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Analysis Of The Internal Control System For Credit Sales Of Crude Palm Oil (CPO) At PT Sumber Sawit Makmur

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ABSTRACT

This study aims to analyze the implementation of the sales internal control system at PT Sumber Sawit Makmur, focusing on its compliance with the internal control components established by the Committee of Sponsoring Organization of the Treadway Commission (COSO). This research uses primary data and secondary data. The data collection methods used include interviews with company personnel and analysis of relevant documentation. All data collected was then processed with descriptive qualitative using the Miles and Huberman model. The results of data processing show that in general, PT Sumber Sawit Makmur has implemented an internal control system for credit sales that is largely in accordance with COSO standards. However, this study also revealed several components and subcomponents that were not appropriate. There is a discrepancy in the risk assessment component, where PT Sumber Sawit Makmur has not established a strict policy or Standard Operating Procedure (SOP) regarding the provision of credit limits to customers. The absence of a clear policy in this regard can increase the risk of bad debts, which can disrupt the company's cash flow and have a negative impact on liquidity and overall financial performance. In addition, the non-conformity of the subcomponent of control activities, namely in terms of separation of duties, where PT Sumber Sawit Makmur has not made an adequate separation between the sales function, credit function, collection function, and sales recording function. This lack of segregation of duties can create gaps that can potentially be exploited for fraud or misappropriation of assets, especially in the form of deliberate manipulation of receivables. This situation can result in significant financial losses for the company if not properly addressed.

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INTRODUCTION

Sales are the core of operational activities and the main source of revenue for every company. Effective and efficient sales activities are the main key in improving and maintaining business continuity. However, the sales process is vulnerable to risks such as fraud, loss of revenue, and misuse of assets. Therefore, an adequate sales internal control system is needed to ensure that the sales process runs well and avoids risks that can harm the company (Budiman, et al, 2020).

The company makes two types of sales, namely cash sales and credit sales. In cash sales, the company receives payment immediately after the goods are sold. Whereas in credit sales, the company does not receive cash at that time, but records it as a receivable or bill to the customer. In credit sales, the company deals directly with customers. Therefore, the company must monitor carefully so that customers pay their bills according to the agreed period. If there are problems such as customers in arrears or not paying bills, then the company will experience

considerable losses. The loss is caused because the company does not receive the cash inflow that should be received from customer receivables payments (Lusiana & Arfamaini, 2022).

According to Sari & Simanjuntak (2020: 93) defines internal control as part of a system that is used as a procedure and guidelines for implementing effective company operations in order to achieve company goals. As for some of the company's objectives in making internal controls are: (1) protect company assets, both physical and data assets, (2) produce accurate financial reports, (3) produce accurate, relevant and reliable financial information.

In the framework of internal control, Wahyu, et al (2019) state that companies must also identify a framework for evaluating the effectiveness of internal control. One of the frameworks that can be applied by companies is the Committee of Sponsoring Organizations (COSO) integrated framework or COSO Integrated Framework. The 2013 Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control framework includes 5 components, namely: (1) Control Environment, (2) Risk Assessment, (3) Control Activities, (4) Information and Communication, and (5) Monitoring. The five components of internal control are designed and implemented by management to provide reasonable assurance that the control objectives will be achieved.

PT Sumber Sawit Makmur is a private company that operates in the field of oil palm plantations and processing. One of the main products produced is Crude Palm Oil (CPO) which is processed from Fresh Fruit Bunches (FFB), both from own plantations and from third party purchases. CPO sales are an important source of income for the company, so its handling needs to be done effectively and become a top priority for management. If the internal control system for CPO credit sales is not implemented according to applicable procedures, it will result in errors and losses to the company. Therefore, management needs to ensure the implementation of adequate internal controls to prevent these risks.

