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ANALYSIS OF THE INTERNAL CONTROL SYSTEM OF CASH EXPENDITURE AT PT. PD. PAJA PINANG

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ABSTRACT

The Cash Expenditure Internal Control System is a system designed to oversee that cash expenditure activities in the company run smoothly. This study aims to determine whether the implementation of the internal control system for cash expenditures at PT PD. Paja Pinang is in accordance with the theory of internal control components of the Committee Of Sponsoring Organizations of the Treadway Commission 2013 (COSO 2013). The analysis method used in this final report research is descriptive method. Based on the results of the research that has been done, it can be concluded that the Cash Expenditure Internal Control System at PT PD. Paja Pinang is not fully in accordance with the components of internal control according to COSO 2013 theory.

INTRODUCTION

The Internal Control System (ICS) is a crucial component in a company's financial management, serving to protect assets, prevent fraud, and ensure the accuracy of financial reports. In the context of cash expenditures, an effective ICS not only helps the company manage its financial resources but also enhances operational efficiency and compliance with applicable regulations.

PT. PD. Paja Pinang, as a company operating in the field of palm oil and rubber plantations, faces challenges in implementing an adequate internal control system. With the increasing complexity of financial transactions and associated risks, it is essential for the company to evaluate and improve its existing internal control system. This research aims to analyze the implementation of cash expenditure ICS at PT. PD. Paja Pinang and compare it with the theoretical framework proposed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Through a qualitative approach, this study collects data through interviews, observations, and document analysis to obtain a comprehensive picture of the effectiveness of the implemented ICS. The results of this research are expected to provide valuable insights for the management of PT. PD. Paja Pinang in strengthening the internal control system, as well as serving as a reference for future research in the fields of accounting and financial management.

Thus, this research not only contributes to the development of knowledge in the field of internal control systems but also provides practical recommendations that can be implemented by the company to improve its financial and operational performance.

LITERATURE REVIEW

Internal Control System (ICS), a set of procedures and policies designed to supervise and control cash disbursement activities within the company. ICS consists of five main components according to COSO (2013): control environment, risk assessment, control activities, information and communication, and monitoring.

H 1 : Key variables Internal Control System (ICS).

Cash Expenditure, are all transactions that involve spending money from the company. Uncontrolled cash expenditures can lead to financial losses and fraud. Fraud Risk, Is the possibility of fraud in cash expenditures. This risk can increase if the internal control system is not implemented properly. Employee Compliance, The level of employee compliance with the procedures and policies set out in the internal control system. High compliance can reduce the risk of errors and fraud.

H 2 : Supporting Variables namely Cash Expenditure, Fraud Risk, Employee Compliance

Research by Mika Wifriya and Surya Sanjaya (2020) shows that companies with good ICS tend to have more controlled and transparent cash expenditures.

H 3 : The implementation of an effective internal control system has a positive effect on cash expenditure management.

Previous research shows that companies that implement risk assessment effectively can reduce the likelihood of fraud in cash expenditures.

H 4 : A strong internal control system can identify and reduce the risk of fraud.

Research shows that employees who understand the importance of internal control are more likely to comply with established policies.

H 5 : A good control environment and effective communication within SPI can improve employee compliance with existing procedures.

A high risk of fraud can lead to uncontrolled cash expenditures, which in turn can be detrimental to the company. Research shows that companies that do not have adequate internal control systems are more prone to fraud in cash expenditures.

H 6 : A high risk of fraud can lead to uncontrolled cash expenditures, which in turn can be detrimental to the company.

RESEARCH METHODS

This research approach uses qualitative methods, This approach is used to gain an in-depth understanding of the internal control system implemented, as well as to explore the views and experiences of employees regarding cash expenditures.

This reasearch uses descriptive methods, this study aims to describe and analyze the implementation of the internal control system of cash expenditure at PT PD. Paja Pinang. The descriptive method is used to provide a clear picture of the current conditions and to evaluate conformity with existing theory.

The research was conducted at PT PD. Paja Pinang, which is located at Jl. Samanhudi No. 15, Medan Maimun, North Sumatra. The research was conducted for approximately 5 months, from March 2024 to July 2024.

The population in this study is, All employees involved in the cash disbursement process at PT. PD. Paja Pinang. Sampling is done purposively, namely selecting employees who have knowledge and experience related to the internal control system of cash expenditure.

