

# ANALYSIS AND EVALUATION INTERNAL CONTROL ACCOUNTING INFORMATION SYSTEM ON CASH RECEIPTS AT LPD DESA ADAT GANGGANGAN CANGI SUKAWATI WITH COSO INTERNAL CONTROL INTEGRATED FRAMEWORK 2013

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**Abstract:** The internal control of cash receipts implemented by the LPD Desa Adat Ganggangan Cangi has not been fully in accordance with COSO Internal Control Integrated Framework 2013. This is because there are several policies that have the opportunity for cash misappropriation. This study aims to determine the suitability of the internal control system of cash receipts from savings and credit repayment in the LPD Desa Adat Ganggangan Cangi based on the COSO Internal Control Integrated Framework 2013. This study used primary and secondary data. This study uses descriptive data analysis techniques to explain the accounting information systems for cash receipts. Descriptive comparative analysis techniques are used to compare the internal controls applied with COSO *Internal Control Integrated Framework 2013*. The results of this study show that cash receipts at the LPD Desa Adat Ganggangan Cangi come from savings and credit repayment. The internal control of the cash receipt at the LPD Desa Adat Ganggangan Cangi has not been fully in accordance with the COSO *Internal Control Integrated Framework 2013*. Conformity of internal controls implemented with the COSO *Internal Control Integrated Framework 2013* reached 59%.

**Keywords:** Internal Control, Accounting Information System, Cash Receipts, COSO *Internal Control Integrated Framework 2013*

**Article Information:** Submission to Repository on September 2022

## Introduction

The accounting information system is designed to improve the performance of the enterprise. Any company is switching from manual systems to computerized systems. Internal controls are used to avoid things that can cause harm to the company, such as fraud, irregularities, waste, or theft. The COSO *Internal Control Integrated Framework 2013* is often used as a guideline in the implementation of internal controls. The framework consists of five components, such as the control environment, risk and response assessment, control activities, information and communication, and monitoring activities.

LPD Desa Adat Ganggangan Cangi is one of the credit institutions located in Batuan Kaler, Sukawati, Gianyar. LPD Desa Adat Ganggangan Cangi has two sources of cash receipts, namely savings and credit repayment. In supporting operational activities, LPD Desa Adat Ganggangan Cangi uses a manual and computerized system. Computerized systems aim to maintain people's credibility towards LPD and build effective performance.

The results of interviews and observations that have been made show that there are some policies that are not in accordance with the COSO *Internal Control Integrated Framework 2013*. Mobile savings services still use manual methods for recording. Employees on duty in the office have the same opportunity to open a money box and access a computer system. LPD Desa Adat Ganggangan Cangi also has not used a cash receipt form with a printed proof number. Romney and Steinbart (2017) state that good internal control requires that no employee be given too much responsibility in handling transactions. In research conducted by Purnama, *et al*, (2019) there are four components of internal control that are not in accordance with the theory. Poluan, *et al*, (2021) conducted research on the internal cash control system at PT. Bumi Selaras Asri Manado. The results showed that the internal cash control system in PT. Bumi Selaras is in accordance with 5 components in the COSO *Internal Control Integrated Framework 2013*.

## Method

The research carried out is a type of qualitative research with a case study approach. This study used primary data sourced from interviews, observations, and documentation results. The subjects in this study were employees involved in the accounting information system of cash receipts from saving and credit repayment at the LPD LPD Desa Adat Ganggangan Cangi, namely: the head of the LPD, the credit section officer, the savings section officer, the mobile savings officer, and the cashier section. Meanwhile, the object of this study is the accounting information system for cash receipts from saving credit repayment at the LPD Desa Adat Ganggangan Cangi.

The analysis techniques used are descriptive and comparative using the COSO *Internal Control Integrated Framework*. Components of COSO *Internal Control Integrated Framework*, namely control environment, risk and response assessment, control activities, information and communication, and monitoring activities. The steps taken to process the data are by explaining the cash receipt accounting information system, then explaining the internal control carried out by the LPD Desa Adat Ganggangan Cangi, and comparing the application of internal control with the COSO *Internal Control Integrated Framework* theory and the results of previous research.

## Results and Discussion

### • Description of Research Result

This study used primary data obtained from the result of questionnaire answers distributed to the head of the LPD, the credit section officer, the savings section officer, the mobile savings officer, and the cashier section.

