

Evaluation Analysis Of Internal Control Of The Cash Expenditure Accounting System In Bumdes Harapan Makmur, Tebing Tinggi Village

M. Irwan^{1*}, Diskhamarzaweny², Yul Emri Yulis³

^{1,2,3}, Departement Accounting, Faculty of Social Sciences, Universitas Islam Kuantan Singingi

Abstract

Research Object in a Village-Owned Enterprise with the name Harapan Makmur which is domiciled in Tebing Tinggi Village. The aim of the research is in the context of internal control of the Harapan Makmur Village-Owned Enterprise. As well as to explain technically related cash expenditures carried out by the Harapan Makmur Village-Owned Enterprise. Then the essence of this main research problem is: how to implement the internal control system of the Harapan Makmur Village-Owned Enterprise, whether it is in accordance or not in accordance with the internal control system contained in the COSO theory. Meanwhile, the type of research is a case study in implementing COSO in Harapan Makmur Village-Owned Enterprises, Tebing Tinggi Village, Kec. Benai, Kab. Kuansing, Prov. Riau. So data collection techniques can be used through methods, observation, interviews and documentation. How to analyze data using conformity and compliance tests and theory. Thus, the research results show that almost all indicators from the COSO theory show that they are appropriate except for two sub-sections of research indicators that are not appropriate, namely environmental performance monitoring and control.

Keywords: Internal Control System, Cash Expenditure, Accounting System

INTRODUCTION

Problems in the community have led to the emergence of Village-Owned Enterprises (BUMDes), which exist to help with the problems experienced by village residents, especially problems with increasing production and marketing of their business products. One of the BUMDes organizations that is present in various service and goods business sectors is BUMDes Harapan Makmur in Tebing Tinggi Village. So BUMDes Harapan Makmur is present by having various types of businesses including trade, livestock, plantations, as well as financial services and rice milling. This business sector adapts to the potential developing in

180

IJBQR, Volume 02 Issue 03, 2024



Copyright to the author of some rights reserved This work is licensed under a [Creative Commons Attribution-ShareAlike 4.0 International License](https://creativecommons.org/licenses/by-sa/4.0/).

the village. In Tebing Tinggi Village, the majority of residents are farmers, planters and private businesses who are interested in developing their businesses to make them more advanced.

With COSO-based internal control over the management accounting system, it can assist in the preparation of effective planning and assist the process of monitoring and controlling planning deviations that may occur, such as operations that do not comply with standards and errors in work procedures (El Junusi, 2020). As well as making it easier to make decisions related to operational problems faced by BUMDes. However, on the other hand, village governments and communities sometimes experience difficulties in internal control in Village-Owned Enterprises (BUMDes) which are still relatively new in the community. Based on this background, the problem formulation is "Is the internal control of the cash disbursement accounting system at BUMDes Harapan Makmur, Tebing Tinggi Village, Benai District, Kuantan Singingi Regency in accordance with internal control according to the Committee of Sponsoring Organizations of the Treadway Commission (COSO)?"

LITERATURE ANALYSIS AND METHODOLOGY

Understanding Village-Owned Enterprises (BUMDes)

Village-Owned Enterprises (BUMDes) are business entities whose capital is wholly or largely owned by the Village through direct participation originating from separated Village assets to manage assets, services and other businesses for the greatest welfare of the Village community (Permendesa, 2015).

Understanding Accounting Systems

An accounting system is an organization, forms, records and reports that are coordinated in such a way as to provide the financial information needed by management to facilitate company management (Putri & Yusdita, 2024).

Understanding Internal Control Systems

According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the definition of Internal Control is a process influenced by the board of directors, management, and other personnel within the entity, which is designed to provide adequate assurance regarding the achievement of objectives related to operations, reporting, and compliance (COSO, 2013).

Definition of Cash Expenditures

Romney et al. (2012) states that the expenditure cycle is a continuous series of business activities and related information processing operations, which are related to the purchase and payment of goods and services. Cash expenditures within the company are quite large using checks. Expenditures that are relatively small cannot use checks, but can use petty cash funds (Wifriya & Sanjaya, 2020). Cash disbursements are events related to the distribution of goods or services to other entities, and the collection of payments (Nst-Juliati & Jannah, 2020).

