, H. M. (2024). The Effect of Operational Audit and Internal Control on Raw Material Inventory Management. *Jurnal Ilmiah Akuntansi Kesatuan*, 12(2), 219–228. <https://doi.org/10.37641/jiakes.v12i2.2508>

⁶ Ananta. A & Indah. M. (2023). ANALYSIS OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM OVER INVENTORY MANAGEMENT IN MEDIUM-SIZED COMPANIES. *Jurnal Ilmiah Manajemen Ekonomi & Akuntansi (MEA)*. 7(2):714-722

⁷ Fadhel. M & Indah.M. 'Evaluation of Internal Control System Over the Inventory Cycle in a Distribution Company (Case Study at PT. XYZ)'. *LOCUS JOURNAL*. (4) 6. 2546-2561.

Bichi & Ben-Ali⁸ also provide empirical evidence about the indirect impact of internal control on the company's performance through internal compliance quality in the investment and cash flow accounts. The direct effect of internal control on the quality of internal compliance consists of bad and good things about control activities, risk assessment, communication, monitoring activities, control environment, and information and communication. Companies are expected to minimize these bad things to ensure good internal compliance quality. The importance of effective internal control procedures includes bad and good things about control activities, control environment, and risk assessment procedures. The direct effect of the control environment, risk assessment, control activities, information and compliance monitoring procedures on fraud increase or decrease the probability of the fraudulent organizational behavior in inventory accounts.

2. Applied Framework: Case Study

For the purpose of examining the internal control procedures and internal audit process on the "GETEX-SPA" unit Maghnia company inventory, we have prepared a survey that includes the most important questions related to the procedures for managing inventory in all its movements, starting with the process of buying, storing and selling. The first section contains the internal control procedures, then we conducted in the second section an interview with the internal auditor in order to know about his inventory process.

2.1. First section: Internal Control Procedures for Inventory.

To ascertain the extent of adherence to internal control procedures for inventory within the company, we prepared a questionnaire containing the most important questions related to inventory management procedures throughout all its movements, starting from the purchasing, storage, and sales processes. These questions were divided into three sections as follows:

2.1.1. Internal Control Procedures for Purchases.

Table 01: Questionnaire on Internal Control over Purchases.

Questions	yes	NO
Does the company have a purchasing department?		×
Are the various purchase orders for the company limited to a single purchasing department?	×	
Is there a special department for receiving and inspecting purchases?		×
Is the quality of purchased materials verified?	×	
Are all purchase operations recorded clearly and in detail?	×	
Is there a specific maximum amount in the company that should not be exceeded in purchase operations without prior approval?	×	
Are purchased materials and goods inspected and monitored before being entered into warehouses?	×	

⁸ Bichi. I & Ben Ali. M. 'The Impact of Internal Auditing on Evaluating Internal Control Systems and Risk Management'. *Forum for Economic Studies and Research Journal*. Volume: 08/ N°: 02 (2024), p 531 - 544

Does the company take measures in case purchased goods and materials do not match purchase orders?	×	
Are delayed orders tracked and measures taken if they do not arrive on time?	×	
Are the purchased materials compared with the received materials and the purchase invoice?	×	
Are there specific suppliers the company deals with to meet its needs?		×
Are suppliers verified for their credibility and background before starting to deal with them to protect the company?	×	
Are prices studied before the purchase process and matched with market prices?		×
Are price negotiations conducted by those responsible for the purchasing function?		×
Are purchase orders assigned serial numbers?	×	
Is compliance with local laws and international standards in relation to procurement verified?	×	

Strengths:

- Despite the absence of a dedicated department for inspecting and receiving purchased goods and materials, the quality and type of these materials may be verified by employees responsible for purchasing and entering them into warehouses. For example, if the company is supplied by certain suppliers with materials that meet all specifications defined in purchase orders and in the required quantities, but later it becomes clear that these materials are of poor quality and do not meet the company's needs or may cause losses to the company or lead to customer dissatisfaction, then the employees responsible for this process take the necessary measures, which may include returning these materials to their suppliers by preparing a "Return Voucher" as shown in (Appendix No. 02), which includes all reasons and details that make the company reject and return this order.
- Yes, all partner operations are recorded completely and in detail, including quantities, amounts, dates, and suppliers (Appendix No.03)
- Regarding exceeding the specified prices in purchase operations, it is divided into three sections:⁹

Section One: This section includes all purchase operations ranging between 01 DZD and 500,000 DZD, which are carried out directly without the need for prior approval.

Section Two: This section includes all purchase operations exceeding 500,000 DZD and less than 60,000,000 DZD, which are not carried out except with prior approval from the manager. This is done by sending a "request for approval" from those responsible for purchasing to the specialized committee for price study, which is an administrative letter. Then, this committee studies it to allow or disallow the purchase.

⁹ Information acquired by the administration.

Section Three: This section includes all purchase operations exceeding 60,000,000 DZD, which are not carried out except with prior approval from the General Manager. This is done by preparing a "request for approval" by those responsible for purchasing. However, this time, the committee that studies this price, its reasons, and the extent of the company's needs comes from the parent company and is not just the local committee.

- Also, these amounts cannot be exceeded in purchase operations without prior approval when dealing with a single supplier during the same year, even if it involves more than one purchase operation.
- Yes, purchased materials are monitored and inspected before being entered into warehouses by those responsible for them, such as the inventory manager and the supply manager. Upon entry, they record all details
- In case goods and materials do not arrive on time, the company imposes penalties on the supplier, and their percentage is determined according to the delay period, starting from 1% and may reach up to 15%. However, if the supply is delayed for a long period that may affect the production process, the order is canceled directly, and dealings with the supplier are terminated generally.
- There are no specific suppliers that the company is restricted to dealing with. Instead, whenever it needs to be supplied with materials and goods, those responsible for purchasing search for suppliers and then prepare proforma invoices for the proposed suppliers. These invoices include several pieces of information, including: (price, delivery period, names of suppliers, their credibility and commitment, quality of materials, and the offer period provided by the supplier and payment terms), through which they are compared, and the offer that is in the company's interest is chosen.
- Also, before carrying out purchase operations, the identity of the suppliers is verified, and their files and legal status are tracked, such as owning a commercial register, their tax commitments, and their reputation in the market and their financial situation are investigated to see if they are able to pay or if they are in a financial crisis.
- Yes, a serial number is assigned to purchase orders to simplify access to them when needed for inspection and comparison by the internal auditor or for any other reason. It is not required for a supplementary purchase order to have the same number as the original purchase order or a sequential number.
- Those responsible for purchasing operations work to apply international laws and local standards related to purchase operations, some of which we mentioned earlier. The task of verifying compliance with these laws and standards falls to the internal auditor, whose impact on managing these materials and goods in all their movements will be discussed later.

Weaknesses:

- There is no dedicated purchasing department, and those responsible for purchasing operations are only the managers of raw material warehouses, such as the supply manager and the inventory manager.
- Prices are not studied and compared with market prices. Instead, those responsible for purchasing only prepare proforma invoices and compare them to choose the deal that is in the company's interest, as we mentioned earlier in the strengths.
- Those responsible for the purchasing function cannot negotiate prices with suppliers, whether before or after preparing proforma invoices and agreeing with the supplier who offers the best offer to the company.

