

## Analysis of Internal Control Over Expenditure of PT. Swabina Gatra

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**Abstract.** Cash is an asset that is most easily used by employees who are directly in charge of financial management. This is because cash is easily transferable. This study is intended to analyze and determine the system of internal control over cash disbursements of PT. Swabina Gatra has been running well or not. after the existence of these internal controls. The type of research method used in this research is qualitative research. The data analysis method used in this study is a descriptive analysis method where the analysis contains the facts of the description which are factual, systematic and accrual by comparing the results of the analysis with several theories regarding controlling cash disbursements. Researchers obtained qualitative data by carrying out observations at the research site and conducting direct interviews with the treasurer of PT. Swabina Gatra. The results of the analysis carried out in this study explain the internal control over cash disbursements of PT. Swabina Gatra is by the internal control components according to COSO (Organization of the Treadway Commission) but some components must be improved, namely the risk assessment component by carrying out an appropriate risk assessment.

**Keywords:** Internal Control System, Cash Disbursement, COSO.

### I. Introduction

In the era of globalization, the industrial world is experiencing very rapid development. One of these changes is a change in the adjustment of internal control of a company system or procedure. Adjusting a company's internal control over the development of a working system can facilitate the development of employee performance which is the basis for the success of tasks and functions at PT. Swabina Gatra. Supervisors and company leaders can find out whether the company's work processes are good or bad by implementing internal controls within the company. The application of internal control is required within the company where it is used as a form of supervision to prevent errors or untruths. The company's internal control is also used as a form of preventing and finding acts of theft, misappropriation of funds, misappropriation of duties or other irregularities so that follow-up and evaluation can be carried out.

Company management must create an internal control structure that functions as a tool. The company's control system must be properly designed. This is because securing organizational resources or assets is one of the tasks of the internal control system. Monitoring data in financial reports can increase productivity and produce strong financial reports. Internal control is a work area that supports internal processes within a company. The company's internal control can link various efforts to achieve goals in the field of financial management.

The accounting system used by PT. Swabina Gatra includes a cash disbursement system that has direct control over cash-out transactions. For example, if fraud occurs, there may be financial recording errors or financial operations that do not follow the rules that apply in the organization. The company treasurer, who oversees paperwork relating to cash disbursements, should be responsible for this. For PT. Swabina Gatra to be able to manage the budget for each transaction activity, internal control over cash disbursements is required as a preventive tool. The internal control system has a framework which was developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 1992. Then the framework was updated in 2013. The COSO framework was designed to help businesses to build and improve internal controls on the business. Within the COSO framework, there are five components namely control environment, control activities, risk assessment, information and communication, and supervision.

### II. Literature Review

#### Internal Control

Internal control is a form of control which is widely used for various purposes. Internal control has a structure as a form of supervision that is needed because of the necessity to control authority, duties and responsibilities in an organization. According to Parera et al. (2019), the internal control system is a collection of internal control processes that work together to support one another so that the correctness of accounting information can be verified. Considerations in the cash disbursement method include paying attention to related functions, documents used, explanations of technical procedures, and reports produced. Internal control consists of structures, coordinated procedures, and actions that are useful for protecting

organizational assets, ensuring the correctness of accounting information, and increasing the efficiency of management strategy performance (Mindhari et al., 2020).

### **Internal Control System**

Ananda et al. (2022) argued that the internal control system is a continuous process carried out by leaders and all employees in a unit that seeks to instill confidence in achieving organizational goals through effective actions. The internal control system in an organization certainly varies depending on the company's policies. According to Pasaribu & Rimhot (2020), the internal control system is a collection of rules and practices that are used as a tool to achieve company goals, including protecting assets, helping to ensure the truth and reliability of accounting information, and promoting the effectiveness of company operational performance.

