

Internal Control System in Fraud Prevention Efforts on Inventory Management Using the Coso Framework

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Abstract: Inventory is an important asset that supports the continuity of a company's operations, especially in the trade and distribution sector. Ineffective inventory management, especially if not supported by a strong internal control system, can increase the risk of fraud, including physical theft, data manipulation, and abuse of authority. Therefore, the implementation of an effective internal control system is very important to reduce these risks. One of the most widely used frameworks for evaluating and strengthening internal control systems is the COSO Framework, which consists of five integrated components: control environment, risk assessment, control activities, information and communication, and monitoring. This study aims to examine the role and effectiveness of the COSO Framework in preventing fraud in inventory management through a literature review approach. This study analyzes previous studies that focus on internal control systems, fraud prevention, and inventory management. The results of the literature review show that consistent and integrated implementation of the five COSO components can significantly reduce the risk of inventory fraud and improve the reliability and accuracy of inventory information. However, several recurring weaknesses were identified, particularly related to inadequate segregation of duties, limited fraud-oriented risk assessment, and the absence of independent and ongoing monitoring mechanisms. This study concludes that the effectiveness of internal control systems depends not only on the formal adoption of the COSO Framework, but also on organizational commitment, procedural readiness, and the development of an integrity-based control culture to support transparent and accountable inventory management.

Keywords: Internal Control, COSO Framework, Inventory, Fraud

Abstrak: Persediaan merupakan aset penting yang mendukung keberlangsungan operasional perusahaan, khususnya di sektor perdagangan dan distribusi. Pengelolaan persediaan yang tidak efektif, terutama apabila tidak didukung oleh sistem pengendalian internal yang kuat, dapat meningkatkan risiko kecurangan, termasuk pencurian fisik, manipulasi data, dan penyalahgunaan wewenang. Oleh karena itu, penerapan sistem pengendalian internal yang efektif sangat penting untuk mengurangi risiko tersebut. Salah satu kerangka kerja yang banyak digunakan untuk mengevaluasi dan memperkuat sistem pengendalian internal adalah COSO Framework, yang terdiri atas lima komponen terintegrasi, yaitu lingkungan pengendalian, penilaian risiko, aktivitas pengendalian, informasi dan komunikasi, serta pemantauan.

Penelitian ini bertujuan untuk mengkaji peran dan efektivitas COSO Framework dalam mencegah kecurangan pada pengelolaan persediaan melalui pendekatan studi literatur. Penelitian ini menganalisis berbagai penelitian terdahulu yang berfokus pada sistem pengendalian internal, pencegahan kecurangan, dan pengelolaan persediaan. Hasil studi literatur menunjukkan bahwa penerapan kelima komponen COSO secara konsisten dan terintegrasi dapat secara signifikan mengurangi risiko kecurangan persediaan serta meningkatkan keandalan dan keakuratan informasi persediaan. Namun, ditemukan beberapa kelemahan yang berulang, khususnya terkait pemisahan tugas yang tidak memadai, penilaian risiko yang belum berorientasi pada kecurangan, serta tidak adanya mekanisme pemantauan yang independen dan berkelanjutan. Penelitian ini menyimpulkan bahwa efektivitas sistem pengendalian internal tidak hanya bergantung pada penerapan formal COSO Framework, tetapi juga pada komitmen organisasi, kesiapan prosedural, dan pengembangan budaya pengendalian yang berlandaskan integritas guna mendukung pengelolaan persediaan yang transparan dan akuntabel.

Kata kunci: *Pengendalian internal; COSO Framework; persediaan; kecurangan.*

INTRODUCTION

Rapid advances in the business world in this era of globalization have encouraged more and more people to become involved in various business sectors, such as industry, trade, agriculture, livestock, transportation, and technology. This situation has led to increased competition between companies. To face these challenges, companies need to be careful in setting policies, especially those related to current asset management. One strategic step that can be taken is to implement a control system. The purpose of implementing this control is so that every part of the company can carry out the predetermined plan as well as possible, so that the company's targets and objectives can be achieved efficiently.

Inventory is the stock of items or resources used in a company, whether from suppliers or from its own production. All activities in a company's warehouse include the inventory system, such as goods coming in, going out, and stock checks. Production inventory is one of the factors that can affect the smooth running of a company. The smoothness of a company's production process is determined by optimal raw material inventory. Therefore, every company must be able to control optimal raw material inventory for a smooth production process.