2.1.2. Second Section: Internal Control Procedures for the stock.

Table No. (02): Internal Control Questionnaire for Inventory

Questions	YES	NO
Is inventory responsibility assigned to a specific department?	×	
Is there a specific system for purchasing inventory?	×	
Are inventories re-evaluated?	×	
Are there measures in place to protect stock from damage or expiry?	×	
Is safety stock provided in the company?		×
Is there a department responsible for inventory counting?	×	
Is there a surprise inventory count?	×	
Are there procedures to protect warehouses from risks?	×	
Do you use computer tools to assess and control your stocks?	×	
Are goods inspected and signed for?	×	
Is inventory subject to counting operations?	×	
Are there procedures for monitoring goods shipment and material receipt?		×
Are there procedures to identify high-cost goods and manage them effectively?		×
Are there records for inventory disposal operations?	×	
Are operations performed to verify damaged goods before removing them from inventory?	×	
Are inventory records kept securely?	×	
Are there methods to verify inventory quality and credibility?	×	
Is inventory arranged and divided based on a specific pattern?		×
Are there procedures for issuing raw materials from the warehouse?	×	

Analysis of Questionnaire Results:

Strengths:

- Assigning responsibility for raw material inventory to a person, who is the supply manager, and defining and clarifying his tasks. He, in turn, records and approves entry operations into warehouses and records them in the automated information system used by the company and fills out the "Fiche de Stock" (stock card) at the same time, as shown in (Appendix No.01), with the assistance of the raw material inventory manager.

- Inventory managers use an inventory management system where the quantity of raw materials in inventory is determined only according to need or orders, and raw materials are not stored without the intention of using them in the near future for consumption orders, and the purchase prices of raw materials are determined by the company's general management.
- Inventory is re-evaluated using the automated information system, which is automatically used upon issuance, and the method used is the Weighted Average Cost (WAC) method, where:

$$\frac{(\text{Cost of period inputs} + \text{Cost of beginning inventory})}{(\text{Quantity of period inputs} + \text{Quantity of beginning inventory})} = \text{Weighted Average Cost (WAC)}$$

$$\Sigma V / \Sigma Q = WAC$$
- The quality of raw materials used by the company in textile and clothing production is not subject to an expiration date, except for some raw materials used in printing, such as paints and light-sensitive materials. Inventory managers strive to reduce the quantity stored of these materials and purchase only according to the department's needs to avoid them remaining for a long period and thus expiring.
- There is no safety stock in the company, and this can be considered a strength for the company, as inventory is reduced to the maximum extent in the company, as mentioned earlier, to avoid obsolescence or remaining uselessly, as it only occupies space without any return to the company and freezes the company's funds with the risk of no order being consumed in it and exiting without achieving a return on it. Therefore, to avoid loss, safety stock is dispensed with.
- There is an inventory department responsible for inventory counting, which performs inventory twice a year on June 30th and December 31st of each year. Three teams inspect the inventory to count it and ensure that the numbers in the stock cards and the system are the same as those on the ground without any shortage. If there is a shortage, the internal auditor comes to play his role and solve the problem of inventory loss.
- Providing procedures to protect inventories from risks, such as providing a closed warehouse specifically for raw materials to protect inventory from natural effects. The warehouse also contains surveillance cameras and fire extinguishers that can be used to deal with incidents such as theft and fires.
- Applying surprise inventory counts in cases of suspicion or rumors of inventory discrepancies. The internal auditor comes to conduct the count and verify if there is a discrepancy and find solutions for it, but all this is under the prior approval of the General Manager and without the knowledge of anyone in the company or in the warehouse to avoid covering up the discrepancy and hiding it.
- Using the automated information system to record entry operations into warehouses, record and count raw materials to evaluate inventories, and record operations and facilitate access and retrieval for recipients.
- If there is inventory to be disposed of, the supply manager prepares an administrative letter to the accounting department, which in turn determines whether it should be disposed of or can be utilized or sold to recover its value

or profit from it and recover funds, or even decides to dispose of it by burning, but all this is with approval.