### **COSO Internal Control**

The COSO framework is a framework that can be said to be most often used as a reference in evaluating a form of internal control development. There are several COSO internal control objectives, namely efficiency and effectiveness of operating activities, ensuring the reliability of financial information and compliance with applicable laws and regulations (Alfonsa D & Nadya F, 2022). The components of internal control based on the COSO framework are as follows:

#### 1. Control Environment

Control Environment is a basic process which regulates company activities carried out as a form of internal control. The importance of internal control within the company is emphasized by the company's management in making policies which can regulate and set expected standards of behaviour. The control environment can be said to be the foundation for reflecting the attitudes and behaviour of the owners and management of the company. According to Alfonsa D & Nadya F (2022), the atmosphere in which the control environment is created can greatly affect the effectiveness of an established control.

#### 2. Risk Assessment

Every company management is expected to be able to see and know what various risks will arise in each activity. Management must clearly define the objectives of the company's operational activities, the purpose of carrying out financial reporting, and compliance with the identification and analysis of relevant risks (Mia Lasmaya et al., 2019).

#### 3. Control Activities

According to Pangkey et al. (2021), the existence of a procedure and rules that can assist in ensuring that the steps of an activity are carried out by managing risks to meet the objectives of the entity are known as control activities. The following are the main control activities:

#### 4. Adequate segregation of work among employees

#### 5. Proper authorization of transactions and activities

#### 6. Proper documentation and record keeping

#### 7. Information and Communication

According to Eka (2015), Information and communication are activities that involve gathering information related to financial reporting, such as accounting systems and records that are intended to capture, process, summarize, and report company activities. The accuracy of the information collected from the system affects management's ability to make the right decisions to lead the company's activities in preparing credible and efficient financial reports.

#### 8. Monitoring

According to Alfonsa D & Nadya F (2022) the other four components, the monitoring component has the greatest weight. To create an effective internal control it is necessary to carry out regular monitoring. This is because the company's environment is always changing, so the company's internal control will be irrelevant if regular monitoring is not carried out to achieve business goals.

### **Cash**

According to Anisah & Pratama (2022), cash is an asset which is the most current acts as a measuring device and unit of account and is also useful as a means of payment. According to Alfonsa D & Nadya F (2022), cash is one of the most liquid assets which is the standard medium of exchange and is used as a basis for measuring accounting and other items. Current accounts at the bank (cash in the bank) and cash at the company (cash on hand) are among the most current cash/assets. Internal parties of the

company, especially those in the cash department, are generally prone to being involved in errors or deviations from existing cash. In many cases, deviations occur because the company's accounting system is incorrect and inadequate Wayan Esteria et al. (2016).

According to Pasaribu & Rimhot (2020) implementing internal control over cash disbursements can be useful for companies in controlling budget management in every company activity. Internal control procedures for cash disbursements can be useful as a form of safeguarding company assets, checking the reliability and accuracy of accounting data, and also to encourage compliance with company policies. Checks must be used when paying cash, but if the amount disbursed in cash is minimal, a check is not needed. Checks can be used to ensure the safety of cash disbursements because they provide a reliable record of all transactions (Mulyadi, 2016). According to Hidayati (2016) suggests that there are forms of control over cash, namely:

1. Transferring tasks to the company. In this case, of course, carry out the separation of responsibilities for duties on the party that directly manages cash disbursements. The level of segregation of duties must of course be in line with company policy.
2. Use of a safe (safe) in a closed room with limited access for cash storage in the company.
3. Cash receipt and deposit transactions are carried out in different accounts.
4. When disbursing cash through a bank by using a check, a confirmation letter will be received from the bank.
5. Cash receipts transactions are completed through the bank for security and record control.
6. Using a petty cash imprest system to meet small cash needs.
7. Perform reconciliation between company records and bank statements

### **III. Research Method**

This type of research is qualitative research. Qualitative research is conducted by collecting data related to the topic of the problem discussed. This qualitative research uses a descriptive method. This method is used to reveal the main focus of the research, namely the internal control over cash disbursements of PT. Swabina Gatra, so the authors need information regarding rules, organizational structures, procedures and policies within the company. The researcher conducted the research by going directly to the research object, namely PT. Swabina Gatra. The aim is to collect data or information regarding the subject matter of this research.