Based on interviews with Mr. Abdi Irwanto as the Sales and Purchasing Coordinator and Mr. Bambang as the SPI (Internal Supervisory Unit) unit at PT Sumber Sawit Makmur, the company has not fully implemented an adequate internal control system, especially in terms of separation of duties in the credit sales system and policies or SOPs for providing credit limits and sanctions to customers. According to Mulyadi (2023: 131), one person should not be allowed to carry out several functions at once, such as authorization, recording, and storage. However, at PT Sumber Sawit Makmur, one person can double the functions of sales, billing, granting credit, and recording simultaneously. This condition has the potential to cause various problems such as obstruction of the credit sales process due to errors or incomplete files and documents used in making credit sales, and errors in journaling due to the many tasks carried out by the sales department, then the delay in repayment of receivables beyond the agreed time because there is no policy or SOP for credit limit sanctions, which causes bad debts, hampers cash receipts, and disrupts the company's cash turnover. To anticipate these problems, it is necessary to implement a good internal control system in the credit sales system so that company operations can run smoothly according to applicable regulations.

Previous research conducted by Budiman, et al (2020) revealed that the company under study had not implemented an internal control system properly in accordance with the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework in carrying out all its operational activities. In particular, in the credit sales department, the company does not have clear credit limits and strict sanctions for customers. This condition can lead to bad debts or uncollectible receivables, so that risk assessment becomes ineffective and can adversely affect the company's cash flow which becomes unhealthy. In addition, there is a problem of duplication of duties in the accounting department, where the department performs the recording function as well as the credit function due to the absence of a special department that handles credit in the company. Another problem found is that the operational department in charge of finding sales orders also performs the billing function, and there are frequent recording errors by the sales department and the warehouse department in recording credit sales documents or records.

Previous research conducted by Goni, et al (2021) found that the company under study had implemented an internal control system very well. This can be seen from several indicators, including the organizational structure in the credit sales section that clearly separates each function, where the sales function is separate from the credit function, as well as the billing

function which is separate from the warehouse function and the sales function. This separation of functions is important to prevent the concentration of power and potential abuse of authority. In terms of risk assessment, the company also sets credit limits and sanctions for customers, so as to minimize the risk of bad debts or uncollectible accounts. By implementing a good and appropriate internal control system, especially in the credit sales system, this study concludes that credit sales procedures can run smoothly, to prevent and reduce these risks. Based on the explanation of the background above, the authors are interested in conducting research with the research title regarding "Analysis of the Internal Control System for Credit Sales of Crude Palm Oil (CPO) at PT Sumber Sawit Makmur".

LITERATURE REVIEW

Internal Control System

According to Prastyaningtas (2019: 28) explains that internal control is an organizational process that is carried out to provide adequate assurance that these control objectives have been achieved.

According to Sujarweni (2022: 69) "the internal control system is a system created to provide security guarantees for the elements within the company. The internal control system implemented by the company can control the business and safeguard company assets".

According to Siregar, et al (2023: 52) explain that the internal control system can also be interpreted as a social system implemented by the company. This system includes organizational structures, methods, and measures designed to maintain and direct the course of the company so that it moves in accordance with the planned objectives.

Committee of Sponsoring Organization of The Treadway Commision (COSO, 2013:5), defined Internal Control as "Process effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance".

Credit Sales

According to Mulyadi (2023: 167) explains that credit sales are carried out by the company by sending goods in accordance with orders received from buyers and for a certain period of time the company has a bill to the buyer.

Based on the above definition, it can be concluded that the credit sales system is a series of activities that regulate the delivery of goods to buyers whose payments are made at a later date within a certain period of time in accordance with the agreed agreement.

Committee of Sponsoring Organizations of the Treadway Commission (COSO)

COSO is an alliance of five professional organizations whose objectives are operational effectiveness and efficiency, identifying factors that identify potential fraud in financial statements, and compliance with applicable regulations so that it is expected to provide recommendations for continuous improvement (COSO, 2013).