- There are no damaged goods entering the inventory because goods are monitored immediately upon entering the inventory by technicians who test the quality, and with appropriate storage procedures, it naturally ensures that the inventory is not damaged.
- Optimal retention of inventory records and ensuring security by recording in the automated information system and manual recording on stock cards each time raw materials are entered into the warehouse and keeping them in the supply and inventory management department. This ensures that raw material inventory records are not lost or damaged.
- Verifying the quality of raw materials by technicians specialized in the technical department of the company and relying on the expertise of employees to ensure the desired quality that helps in presenting, producing, and delivering the final product with the required quality that satisfies the customer.
- There are procedures for issuing raw materials to the production workshop when needed. A release voucher is issued for any raw material, whether large or small, to prevent loss of raw materials and to know if the raw materials have been consumed or have gone for another purpose. In case there is no release voucher for the raw material, the inventory manager is held accountable, as she is responsible for issuing and signing these vouchers. It is then investigated whether it was due to her mistake or if it was tampered with or lost, but these matters rarely happen. This is one of the inventory protection procedures.

Weaknesses:

- The company does not provide safety stock, and this is by order of the company's General Management Association as part of inventory reduction procedures to save money and space within the warehouse.
- There are no procedures for monitoring the shipment, unloading, and receipt of raw materials, and this is due to the absence of unloading workers. Only warehouse workers and some workshop workers are responsible for unloading shipments and entering them into the warehouse.
- Raw materials are not arranged according to a specific pattern but are placed according to space due to a lack of shelves, drawers, and means to help arrange materials.
- High-value materials are not treated specially but are stored like other materials in the warehouse. They should be handled with caution and stored more carefully due to their sensitivity.

2.1.3. Internal Control Procedures for Sales.

After studying internal control over inventories, our study now focuses on sales. A questionnaire was prepared containing a set of questions that we posed to the sales inventory manager, with the participation of the internal auditor. This revealed strengths and weaknesses in the internal control procedures within the company.

Table No. 03: Questionnaire on Internal Control for Sales.

Questions	YES	NO
Is there a dedicated sales storage department?	×	
Is there someone who approves sales orders?	×	

Is the identity of customers, their financial and legal status, and their commitment to paying taxes verified?	×	
Are there procedures taken by the company regarding customers who are late in picking up their orders?	×	
Are there procedures for issuing sales from warehouses?	×	
Is sales inventory separate from raw material inventory?	×	
Is sales inventory arranged in warehouses according to a specific pattern?	×	
Does the company deliver its sales to customers?	×	
Are there procedures to maintain inventory during transportation to customers?		×
Are finished goods and materials inspected before being entered into warehouses?	×	
Are goods and materials inspected if returned to the company by customers before signing for their acceptance?	×	
Are there procedures followed by the company regarding goods and materials returned by customers when they are incomplete or defective?	×	
Is there sufficient documentation for the process of transporting and distributing goods?	×	
Are customer files renewed annually?	×	

Strengths:

- There is a department dedicated to sales storage, with a manager who oversees the smooth running and rotation of stock, ensuring that it is received and delivered to customers in the required condition. He assumes full responsibility for all stock and is tasked with checking each product individually and signing for it himself.
- ☐ The presence of a person who approves sales orders, which are signed by the warehouse manager and general management, as sales are only accepted with the signature of both parties in order to prevent fraud and ensure accountability.
- ☐ The identity of customers, their financial and legal status, and even their commercial records are verified, as explained earlier in the section on purchasing, in order to ascertain their commercial background and whether they are able to pay, and to avoid falling victim to fraud and wasting inventory, effort, and money in ways that are not beneficial to the institution.
- Procedures are in place for customers who are slow to collect their orders in order to determine the reasons for the delay and impose financial penalties that increase each day, as this stock represents a burden on the establishment and leads to a lack of storage space and additional responsibility for the storekeeper responsible for protecting it.
- Existence of procedures for removing products from the sales warehouse, including documentation, counting and signing for removal. Among the documents used for this purpose.
- The sales warehouse is separate from the raw materials warehouse in all respects, from storage to management. This is a positive factor in terms of the separation of duties and assists the internal auditor in conducting audits and determining procedures to ensure internal control.