### • Discussion

#### - Cash Receipt Accounting Information System in LPD Desa Adat Ganggangan Cangi

The source of cash receipts at the LPD Desa Adat Ganggangan Cangi is savings and credit repayment. This policy was implemented because, in the covid-19 pandemic situation, registration for time deposit facilities and deposits was not opened. The activity of cash receipts involves several functions, documents, and notes. The employees involved are savings officers, mobile savings officers, credit officers, cashier officers, and LPD chairmen. The documents used in the cash receipt system from savings accounts are a passbook and proof of cash in. The records used savings recapitulation sheets and savings cash receipt journals. The documents used in the credit repayment system are credit payment installment cards and cash in form. The record used is a journal of credit cash receipts.

#### - Internal Control in LPD Desa Adat Ganggangan Cangi

This study used the COSO *Internal Control Integrated Framework* and was based on several relevant studies. The COSO *Internal Control Integrated Framework* consists of five components, of which each component consists of several important elements. The first component is a controlled environment consisting of a commitment to integrity and ethical values, commitment to competence, supervision by the leadership, organizational structure, methods of determining authority and responsibility, regulations and codes of ethics for employees, and policies regarding human resources and their application. The second component is risk assessment and response consisting of the threat of natural disasters and political problems, the addition or improvement of products and activities, information systems and new technologies, new employees, and the identification of risk controls that can be implemented. The third component is control activities consisting of transaction authorization and activities, separation of duties, good document design and printed sequence numbers, securing assets, records, and data, and checking independent performance. The fourth component is information and communication which consists of identifying and recording all valid transactions, classifying transactions appropriately, recording transactions in the right accounting period, presenting transactions and related disclosures in financial statements appropriately, communicating internally, and conducting information communication externally. The fifth component is monitoring activities which consist of evaluating internal controls, implementing effective supervision, supervising system activities, periodic audits, and hiring computer security officers.

Based on the results of the analysis that has been carried out, there are five components of internal control with a total of twenty-seven elements. The corresponding elements total sixteen and the non-conforming elements add up to eleven. In the components of the control environment, there are two elements that are not in accordance with the theory, namely the employee code of ethics and organizational structure. This discrepancy

is caused because the LPD Desa Adat Ganggangan Cangi does not yet have a written employee code of ethics. Fajar, *et al*, (2018) stated that the preparation of an employee code of ethics aims to ensure that employees have guidelines to carrying out operational activities. In addition, the LPD Desa Adat Ganggangan Cangi has also not made updates to the organizational structure used. Bangki, *et al*, (2021) stated that in a good organizational structure must describe the lines of command, authority, and responsibility as well as the working relationship between the parts that exist in the organizational structure. A good organizational structure must be able to provide users with correct and precise information.

In the risk assessment and response component, there are two elements that are not in accordance with the theory, namely the threat of natural disasters and political problems as well as information systems and new technologies. This discrepancy is caused because the LPD Desa Adat Ganggangan Cangi has not backed *up* data. Damage to *hardware*, *software*, electrical instability, or *human error* can be the cause of data loss or damage (Haryanzi Reshi, 2018). We recommend that data backups be done to online storage such as *google drive* so that data security can be guaranteed. In addition, hard copy-shaped documents are not stored regularly and are in unsafe places. Romney and Steinbart (2017) mention that the storage area is placed outside the environment so that documents can be protected and remain confidential. LPD Desa Adat Ganggangan Cangi has not yet carried out activities to update the information system and technology used. Damayanti, *et al*, (2021) stated that the renewal of the information system and the technology used can support the course of operational activities in accordance with the needs of the company.

In the control activity component, there are two elements that are not in accordance with the theory, namely good document design and printed sequence numbers and securing assets, records, and data. The proof of cash in and proof of cash out used in the LPD Desa Adat Ganggangan Cangi have not been numbered in a printed order. The use of not printed sequence numbers can lead to double logging and complicate control activity. Romney and Steinbart (2017) documents should be numbered in order to make it easier to trace transactions that occur. In addition documents and notes are not kept in a good room. Document storage is carried out in a room that tends to be damp and not placed in a locked cabinet. Romney and Steinbart (2017) stated that documents should be placed in a fireproof storage room and locked cabinets.