In achieving company goals, good and effective internal control is needed, the company must have a framework that can be a guide for evaluating and improving the internal control system. One framework that is widely accepted as an authority for internal control is the product of the Committee of Sponsoring Organizations (COSO) which consists of five components of internal control, namely:

1. Control Environment
2. Risk Assessment
3. Control Activites
4. Information and Communication
5. Monitoring

RESEARCH METHODS

This research uses qualitative methods. Qualitative method is a research process method based on the perception of a phenomenon with its approach, the data produces a description analysis in the form of oral sentences from the object of research, qualitative data is data in the form of words or verbal, and one way to obtain qualitative data can be done through in-depth interviews (depth interview) (Syafrida 2021: 6).

The data sources used in this study are primary data obtained through direct interviews with the logistics department regarding the CPO credit sales system and the general department regarding the company's internal control system, and secondary data used in this study in the form of company profiles, organizational structures, records and documents related to the CPO sales system at PT Sumber Sawit Makmur.

The data collection technique used is to conduct interviews directly with employees in the logistics section named Mr. Abdi Irwanto as the sales and purchasing coordinator and Mr. Bambang as the SPI unit at PT Sumber Sawit Makmur. Before conducting the interview, the researcher explained and provided a brief description of the background of the topic raised in this study, then the data collection technique used was documentation where the researcher obtained several documents such as company profiles and structures, as well as records or documents related to the company's sales system.

The data analysis technique used in this research is descriptive qualitative using the Miles and Huberman model data analysis method with stages in the form of data collection, data reduction, data presentation, and conclusion drawing or verification.

RESEARCH RESULTS AND DISCUSSION

Results

Implementation of the components of the internal control system according to COSO implemented by PT Sumber Sawit Makmur

Control Environment: Integrity and Ethical Values

PT Sumber Sawit Makmur strives to create a good control environment by holding religious activities such as joint worship and recitation in the month of Ramadan. This is aimed at increasing the spiritual, moral and ethical awareness of employees. The company also emphasizes the importance of values such as honesty, sincerity, and sincerity in carrying out tasks without expecting praise. In addition, PT Sumber Sawit Makmur implements attendance discipline by using a fingerprint attendance system in the morning and afternoon. To strengthen solidarity between employees, the company organizes futsal sports activities every Friday which are attended by employees or employees of the company. These efforts are made to instill ethical values and create a good social environment around the company.

Risk Assessment

PT Sumber Sawit Makmur is exposed to a number of risks related to its credit sales, both internal and external. In an effort to overcome internal risks, the company has taken steps by conducting routine checks on the sales department, with the aim of preventing and evaluating the misuse of company assets or accounts receivable. The company still has not taken adequate precautions to deal with external risks related to the credit sales system implemented. This can be seen from the absence of policies or SOPs that regulate clear credit limits for customers, as well as the absence of sanctions if customers have not paid bills according to the agreement. These conditions allow risks and problems to occur in credit sales, such as the emergence of bad debts or receivables that cannot be collected at all. This situation can ultimately disrupt the company's cash flow turnover.

Control Activities: Sufficient Segregation of Duties

PT Sumber Sawit Makmur still performs multiple tasks where one employee in the sales department related to credit sales performs more than one function, namely performing the sales function, credit function, and sales recording function.

Information and Communication

PT Sumber Sawit Makmur has a good communication system regarding the delivery of sales information, especially credit sales. The sales department actively provides information about credit sales that will occur along with related documents to the accounting and tax department and the cashier and vice versa. Information delivery is carried out through communication channels such as telephone, WhatsApp, and email so that information can be delivered on time, accurately, and only accessed by interested parties. In addition, the company also provides a mechanism for each employee to report any fraud that occurs to the director. Reporting can be done directly through face-to-face meetings or through the director's WhatsApp. This allows employees to easily convey complaints or findings of fraud to the highest party in the company.