- Stocks are classified in the warehouse according to 'LE CODE D'ARTICLE', which is a sequential number also recorded in the DLG computer programme, and the 'FICHE DE STOCK', as indicated in (Appendix No. 04).
- The company delivers sales to customers in accordance with what has been agreed in the order. In general, the company takes care of delivery, but sometimes the customer takes care of it if they have a means of transport.
- The finished materials are thoroughly and carefully inspected, their quality verified, approved by the warehouse manager, and recorded on the sales warehouse card before being entered into the warehouse.
- Products returned by customers are carefully inspected to determine the reasons for their return and rejection, and the inventory manager corrects them.
- Adequate and comprehensive documentation of all goods entry, storage, and removal processes to serve as a shield to protect the warehouse keeper in order to achieve internal control procedures.
- Customer files are renewed annually to check for any changes in the commercial register, trade name or legal status, in order to determine how to deal with customers in such cases.
- A surprise inventory check is carried out in the event of information or problems concerning the storage of finished products, by the internal auditor and under the supervision of the unit's managing director, in order to determine whether there are solutions to the problem, to put comprehensive control measures in place and to ensure transparency.
- Manufactured materials are inspected before entering the warehouse and their quality is verified by the technical department. They are then validated by the warehouse manager so that they do not have to be inspected again. In the event of missing or poor-quality materials, the warehouse manager assumes full responsibility.

Weaknesses:

- No measures are in place to protect stocks during transport, such as insurance or the use of a secure transport company, which may expose them to damage due to natural accidents, theft during transport or traffic accidents. We therefore assume full responsibility for damage at this stage, especially since the carrier has informed us that it employs only one employee, making it more vulnerable to theft and danger.
- Similarly, for sales stock, there is only one factor responsible for counting goods, entering them into warehouses and removing them from warehouses, which is a difficult and exhausting responsibility due to the large quantity of finished products and goods entering and leaving warehouses.
- Insufficient number of cameras monitoring all angles of the warehouse to protect stock from theft or fraud when counting goods intended for delivery to customers.
- ☐ Lack of sufficient and clear lighting in warehouses to improve visibility during counting operations or even to allow cameras to function properly.

2.2. Section two: the role of the internal auditor in inventory control

In this section, we have attempted to address the procedures followed by internal audit in its work and their application within the 'GETEX-SPA' unit of Maghnia

with regard to inventory management procedures throughout their cycle, from purchasing and storage operations to sales.

2.2.1. The role of the internal auditor in monitoring procurement:

Once warehouse managers have completed their tasks, which consist of the internal control procedures for purchasing from stock that we discussed earlier, the internal auditor steps in to check and review their work in order to detect any errors, failures, fraud, shortcomings or defects that could harm the company. The auditor makes observations on these issues so that they can be identified and corrected by mentioning them in the monthly report. The auditor also performs other tasks, including the following:

- The internal auditor reviews and verifies formal invoices issued by proposed suppliers and compared by the purchasing manager during the purchasing process. As part of our study, we found that the auditor did not find any suspicious elements in the purchasing transactions, which means that all purchasing operations were correct and that the person responsible for this function is performing their duties perfectly by choosing the supplier whose offer is most suitable for the institution.
- He also checks that the supporting documents for the purchase are consistent with each other, including purchase orders, orders, pro-forma invoices, (Appendix N°4) delivery notes and stock entry notes. In the event of an anomaly or non-compliance, the auditor investigates the anomaly, corrects it, and then writes a report on it. However, at this stage, the auditor found no anomalies or errors requiring correction, and all documents and amounts were compliant.
- Similarly, before entering into an agreement with a supplier, the internal auditor plays their part by verifying 'the identity, credibility, reputation, financial situation and legal status of the supplier' using certain tools, including the 'JIBAYATI' website. This is an official website of the Directorate General of Taxes (Ministry of Finance), where the internal auditor verifies the supplier's identity and legal status, whether they have trader status and whether they are meeting their tax obligations, and immediately rejects any suspicious suppliers.