Sales information to consumers or distribution of basic goods can run because of the information on activities carried out by the company. Therefore, goods inventory must be managed efficiently to meet the company's business targets. Suboptimal inventory management can open the door to fraud, such as theft, data manipulation, and embezzlement.

One real case that reflects this occurred in 2025 at the Atakrib Electronics Store in Nogotirto, Sleman, Yogyakarta. A theft occurred at the Atakrib Electronics warehouse in Sleman City in early 2024, revealing weaknesses in the internal control system for managing inventory. In this case, 15 employees were involved in theft, either individually or in groups, from the warehouse to the shipping department. They took advantage of weaknesses in supervision by hiding other items in shipments, causing the store to fall victim to fraud in its systems and management. This action was uncovered when the company conducted a sudden stock check and reviewed CCTV footage, which showed a significant discrepancy between the inventory data in the system and the actual number of items in the warehouse. As a result of these incidents, Atakrib suffered financial losses amounting to Rp 500 million, and the perpetrators were charged under Article 363 of the Criminal Code, facing a maximum sentence of 7 years in prison. This case highlights that inadequate implementation of internal control systems can create loopholes for fraudulent activities, particularly in inventory management and supervision.

In 2018, PT. Catur Sentosa Adiprana experienced a similar problem involving manipulation and theft of inventory by the warehouse manager in collusion with the company's inspectors and security personnel. This fraud was detected during the monthly stock take, which indicated weak internal control systems in warehouse management (Widiyanto and Dewi, 2021). The increasing number of inventory-related fraud cases shows that inventory remains one of the assets most vulnerable to fraud, especially at the operational level, such as in warehouses and distribution. In reality, many companies still view internal control systems as mere administrative procedures, without reviewing the integration of control elements into daily activities. This situation is becoming

increasingly concerning amid the growing complexity of supply chains, the use of information systems that are not yet fully integrated, and limited internal oversight in medium and growing companies in Indonesia. If weaknesses in internal control systems related to inventory are not immediately identified and corrected, companies may face significant financial losses, decreased financial statement accuracy, and loss of stakeholder trust. Therefore, it is important to conduct a systematic evaluation of the effectiveness of internal control systems based on the COSO Inventory Fraud Prevention Framework, which is increasingly urgent and relevant.

A factor that can prevent fraud is internal control, which is an effective effort to minimize the opportunity for fraud (Handayani & Kawedar, 2021). Based on these two events, it is clear that it is important to implement an effective internal control system in companies to reduce the risk of fraud, especially in areas related to physical assets such as inventory. Previous studies have confirmed the importance of implementing an internal control system as a fraud prevention measure, one of which is through the use of the COSO Framework. The COSO framework is an organization founded in the United States in 1985 by five professional associations. COSO aims to provide a framework that can help organizations improve the effectiveness of internal control, manage risk, and improve the quality of financial reports. COSO (Committee of Sponsoring Organizations of the Treadway Commission) defines five key components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring activities (COSO, 2013). Based on various studies, consistent application of the COSO Framework has been proven effective in reducing fraud risk in the inventory cycle. Research by Febriani et al. (2023) shows that comprehensive application of the 17 COSO principles in distribution companies can reduce inventory loss and recording errors. Similar findings were also revealed by Syahara et al. (2024), who stated that all COSO elements have a significant influence on the effectiveness of raw material inventory control in manufacturing companies.

However, most studies focus on specific sectors or cases and have not comprehensively examined the interrelationships and implementation of the five COSO components in an integrated manner, particularly in the context of inventory management at the operational level of companies in Indonesia. Many companies in Indonesia, especially those at the operational level such as warehouses, have not fully implemented comprehensive internal controls. Lestari and Sudrajat (2023) revealed that obstacles such as lack of segregation of duties, weak supervision, and limitations in recording technology are factors that increase the potential for fraud. This condition shows that even though the COSO Framework has been widely introduced and researched, a comprehensive understanding of its effectiveness in preventing inventory fraud has not been explored in depth.

Therefore, this study is relevant to systematically review various findings from previous studies related to the implementation of COSO Framework-based internal control systems in preventing fraud in inventory management. Through a literature study approach, this research aims to identify the relationship between COSO principles and effectiveness in preventing inventory fraud by analyzing various research results conducted in the last ten years. The results of this study are expected to contribute theoretically to the development of internal control studies and serve as a practical reference for companies in strengthening more effective, integrated, and sustainable internal control systems.