Monitoring

PT Sumber Sawit Makmur implements a regular monitoring mechanism carried out by the President Director and the Internal Supervisory Unit (SPI). This monitoring aims to evaluate the operational performance and effectiveness of internal controls in each part of the company which is led by the head of each section. As a monitoring tool, the company also installs CCTV in each section. Supervision through CCTV is carried out by the operational section under the leadership of the Head of SPI, the use of CCTV is a tool in the internal control efforts implemented by PT Sumber Sawit Makmur to ensure compliance with policies and procedures and prevent fraud in the company's operations.

Discussion

In this section, the researcher will discuss the results of the research conducted at PT Sumber Sawit Makmur, namely by comparing the suitability of the application of the internal control system components according to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework with the implementation of the internal control system implemented by the company related to the credit sales system.

Control Environment Components : Integrity and Ethical Values

According to COSO : Ethical values are a product of an entity's ethical and behavioral standards and how those standards are communicated and enforced in practice, i.e. management actions that create a healthy organizational culture and emphasize policies, codes of conduct, and role models aimed at reducing or eliminating the impulses and temptations that might lead employees to commit dishonest, illegal, and unethical acts.

Implementation at PT Sumber Sawit Makmur : PT Sumber Sawit Makmur strives to create a good control environment by implementing several policies. Spiritually, the company organizes religious activities such as joint worship and recitation to increase employees' moral and ethical awareness. The company also emphasizes the values of honesty, sincerity and sincerity at work. In terms of discipline, a fingerprint attendance system is implemented. Meanwhile, to strengthen solidarity, routine futsal sports activities are held for employees. These efforts are aimed at instilling ethical values and creating a positive social environment within the company.

Based on the above comparison, it can be seen that the components of the Control Environment implemented by PT Sumber Sawit Makmur are in accordance with the theory of the internal control system according to the COSO framework.

Risk Assessment Components : Risk Assessment

According to COSO : Every company has various risks both from within the company (internal) such as dishonest personnel, misuse of assets and from outside the company (external) such as changes in government regulations, competitor threats, and changes in customer demand. Risk is an event that may occur and can affect the achievement of company goals. Risk assessment involves a dynamic and iterative process to identify and assess risks to achieving objectives. Risks to achieving these goals are considered relative or related to the risk tolerance set by each company. The company must identify and analyze various factors that cause risks

to the company and determine solutions so that these risks can be managed. Risk assessment also requires management to consider the impact of changes that may occur both internally and externally that can cause internal controls to become ineffective.

Implementation at PT Sumber Sawit Makmur : PT Sumber Sawit Makmur faces or assesses risks related to credit sales, both from internal and external sources. To address internal risks, the company conducts regular checks on the sales department to prevent misuse of assets and accounts receivable. However, the company has not made adequate efforts to deal with external risks of credit sales. This can be seen from the absence of policies or SOPs that regulate credit limits and sanctions for customers who violate them. This condition causes risks such as bad or uncollectible receivables that can interfere with cash receipts and the company's cash flow turnover.

Based on the comparison above, it can be seen that the components and of the Risk Assessment applied by PT Sumber Sawit Makmur are not in accordance with the theory of the internal control system according to the COSO framework, where the company has not made the strictest policies regarding credit limits and sanctions given to customers, so that the risk of bad debts and uncollectible accounts can occur.

Control Activities Components : Sufficient Segregation of Duties

According to COSO : Sufficient Segregation of Duties in the transaction process is very important in reducing the risk of fraud, errors or misappropriation of company assets, one employee should not have more than one task or function in the transaction process, but it does not completely prevent the employee from committing illegal acts. There are 4 general guidelines, namely: a) Separation of asset storage duties from recording duties b) Separation of transaction authorization duties from asset storage duties c) Separation of operational responsibilities from recording responsibilities d) Separation of information system duties from user departments.

Implementation at PT Sumber Sawit Makmur : PT Sumber Sawit Makmur still performs multiple tasks where one employee in the sales department related to credit sales performs more than one function, namely performing the sales function, credit function, and recording function, this condition has the potential to cause various problems such as obstructing the credit sales process due to errors or incomplete files and documents used in making credit sales, and errors in journaling due to the many tasks performed by the sales department.