Data Collection Techniques, In-depth interviews were conducted with cash disbursement staff and managers to obtain information about the implementation of the internal control system. This interview aims to explore their views and experiences related to cash control. Collecting secondary data through company documents, such as financial statements, internal control policies, and cash expenditure transaction records. This documentation is used to support data obtained from interviews. Direct observation of the cash disbursement process and the implementation of the internal control system in the company.

Data Analysis, data obtained from interviews and documentation will be analyzed qualitatively. The analysis is done in a way, Organizing the data that has been collected. Identifying the main themes that emerge from the interviews. Comparing the results of interviews with the theory and COSO framework to evaluate the suitability of the internal control system implemented. Drawing conclusions based on the data analysis conducted.

Validity and Reliability, Triangulation: To increase the validity of the data, this study will use source triangulation, which compares data obtained from interviews, documentation, and observation. Member Checking: The results of the interviews will be confirmed back to the respondents to ensure the accuracy of the information obtained.

RESEARCH RESULTS AND DISCUSSION

Results

PT PD. Paja Pinang is one of the subsidiaries of Paya Pinang Group located at Jl. Samanhudi No. 15, Medan Maimun, North Sumatra. The company is engaged in [specify line of business], and has various departments that support its operations.

Based on the analysis conducted, it was found that the internal control system for cash disbursements at PT PD. Paja Pinang consists of several main components, namely:

- Control Environment: The company has created an environment that supports internal control, although there are some weaknesses in terms of monitoring.
- Risk Assessment: The company has not been able to fully identify and analyze the risks associated with cash disbursements, which could potentially lead to misuse.
- Control Activities: Existing cash expenditure procedures are structured, but need to be strengthened with training for employees.
- Information and Communication: Monthly meetings are held to ensure good communication between employees, but need to be improved with the use of information technology.
- Monitoring: Monitoring is conducted regularly by the President Director and SPI Manager, but its effectiveness still needs to be improved.

Key Findings in the study are:

- Weakness in Risk Identification: The company does not have an effective system to identify risks that may occur in cash disbursements, which could result in financial losses.
- Good Documentation: Despite the weaknesses, the documentation of cash expenditure is good enough, with complete transaction evidence.
- Ineffective Monitoring: Existing monitoring activities are not fully effective in detecting irregularities, such as fraudulent receipts.

Discussion

Weaknesses in the internal control system, especially in risk assessment, indicate that PT PD. Paja Pinang needs to conduct a thorough evaluation of existing procedures. Without good risk identification, the company risks significant losses due to misuse or errors in cash disbursements. This is in line with the finding that weak monitoring activities cause delays in detecting fraudulent receipts (Page 77).

Good documentation is one of the important aspects of internal control. At PT PD. Paja Pinang, every cash disbursement is supported by relevant documents, which facilitates the audit and accountability process. However, the company needs to ensure that all such documents are well managed and can be accessed easily by authorized parties.

Monitoring conducted by the President Directors and SPI Managers indicates an effort to evaluate operational performance. However, the effectiveness of this monitoring still needs to be improved. The use of CCTV as a monitoring tool is a positive step, but the company should also consider conducting periodic internal audits to ensure that all procedures are followed correctly.

Based on the research results, some recommendations that can be given to improve the internal control system at PT PD. Paja Pinang are:

- Strengthening Employee Training: Provide more intensive training on cash disbursement procedures and the importance of internal control.
 - Information System Implementation: Adopt a more modern accounting information system to facilitate the recording and reporting of cash expenditures.
 - Periodic Evaluation: Conduct periodic evaluations of internal control procedures to ensure their effectiveness and relevance.
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- By implementing these recommendations, PT PD. Paja Pinang can improve the effectiveness of internal controls and reduce the risks associated with cash disbursements.

CONCLUSION

Based on the research that has been done regarding the Analysis of the Cash Expenditure Internal Control System at PT. PD. Paja Pinang, the following conclusions can be drawn:

1. The company does not have strong internal controls to identify and analyze the risks that will occur, especially in the finance department in controlling the company's cash expenditures and the weak monitoring activities that the company has.

2. The internal control system in the company is fully in accordance with the components of internal control according to COSO, except for the risk assessment component where the company has not been able to identify or analyze the risks that will occur and the monitoring component, the weak monitoring activities that are owned cause the length of time the existence of fake proof of payment is found.

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