#### **Data Source**

In qualitative research, the data that researchers use are as follows:

1. Primary Data: Data obtained by conducting interviews and direct observation of the object of research.
2. Secondary Data: The data is obtained by directly examining the company's official records, letters, and data that has been processed by the company. The company's organizational structure, rules, history, and other records relating to cash disbursement operations are evidence of cash outflows.

#### **Data Analysis Methods & Process**

The method and data analysis in this study is a descriptive data analysis method, namely by collecting all information which is obtained from interviews, observations and notes obtained directly at the research site and supported by existing documentation so that the results in this data analysis can be understood and useful for readers.

The following is a descriptive method that researchers used in this study:

1. Data reduction: In various types of analysis, data reduction is done by focusing, categorizing, compiling, and even deleting unnecessary data while retaining significant data to conclude.
2. Data Presentation: Data can be displayed after subtracting. For the research to be understood and studied, the data is presented in the form of a research report.
3. Drawing conclusions: By raising the problem formulation as the research objective, conclusions can be drawn from qualitative research. However, the formulation of the problem can develop after doing research.

## **IV. Results and Discussion**

### **Cash Disbursement Flowchart**

PT. Swabina Gatra already has the right cash disbursement SOP. The cash disbursement SOP is prepared in sufficient detail to facilitate the cash disbursement process. In addition to the convenience of the cash disbursement process, PT. Swabina Gatra is also controlled through internal control through several approvals from authorized employees. The necessary documents and supporting materials for the cash distribution procedure have been completed, and they serve as recommendations for specific sections while carrying out operations. Figure 1 below illustrates the cash distribution process used by PT. Swabina Gatra.

The cash distribution process has effective internal controls. The parties making cash disbursements can carry out their obligations by their respective responsibilities effectively. To protect funds, internal controls are also continuously and thoroughly monitored. To monitor the internal control system, especially in assessing PT. Swabina Gatra's financial expenses, PT. Swabina also uses an ERP application system created by the company.

### **Control Environment**

The control environment is a standard or structure which is used as the basis for control in an organization or company. The control environment is formed, from a reflection of the behaviour of the owner or management of the company so that it becomes the basis for control in that environment.

Based on the interview results, the internal control system in PT. Swabina Gatra is an activity which is carried out regularly by company leaders and employees to achieve company goals by implementing an effective, efficient and disciplined work environment. In addition, the existence of controls is expected to guarantee the reliability of financial reports and safeguard assets.

PT. Swabina Gatra in financial management, the first thing to do is to prepare human resources who have adequate capabilities in financial management, such as having the right competence, being able to understand the rules regarding financial management and preparing human resources who have good ethics and behave honestly when doing their jobs. In the organizational structure of PT. Swabina Gatra can be seen explaining a clear flow of a framework for planning, implementing, and monitoring work. Establishing an organizational structure with authority and a clear division of responsibilities can prevent parties from performing multiple functions which can lead to fraud or error. With the existence of a controlled environment that is by COSO's internal control, it is hoped that the Human Resources of PT. Swabina Gatra is an insightful, trustworthy and honest individual so the reliability of financial reports can be guaranteed.

### **Risk Assessment**

Risk assessment is an assessment process that is carried out repeatedly to identify a risk that is likely to occur in the company. Risk assessment is carried out to minimize the impact that occurs if the risk occurs to achieve company goals.

Based on the interview results regarding the risk assessment that occurred in the cash disbursement process, namely on the treasurer's part, there was an error in recording the nominal use of the budget with what was deposited and inputted as well as errors in recording the date of the transaction. The cause of this error is due to a lack of estimation of the applied risk and the solution to overcome these risks, namely by calculating the maximum possible estimate with the relevant unit part so that the estimated risk occurs minimally. In addition, PT. Swabina Gatra also conducts cash hospitalization which is carried out at 15.00 WIB every day. These various interpretations of risk are by COSO's internal control.