2.2.2. The role of the internal auditor in inventory control:

When stock enters the company and is stored, it becomes the company's responsibility. The company must therefore take the necessary measures to ensure the security of the stock. This is where internal control and the internal auditor come in. We will attempt to summarize these measures in the following points:

- ✓ Naturally, the 'GETEX-SPA' unit of Maghnia company conducts inventory operations on a permanent and periodic basis twice a year, the first on 30 June and the second at the end of the year, with inventory work or the end of the year's work when all inputs and outputs have ceased. Here, the company follows physical inventory procedures to determine the actual quantity of raw material stocks and to reconcile them with what is in the warehouse records and the DLG programme. According to the information provided, the inventory committee is divided into three committees, A, B and C. and the DLG programme. According to the information provided, the inventory committee is divided into three committees, A, B and C. Committee A goes through the inventory and conducts a physical inventory of the entire warehouse, counting the raw materials present

and recording the quantities found. Committee B then goes through and repeats the same process, counting the raw materials in the warehouse and recording the quantities obtained. The results of Committee A and Committee B are then compared and contrasted to see If there are any discrepancies in the inventory process, Committee C steps in and repeats the same physical inventory process on the raw materials in the warehouse and counts them. Here, with the approval of the accounting department, the results of the last committee's inventory are taken as the basis for the actual quantity of inventory. Then the auditor takes the results of this physical inventory and compares them with the accounting records, i.e. the accounting inventory balance, which is carried out periodically every month. In normal cases, the internal auditor concludes that what is in the accounting records is actually present in the warehouse.

- ✓ The internal auditor attempts to ensure that the inventory manager applies the standards in force. For example, he checks whether there is a perpetual inventory system and whether the weighted average cost (WAC) is applied in accordance with recognized accounting rules for revaluation. The storage and procurement department uses DLG software to enter and digitize data, then instantly and automatically calculates and determines the weighted average cost, as the software has been programmed to use methods that comply with laws, regulations and recognized accounting standards. The auditor therefore ensures that the company complies with legislation by applying perpetual inventory methods based on the weighted average cost (WAC) method.
- ✓ The internal auditor tries to find out if the store meets the control conditions, looks for problems and finds solutions. For example, the internal auditor goes to see the condition of the raw materials in the store and begins to notice the presence of raw materials lying on the floor without any floor insulation, which may pose a future threat to her. He traces the problem and why the raw materials are like that, he sees that there are shelves, but they are all full, so of course solutions must be proposed and there is a shortage of shelves in the store to organize more raw materials to order and facilitate its transport. He mentions this as a remark in his report on the verification of the warehouse unit described in Appendix no. (5) When the internal auditor mentioned that there is an internal auditor who not only wants to compare stocks, but also to propose new solutions and procedures to support storage and make it more efficient.
- ✓ After examining the problems faced by the workers in the production workshop, namely that the fabric is not enough for what it should be made with, follow the trained auditor to find out the source of the problem, such as a roll of fabric, which is recorded as containing 100 meters of fabric, it becomes clear to the production workers that it is less than 100 meters, the retail workers must exploit 10 meters in each detail, the accounting indicates that there are 100 meters, One of the solutions proposed by the internal auditor of the public administration is that there should be a visiting 'VISITEUSE machine' to solve this problem as described in the internal auditor's report in (Appendix N°5), here the auditor evaluates the internal control procedures and develops them if possible.
- ✓ For example, the internal auditor checked the security and safety procedures on the store and it turned out that there was no complete surveillance of the store, that is, the lack of surveillance cameras (there is only one camera at a time in

the raw materials store and the finished materials store) and the absence of smoke sensors was noted in the event of a fire in both stores, the auditor mentioned these observations in his report for this month's session in order to strengthen the control and security procedures on the two warehouses, and all this will be evident in He edited his report (Appendix 5).