TEORITICAL REVIEWQ

Internal Control System

According to Jason Scott (2014:226), an internal control system is a process implemented to provide adequate assurance that control objectives have been achieved. Internal control systems include organizational structures, methods, and measures that are coordinated to safeguard company assets, check the accuracy and reliability of data, promote efficiency, and encourage compliance with management policies (Magdalena et al., 2023). According to Mulyadi (2017:129), this system includes organizational structure, methods, and

coordinated measures to safeguard assets, ensure the accuracy and reliability of accounting data, promote efficiency, and ensure compliance with management policies. Meanwhile, according to Sunyoto (2014), internal control is a supervisory system within an organization that includes policies and procedures, which aims to provide assurance to management that the organization's goals and targets will be achieved. In general, it can be concluded that an internal control system is a mechanism used by organizations to regulate and supervise all of their activities so that they run efficiently, effectively, and in accordance with applicable regulations.

According to Faradilla et al. (2022), the Internal Control System aims to:

1. Safeguard company assets
2. Verify the accuracy of reports submitted to interested parties
3. Improve efficiency within an organization
4. Ensure that policies determined by leadership are properly implemented

Romney and Steinbart (2016: 198) also argue that the objectives of internal control are to:

- 1) Secure assets, prevent or detect unauthorized acquisition, use, or placement;
- 2) Manage records in sufficient detail to report company assets accurately and fairly;
- 3) Provide accurate and reliable information;
- 4) Encourage and improve operational efficiency;
- 5) Encourage compliance with predetermined managerial policies;
- 6) Prepare financial reports in accordance with established criteria; and
- 7) Comply with applicable laws and regulations.

Well-functioning internal controls can detect various instances of waste and fraud, thereby enabling the company to avoid losses at an early stage. The three general objectives of internal controls based on the COSO framework are effective and efficient operations; reliability of financial reports; and compliance with applicable laws and regulations (Arens et al., 2015).

Internal Control Components

There are several internal control components issued by COSO (Committee of Sponsoring Organizations of the Treadway Commission), including the following.

1. Control environment. The control environment is the main foundation for implementing an effective internal control system in an organization or company. The control environment affects the effectiveness of supervision, including compliance with regulations and the implementation of responsibilities by all members of the organization.
2. Risk understanding is a mechanism for identifying, analyzing, and managing all existing risks. Every entity must be aware of and prepared for potential risks that could interfere with the achievement of its objectives, such as anticipating various threats that may occur.
3. Control activities are necessary to help ensure that management identifies employee activities that can eliminate risks that may arise in achieving organizational objectives. The goal is to minimize risks that can hinder the achievement of objectives, such as assessing the suitability of employee actions with applicable rules.
4. Information and communication within a company enable employees to obtain and exchange information necessary to perform, manage, and control the activities of the entire company. A smooth communication process enables each employee to perform their duties well and supports coordination and decision-making.
5. Monitoring of all organizational operational activities. All driving processes must be monitored, and if necessary, assessed and changed so that the system remains dynamic in line with changes. This process includes continuous review, evaluation, and adjustment to ensure that the system remains relevant and able to adapt to changes in the organizational environment.

Fraud Prevention

According to Karyono (2013), fraud prevention refers to various efforts made to deter potential perpetrators from committing fraud, reduce their scope of action, and monitor actions or activities that carry a high risk of fraud. Meanwhile, according to Rini Sartini (2019:78), fraud prevention is as follows: “Fraud prevention is an effort to stop the occurrence of fraud through risk analysis, implementation, punishment, and review. Preventing fraud in an organization allows financial reporting to run smoothly and efficiently thanks to strict policies and regulations.” In her research, Nisa (2024) also argues that fraud prevention is an activity that eliminates the opportunity or chance of committing fraud by developing and implementing risk management (particularly fraud risk management). Rini Sartini reveals that the indicators of fraud prevention are as follows: (1) Risk Analysis Risk analysis, for example, anti-fraud policy planning, must begin with an analysis of the patterns of fraud that may occur. An anti-fraud program is then designed in accordance with this analysis; (2) Implementation This practice can be prevented by implementing anti-fraud policies, anti-fraud training, and evaluating fraud prevention business processes. (3) Punishment In this case, fraud sanctions must be communicated to all employees. These sanctions can take the form of salary reductions, denial of promotions, or even dismissal and/or monitoring procedures; (4) Review Monitoring obligations can be fulfilled through systematic evaluation of anti-fraud programs and measures for continuous improvement (2020:78). The definition of fraud prevention according to (Hariawan et al., 2020) is an effort that can reduce the factors that cause fraud, namely minimizing the opportunity to commit fraud, reducing pressure on employees so that they are able to meet their needs, and also eliminating reasons for justifying/rationalizing fraudulent actions.