Based on the above comparison, it can be seen that the components of the Control Activities implemented by PT Sumber Sawit Makmur are not fully in accordance with the theory of the internal control system according to the COSO framework, where in the first component, namely Adequate Separation of Duties, the company still performs multiple tasks or has not separated duties, especially in the sales department, where one employee in the sales department performs more than one task or function, namely performing credit functions, billing functions, and credit sales recording functions.

Information and Communication Components : Information and Communication

According to COSO : Information and communication is an important element of internal control. Information about the control environment, risk assessment, control activities and monitoring is needed by management to direct operations and ensure compliance with required reporting, laws and regulations. Management may also use external information to assess events and conditions that could affect decision-making and external reporting.

Implementation at PT Sumber Sawit Makmur : PT Sumber Sawit Makmur has a good communication system regarding credit sales information. The sales department actively conveys credit sales information and documents to the accounting, tax, and cashier departments, and vice versa. Communication is carried out through channels such as telephone, WhatsApp, and email so that information is timely, accurate, and only accessed by interested parties. The company also provides a mechanism for employees to report fraud to the director, either through face-to-face meetings or the director's WhatsApp. This makes it easier for employees to convey complaints or findings of fraud to the highest party in the company. This good communication system helps the smooth operation and internal control of the company.

Based on the above comparison, it can be seen that the components of Information and Communication implemented by PT Sumber Sawit Makmur are in accordance with the theory of the internal control system according to the COSO framework.

Monitoring Components : Monitoring

According to COSO : Oversight or monitoring activities relate to the ongoing assessment of the quality of internal controls by management to determine that controls are being implemented as intended, and have been modified as conditions change. Information is assessed from a variety of sources, including studies of existing internal controls, internal auditor reports, exception reports on control activities, reports from regulators such as banking regulators, feedback from operational personnel, and complaints from customers about collection costs.

Implementation at PT Sumber Sawit Makmur : PT Sumber Sawit Makmur implements a regular monitoring mechanism carried out by the President Director and the Internal Supervisory Unit (SPI). This monitoring aims to evaluate the operational performance and effectiveness of internal controls in each part of the company which is led by the head of each section. As a monitoring tool, the company also installs CCTV in each section. Supervision through CCTV is carried out by the operational section under the leadership of the Head of SPI on a regular basis, the use of CCTV is a tool in the internal control efforts implemented by PT Sumber Sawit Makmur to ensure compliance with company policies and procedures, and prevent fraud in the company's operations.

Based on the above comparison, it can be seen that the components of the monitoring implemented by PT Sumber Sawit Makmur are in accordance with the theory of the internal control system according to the COSO framework.

CONCLUSION

Based on the results of the research above, it can be concluded that PT Sumber Sawit Makmur has implemented a good internal control system for Crude Palm Oil (CPO) credit sales in accordance with COSO theory, but there are still several components that are not appropriate, namely:

1. In the Risk Assessment component, the company still has not established a strict policy regarding the provision of credit limits and sanctions given when customers do not pay their bills, so that it can allow bad debts or uncollectible accounts, and
2. In the Control Activities subcomponent, namely adequate Separation of Duties, the company does not carry out an adequate separation of duties, where the sales department performs the credit function, billing function, and recording function at the same time in making credit sales of Crude Palm Oil (CPO).

Based on the above conclusions, the company should pay attention to the internal control system for credit sales in accordance with COSO, namely:

1. PT Sumber Sawit Makmur must determine and make policies in determining credit limits by imposing strict sanctions on customers when they exceed the payment limit in accordance with the mutual agreement in order to minimize the occurrence of bad debts or uncollectible accounts, so that the company's cash flow circulation is not disturbed and runs healthily.
 2. PT Sumber Sawit Makmur must add and recruit special employees to handle the credit section, and not give tasks related to billing to the sales department, as well as the task of recording sales to the sales department so that all forms of fraud and fraud in the company can be avoided.
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