2.2.3. The role of the internal auditor in sales control.

- ✓ The information of the customer who placed the order is confirmed, because all his information, his business file, his activity, his reputation, his financial situation and his financial situation are taken into account if he is able to pay, and all this is under the responsibility of the internal auditor in this unit by checking on the website of the Register of Merchants "TIBAYATI" of the General Directorate of Taxes and the Ministry of Finance to ensure that the customer the customer directly
- ✓ In the event of a shortage of material delivered to the customer, the supporting documents such as the receipt of the entry, the stock sheet and the delivery receipt are confirmed, where in this case the bilateral control is used by the inventory manager and the General Management, and it is considered if the inventory was lost in the institution , this incident took place in the institution, then all the supporting documents are checked by the internal auditor, and it turned out that all the delivery documents and the warehouse indicated that the goods were intact, but the number was only sufficient after the return to the camera in the warehouse and return to the day of counting the item, and it turned out that the goods were complete and that the loss had been made at the customer and this shows the role of the control procedures The role of the internal auditor in the examination and search for causes and solutions to the risks that management may face in the future.

Conclusion:

The case study of 'GETEX-SPA' unit of Maghnia factory highlights the critical role of internal control and internal audit in inventory management. The company demonstrates strong internal controls in several key areas, particularly in the purchase approval processes, detailed record-keeping, and the effective use of automated systems. The internal audit function appears to play a role in verifying compliance and addressing discrepancies, as evidenced by surprise inventory counts and the use of serial numbering on purchase orders for audit purposes.

However, the study also reveals areas for improvement, such as the need for a dedicated purchasing department, enhanced price negotiation, and better physical organization within warehouses. The absence of safety stock, while a deliberate cost-saving measure, presents a potential vulnerability that warrants further consideration. The incomplete information regarding sales control procedures suggests a potential gap in the comprehensive assessment of the company's internal control environment. The findings from this case study reinforce the literature's emphasis on the synergy between internal control and internal audit in safeguarding assets, ensuring operational efficiency, and promoting compliance within an organization's inventory management framework.

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Appendices:

I. Lettre de mission

Monsieur le Directeur de l'Unité Maghnia

Objet : Audit Interne Avril / 2024.

En exécution de la mission que vous avez bien voulu me confier, j'ai l'honneur de vous présenter ci-après mon rapport d'Audit interne qui porte sur l'analyse des structures suivantes :

AUDIT DU SERVICE HYGIENE & SÉCURITÉ

- L'organigramme nominatif du Service Hygiène & Sécurité au 30/04/2022
- La vérification du registre réglementaire Hygiène & Sécurité
- La vérification des différents registres réglementaires de la sécurité
- Le respect de la réglementation et de l'Hygiène & Sécurité
- Le fonctionnement de la Commission Paritaire Hygiène & Sécurité C.P.H.S
- la gestion des déchets

Le présent rapport comprend :

- Un point de situation sur l'exhaustivité et la conformité des opérations enregistrées durant l'exercice 2023 / 2024 et le respect de la réglementation en vigueur.

Je reste à votre entière disposition pour plus amples informations.

Veuillez agréer, Monsieur le Directeur, l'expression des mes salutations distinguées.

Page 3 sur 19

Appendix N°4Appendix N° 5

II. Validation du rapport :

Rapport d'Audit Interne Unité Maghnia		Référence : La charte d'audit
		Date d'édition : Fin Mai 2024
Processus	AUDIT DU SERVICE HYGIENE & SÉCURITÉ.	
Période	02 au 12 Mai 2024	
Objectif de l'Audit : Vérifier l'exhaustivité et la conformité des opérations enregistrées et le respect de la réglementation.		
Rédaction du document		Validation du document
Mr: REFTAOUI .S Responsable d'Audit & Contrôle de Gestion Visa : 		Mr: CHABOUN .S Directeur de l'Unité Visa : 