Inventory

Inventory can be defined as assets that include company-owned goods available for sale in business activities or inventory that is still in progress or in the production process, as well as raw material inventory awaiting production

(Sartono, 2020). According to Herjanto (2015:237), inventory is materials or goods stored for use in fulfilling specific objectives. Meanwhile, according to Alexandri (2009:135), inventory is an asset that includes goods owned by the company with the intention of being sold in a certain business period or goods that are still in the process of being manufactured or produced, or raw materials awaiting use in the production process. Inventory can be in the form of raw materials, auxiliary materials, goods in process, finished goods, or spare parts. Inventory is very important because it usually has a significant value and influences the amount of operating costs for inventory planning and control, which receives special attention from company management. There are characteristics that indicate that internal control over inventory is functioning properly, namely if the following conditions are met:

- (1) Separation of duties and responsibilities;
- (2) Use of printed numbered forms;
- (3) Large purchases are made using tenders;
- (4) An authorization system is in place;
- (5) A budget is used;
- (6) Economic order quantity and iron stock are used;
- (7) A perpetual inventory system and stock cards are used.

Types of Inventory

Heizer and Render (2010:83) state that based on the production process, inventory is divided into four types, namely:

1. Raw material inventory is materials that have been purchased but not yet processed. Materials can be obtained from natural sources or purchased from suppliers (raw material producers).
2. Work in process inventory or goods in process are components or raw materials that have undergone a production process/have undergone several changes, but are not yet finished or will be processed again into finished goods.

3. Maintenance, repair, and operating supplies inventory refers to supplies provided for maintenance, repairs, and operations needed to keep machines and processes productive.
4. Finished goods inventory refers to products that have been produced or processed and are ready for sale.

METHODS

The method used in this study is a literature study, which is conducted by collecting, analyzing, and interpreting data or information from various sources, such as books, journals, articles, and other related documents. According to Sugiyono (2021), a literature study serves to find theories relevant to the research, identify gaps in previous research, and strengthen the theoretical basis used in data analysis. Literature that does not directly discuss internal control or is not related to inventory management is eliminated from the analysis. After the selection process, the selected sources are classified based on the focus of the discussion, such as COSO components, types of inventory fraud, and research sectors or objects. This step aims to strengthen the theoretical basis of the study by adding insights from relevant references.

The Literature Study aims to provide a reference theory and gain a comprehensive understanding of the role of the COSO Framework-based internal control system in preventing fraud in inventory management. These references serve as the basis for discussing the research results. Thus, the literature study on Internal Control Systems in Fraud Prevention Efforts in Inventory Management and the role of the COSO Framework as internal control rules can help the author understand the concepts related to the issues being studied, thereby strengthening the analysis and supporting the validity of the research findings.

The systematic technique used in this study is to collect, compare, and analyze previous studies related to Internal Control Systems in Fraud Prevention Efforts in Inventory Management using the COSO Framework. Several studies were taken from national and international journals. Among them were from Google Scholar and accredited national journal portals. The relevant keywords in

this study are internal control, COSO Framework, inventory management, and relevant and similar studies. Studies related to COSO-based internal control in inventory management were analyzed and compared, with the criteria of being published in the last ten years and directly related to the selected fraud prevention measures. After the selection stage, the selected studies were grouped and analyzed based on the themes discussed, particularly the relationship between COSO elements and fraud prevention in inventory management. The results of this analysis were then combined to draw comprehensive conclusions about the effectiveness of implementing the COSO Framework. This study utilizes literature studies to gain a deeper understanding of the concepts, theories, and findings related to the topic discussed. Information from various bibliographic sources is analyzed to identify research gaps, develop a theoretical basis, and support the analysis process. The approach in this literature study helps researchers connect previous research results with the issues being studied, thereby producing relevant and comprehensive conclusions.