### **Information and Communication**

Information and communication in financial management, especially in terms of cash disbursements, is certainly needed as a form of internal control. Communication is something that needs to be done continuously to obtain and exchange information needed in designing, implementing and evaluating for effectiveness assessment. PT. Swabina Gatra's goal is to produce financial reports that are effective, easy to understand and comply with financial accounting standards.

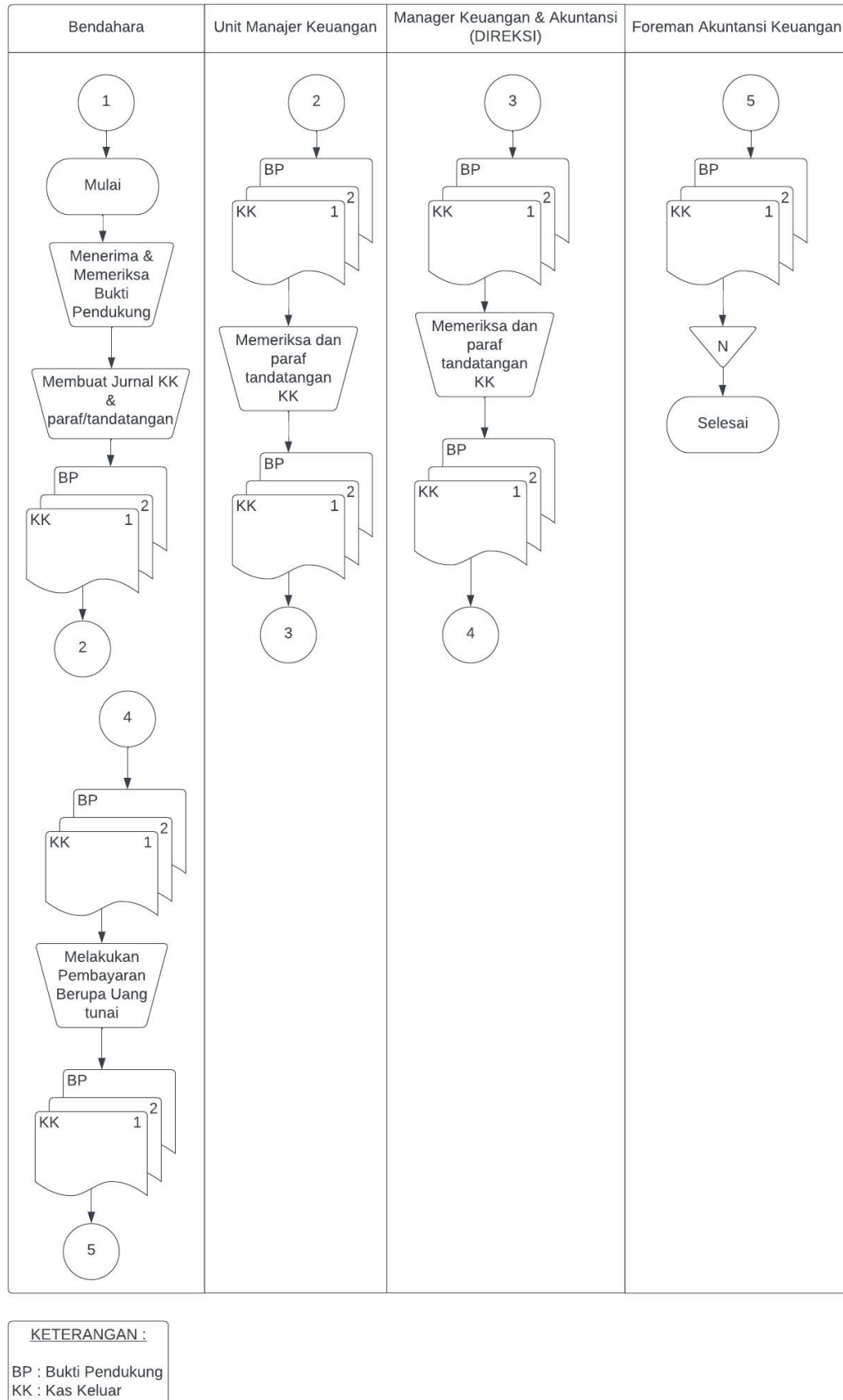


Figure 1. Cash Disbursement Flowchart

Source: Data Processed by Researchers

Based on the results of interviews regarding the importance of information and communication in managing cash disbursements, the treasurer has been able to describe financial transactions promptly to prepare financial reports effectively. In addition, the treasurer has experienced delays in the disbursement of funds. This is because there is an appeal from the superiors of the financial manager of PT. Swabina Gatra to withhold the disbursement of these funds. In this case, it usually occurs because several points are deemed inappropriate for disbursing cash, so communication is needed between the relevant parts. The treasurer who is in charge of disbursing funds also follows the direction of the financial manager. This includes internal controls that operate effectively in the application of information and communication. Therefore, communication to exchange information to evaluate the problem is urgently needed so that the problem can be resolved immediately and there is no delay in the disbursement of funds which is detrimental to several parties. With this problem, the treasurer is required to be able to determine the period for financial transactions promptly and be able to measure the value of a transaction fairly.

### **Control Activity**

Control activity is a process carried out to ensure that activities within the organization are by SOPs and have achieved goals. Control activities within the company are carried out at all levels at PT. Swabina Gatra. In cash disbursement activities, the control activities used are in the form of approval, verification, reconciliation, checking and separation of responsibilities.

Based on the results of interviews and observations, control activities as a component of COSO, have been applied to the cash disbursement process of PT. Swabina Gatra. The control activity carried out is that there is an inspection of the employees of PT. Swabina Gatra regularly creates quality performance. In addition, the treasurer of PT. Swabina Gatra implements physical control by securing the company's physical assets, signing off on the running of the company's program or system and calculating the number of physical assets with asset records. Internal control is very important in the process of financial management. The treasurer's understanding of accounting is also important so that he can make a correct financial report output. Various control activities are carried out by PT. The Swabina is by COSO's internal control components.