In the information and communication component, there are two elements that are not in accordance with theory, namely internal and external communication. The chairman of the LPD has not had good communication with other employees. This can be seen from the misunderstanding between the credit officer and the head of the LPD in selecting prospective debtors who apply for credit. According to Romney and Steinbart (2017) communicating internally well can produce quality information and support other internal control components. External communication has also not been implemented optimally. There is a misunderstanding between the debtor and the credit officer in the settlement of bad debts. Leaders must set an example of good and effective communication to all employees so that they can be applied in serving the community. Sahputra (2020) cultivates the ability to communicate making it easier to achieve organizational goals.

In the monitoring activity component, there are three elements that are not in accordance with theory, namely supervising system activities, periodic audits, and hiring computer security officers. Supervision of system activities is not in accordance with the theory because all employees can access computers and the system cannot record people, time, and data accessed. Supervision of the activities of the system needs to be carried out with detective control. LPD Desa Adat Ganggangan Cangi needs to start restricting access to computer systems and conducting detective control to prevent data theft. LPD Desa Adat Ganggangan Cangi has also never conducted regular audits, both internal audits and external audits. This results in no assessment activity from different points of view, so the state of the institution is not known with certainty whether there is misappropriation or errors in the preparation of financial statements. LPD should conduct audits as supervision to obtain input in the carrying out of operational activities. LPD Desa Adat Ganggangan Cangi does not have computer security officers from internal employees. By having a computer security officer from internal employees, solving problems that occur can be done as soon as possible, so as not to hinder the course of business activities.

**Table 1.** The results of Recapitulation of the Evaluation of the Internal Control System of Cash Receipts

<b>Components of Internal Control</b>	<b>Corresponding Elements</b>	<b>Unsuitable Element</b>	<b>Total Elements</b>
Control Environment	5	2	7
Risk Assessment and Response	2	2	4
Control Activities	3	2	5
Information and Communication	4	2	6
Activity Monitoring	2	3	5
Total	16	11	27
Percentage	59%	41%	100%

Source: Primary data processed, (2022)

The component with the highest number of non-conforming elements is contained in the monitoring activity component. There are three elements that have not been fulfilled, namely periodic audits, hiring computer security personnel, and supervising system activities. Thus, the percentage of appropriate elements in the internal control system of cash receipts in the LPD Desa Adat Ganggangan Cangi is 59%. Meanwhile, the percentage of elements that are not suitable is 41% because there are several policies that risk cash misappropriation or loss of cash. Although the percentage of components that are already suitable is higher than the components that are not yet suitable, repairs to components that are not yet suitable must still be carried out. This aims to improve the quality of the institution so that it can carry out operational activities more safely and professionally.

## Conclusion

The cash receipt accounting information system at the LPD Desa Adat Ganggangan Cangi is conditioned by saving and credit repayment. The officials involved are the Chairman of LPD, cashier officer, credit officer, savings officer, and mobile savings officer. The documents used are a passbook, proof of cash in, and a credit payment installment card. Meanwhile, the records used are mobile savings recapitulation sheets, cash receipt statements from savings, and cash receipt statements from credit repayments.

The internal control of the cash receipt accounting information system at the LPD Desa Adat Ganggangan Cangi has not been fully in accordance with the *COSO Internal Control Integrated Framework 2013*. The components of the control environment have not updated the organizational structure and do not yet have an employee code of ethics. The risk assessment and response components have not been backed up, documents and records have not been stored properly, and no information technology has been updated. The control activity component has not used documents with printed sequence numbers and there is no oversight of access to documents and records. The information and communication component has not been carried out internal and external communication to the maximum. Monitoring activities have not been restricted to computer system access and internal or external audits have not been carried out. The percentage of appropriate elements in the internal control system of cash receipts in LPD Desa Adat Ganggangan Cangi is 59%. While the percentage of unsuitable elements is 41%.

## Acknowledgments

The author would like to thank all those who have helped and supported during the process of compiling this journal. The author would like to thank the Bali State Polytechnic and the Accounting Department, especially the Managerial Accounting Undergraduate Study Program, which has provided many briefings and instructions in completing this journal. The author also expresses his gratitude to all parties who helped and supported the research, as well as the entire staff of LPD Desa Adat Ganggangan Cangi for the data provided. In addition, we also have reviews for their help in perfecting this article.

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