RESULT AND DISCUSSION

According to (Dewi & et al., 2015), companies greatly need internal controls in order to improve their competitive advantage over other companies and carry out company activities, as well as to improve the accuracy and reliability of accounting information data to prevent errors within the company. The COSO framework of internal control consists of procedures carried out by the board of directors, management, and employees to provide adequate security to meet the objectives of operational efficiency and effectiveness, information reliability, and compliance with applicable rules and regulations.

Based on the results of an analysis of various previous studies, there appears to be a pattern of interrelated findings regarding the effectiveness of implementing a COSO Framework-based internal control system in preventing fraud in inventory management. In general, all studies agree that the five COSO components have complementary roles and cannot stand alone. Research conducted by Saputri and Nirawati in 2023 at PT Astha Makmur Lestari shows

that the internal control system implemented has not fully achieved the expected effectiveness based on the COSO Framework. In terms of the control environment, which includes values and organizational structure as the foundation of the system, the company has officially established its guidelines and organizational structure, but there is still no mechanism for evaluating ethical values that can raise awareness of integrity among employees. Regarding risk assessment, which focuses on identifying and preventing risks that could threaten the company's success, several risks related to inventory receipts and expenditures have been noted, but risks related to fraud have not been fully considered. Furthermore, in control activities, which involve procedures and monitoring systems to ensure compliance with regulations, the application of technology and work procedures is considered adequate, but monitoring of incoming and outgoing goods, especially for high-value products, is still not fully guaranteed. For the information and communication aspect, which covers the system's ability to create and convey relevant data, PT Astha Makmur Lestari can be considered highly efficient, with complete and accurate internal communication documentation. Finally, in monitoring, which focuses on the evaluation and examination of internal control systems, there is no official independent examination mechanism, so its effectiveness is still less than optimal even though the control system is able to reduce the risk of fraud by up to 90%.

A study conducted by Faradila and colleagues in 2022 at PT Fuji Seimitsu Indonesia also revealed the significant application of the COSO Framework. In the control environment, the values of integrity and work discipline are considered very important as the basis for daily operations, supported by a clear work structure and the implementation of a good code of ethics. Regarding risk assessment, risks related to inventory management and supervision can be identified and anticipated through clear work procedures, thereby minimizing the risk of fraud. In terms of control activities, work procedures and authorizations are carried out properly, including the division of tasks designed to prevent manipulation or errors in data. Furthermore, in terms of information and communication, the technology used facilitates the reporting process and enables

transparency in communication between departments when managing inventory. In terms of monitoring, inspections and supervision can be carried out from the executive level to management, making this system a tool for protection against business risks and fraud.

Research conducted by Anggun, Paranoa, and Sipi in 2025 at PT Anugerah Karya Magantha underscores the importance of implementing the COSO Framework and its five components. Within the control environment, integrity and work discipline are key, with a clear work structure and code of ethics for all employees. For risk assessment, risks related to discrepancies between physical quantities and system records, as well as risks from supplier receipts, are not yet fully anticipated through adequate checks, creating the potential for errors or fraudulent acts. Meanwhile, in control activities, the division of authority and work procedures related to inventory receipt and issuance have been well implemented, although internal checks and periodic stock-taking have not been fully carried out. Regarding information and communication, the internal communication process related to inventory receipt and issuance is running well, facilitating more efficient monitoring. However, in terms of monitoring, there is no specific independent internal audit unit that can provide full assurance regarding the accuracy and integrity of inventory data.

Research conducted by Jolissetiawati and team (2025) on the implementation of internal control systems at CV Rona Karya Nusantara also provides information on the implementation of the five components of the COSO Framework. In the control environment, there are no formal work structures and procedures, which results in inconsistent supervision and task implementation. In risk assessment, several serious risks related to vendor delays, inventory loss, and documentation of receipts and expenditures have not been fully identified and anticipated. In addition, in control activities, adequate internal checks and data verification have not been implemented, even though the Accurate system has been implemented and there is a separation of duties. In terms of information and communication, internal communication related to receipts and expenditures is functioning well, but it does not guarantee consistent follow-up actions from the

relevant parties. Finally, in terms of monitoring, there is no formal internal audit system or real-time monitoring, so the accuracy and reliability of data related to inventory management is not guaranteed.