### **Monitoring**

Monitoring or Monitoring is an activity carried out to ascertain whether the other four components of internal control are running according to the company's function of cash disbursements. When a deficiency or error is found in the monitoring carried out, an evaluation must be carried out and communicated to the responsible directors.

Based on the results of interviews and observations, monitoring at PT. Swabina Gatra as a form of control has been operating properly and is carried out routinely. When managing cash disbursements, for example paying apprenticeship allowances. In the realization of pocket money, the related units carry out direct monitoring of these activities up to the disbursement of funds. In addition, monitoring is also carried out by the treasurer on the company's system, namely the ERP (Enterprise Resource Planning) system by looking at what units are inputting the system by looking at price details. Control over monitoring carried out by PT. The Swabina Gatra complies with COSO's internal control components.

## **V. Conclusion**

The conclusion of the research that has been done is internal control over cash disbursements at PT. Swabina Gatra is by the internal control component elements according to COSO (Organization of the Treadway Commission) but it is still not running optimally because errors are still found due to the lack of accuracy carried out by the treasurer so when cash taking is carried out a difference is found between the amount of cash physically and the accounting records that has been made so that the treasurer must replace the deficiency.

As for suggestions for increasing the effectiveness of internal control of cash disbursements of PT. Swabina Gatra namely on the risk assessment component, PT. Swabina Gatra can add procedures to estimate the risk of loss or misuse of cash disbursement requests regularly by involving units related to the internal audit unit. In addition, for the monitoring component, preferably PT. Swabina Gatra establishes regular monitoring witnessed by higher management levels to increase the sense of ownership of assets as the responsibility of all levels of management. Routine training for treasurers of PT. Swabina Gatra is also needed so that treasurers can improve their understanding of cash disbursement rules and procedures.

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