Research conducted by Kawatu, Tinangon, & Gerungai (2020) at PT Daya Anugrah Mandiri's Manado Branch also emphasizes the importance of implementing an internal control system based on the COSO Framework. In terms of control, the values of integrity and work discipline serve as guidelines for every employee, supported by a clear work structure and adequate training. From the risk assessment aspect, both internal and external risks, such as damage and theft, have been successfully identified, including through physical inspections and special supervision of high-value items. In terms of control activities, the implementation of separation of duties, transaction authorization, and independent checks is carried out well, although in terms of physical supervision, its implementation is not yet fully optimal due to the absence of CCTV in the warehouse area. In terms of information and communication, the system used is computerized and well documented, supporting comprehensive and reliable reporting. And in terms of monitoring, field inspections and stock takes are carried out regularly, ensuring that the quantity and condition of supplies match the recorded data.

Based on this, it can be concluded from various studies that the implementation of an internal control system that refers to the COSO Framework can serve as a guideline for companies to create a more structured, transparent, and reliable work mechanism to reduce the risk of fraud and errors in inventory management. Although each study found aspects that have not been fully implemented optimally, the application of the five COSO components has a positive impact on inventory supervision and management, particularly in preventing fraud risks.

The correlation between the results of these studies reinforces the argument that the effectiveness of the COSO Framework is largely determined by the level of integration between its components. The synthesis of these studies confirms that the prevention of inventory fraud cannot be done partially, but requires the

comprehensive, consistent, and sustainable implementation of the COSO Framework in order to form an adaptive, transparent, and accountable internal control system.

The results of this study provide both theoretical and practical benefits by presenting a comprehensive synthesis of the application of the COSO Framework-based internal control system in preventing fraud in inventory management. The strength of this study lies in its comprehensive synthesis of studies that link all COSO components in preventing inventory fraud. In addition, an integrative approach connects findings across studies to identify patterns of weaknesses and key factors for successful COSO implementation. The results of this study can be used as a reference for company management, especially at the operational level such as warehousing and distribution, in designing a more effective, integrated, and sustainable inventory control system so as to minimize the risk of fraud and improve the reliability of inventory information.

CONCLUSION

Based on the research background that highlights the high vulnerability of inventory to fraud risk and the weak implementation of internal control systems in many companies, it can be concluded that inventory management requires more serious and structured attention and control. Inventory not only serves as the main support for operational activities, especially in the trade and distribution sectors, but is also an asset that has a high risk of fraud if not managed with an adequate internal control system

A review of the literature from a number of studies related to the implementation of internal control systems using the COSO Framework concludes that the integration of the five COSO elements, namely control environment, risk assessment, control activities, information and communication, and monitoring, plays a very important role in preventing fraud related to inventory management. Based on the results of a literature study of several studies in several companies, it shows that the more complete and consistent the application of the five COSO elements, the more effective the supervision and management of inventory.

The results of these various studies also show that the suboptimal implementation of each COSO component can create loopholes for fraud risks, ranging from incomplete work procedures, lack of independent internal audits, suboptimal risk assessment related to inventory management, to inadequate internal monitoring and communication patterns. The implementation of the COSO Framework should not only be understood as an obligation to comply with standards or regulations, but as a system that shapes work patterns, behavior, and organizational culture that upholds integrity, transparency, and accountability. This study concludes that strengthening a comprehensive and sustainable COSO Framework-based internal control system is a very important strategic step for companies in preventing inventory fraud, improving operational effectiveness, and maintaining stakeholder trust.

Therefore, it can be concluded that the implementation of an internal control system using the COSO Framework is not only related to regulatory compliance, but also about creating a work system and organizational culture that values integrity, transparency, and accountability. By continuing to develop and strengthen the implementation of its five components, the internal control system can function optimally in preventing and reducing the risk of fraud, as well as supporting efficient, reliable inventory management that complies with applicable standards.

As a solution to these problems, this study concludes that comprehensively and continuously strengthening the COSO Framework-based internal control system is a strategic step that companies need to take. The implementation of COSO is not only aimed at complying with standards or regulations, but also at forming a work system and organizational culture that upholds the values of integrity, transparency, and accountability. With consistent implementation of all COSO components, companies can optimally prevent and reduce inventory fraud risks, improve operational effectiveness and maintain stakeholder trust. The results of this study answer the research objectives and provide conceptual solutions to the problems identified in the background, particularly those related to the weak implementation of internal control systems in inventory management.

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