Cash Disbursement Accounting System

According to Mulyadi, there are two systems for disbursing cash in a company, namely using checks and petty cash, "Cash expenditures within the company are quite large using checks. Expenditures that are relatively small cannot use checks, but can use petty cash funds," (Mulyadi, 2016).

Threats and Controls in Cash Disbursements

Regarding threats that may arise and how to control them in cash disbursements, Romney et al. (2012) states as follows:

Table 1 Threats and Controls in Cash Disbursements

Threat	Control
Duplicate payments	Requires a complete voucher package for all payments
	Policy to pay only from the original copy of cash-in slip (SUM)
	Cancel all supporting documents when payment is made
Cash theft	Physical security of blank check signing machines and checks
	Periodic accounting of all checks numbered sequentially by the cashier
	Access control to Electronic Funds Transfer (EFT) terminals
	Separation of the function of writing checks from accounts payable

	Requires duplicate signatures on checks larger than a certain amount
	Routine reconciliation of bank accounts with recorded amounts by someone independent of cash disbursement procedures
	Run petty cash as an imprest fund
	Surprise audit of petty cash funds
Check changes	Check protection engine
	Use of special ink and paper
Cash flow problems	Cash flow budget

Source: Laia & Epi (2023)

RESEARCH METHODS

The research carried out is case study research. A case study is research on the status of a subject relating to a specific or typical phase of the whole according to (Sedarmayanti & Syarifudin, 2002). The place that is the focus of this research is the Harapan Makmur Village-Owned Enterprise (BUMDes), which is one of the BUMDesa located in Tebing Tinggi Village, Benai District, Kuantan Singingi Regency, Riau Province. The data analysis technique used to provide answers to the problem formulation is to test compliance with the components in COSO which will be taken with the following steps:

1. The first step taken by the researcher was to explain the cash disbursement accounting system in BUMDes Harapan Makmur
2. The next step taken by the researcher was to assess the suitability between the components and sub-components of internal control according to COSO with the cash disbursement activities carried out by BUMDes Harapan Makmur Tebing Tinggi Village. This is done by comparing the internal control system for cash disbursements at BUMDes Harapan Makmur with the internal control components according to the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

RESEARCH AND RESULTS

Table 2 Internal Control Assessment Results According to COSO

No	COSO COMPONENTS	CRITERIA	Conditions In Bumdes Harapan Makmur	IN ACCORDANCE/ IT IS NOT IN ACCORDANCE WITH
1.	Control Environment			
a.	Integrity and ethical values	Organization shows commitment to integrity and ethical values	BUMDes carries out all activities in BUMDes based on regent's regulation No. 43 of 2017. Apart from that, BUMDes also upholds ethical values in all activities and is carried out by all employees. However, several problems related to commitment within BUMDes are only resolved to the extent that the BUMDes leadership does not involve the supervisory or advisory board. This is what is not in accordance with the components of integrity and ethical values.	IT IS NOT IN ACCORDANCE WITH
b.	Commitment to competence	Organizations recruit competent employees who can be trusted to encourage creativity and initiative in facing today's dynamic conditions.	In recruiting employees, BUMDes Harapan Makmur has standards for employees that will be accepted. Apart from that, BUMDes also carries out employee selection. This aims to ensure that BUMDes' goals can be achieved. After the employee has passed the administration, the employee who will be accepted must also make an agreement with BUMDes. This aims to minimize problems originating from internal BUMDes parties.	IN ACCORDANCE
c.	Conducive leadership	Directors show independence and set an example for their employees and provide freedom while still	The leadership of BUMDes Harapan Makmur gives freedom to employees. However, everything still has to be in the context of applicable regulations and policies. BUMDes leaders also continue to supervise their	IN ACCORDANCE

		monitoring performance employee	employees. This aims to ensure that BUMDes Harapan Makmur runs well and the goals of BUMDes are achieved.	
d.	Organizational structure	Organization describes the division of authority and responsibility within the company, the organizational structure must be presented explicitly in graphic form so that it is clear who is responsible for what.	For the organizational structure of BUMDes Harapan Makmur has a clear organizational structure. At the BUMDes Harapan Makmur office, the BUMDes organizational structure is clearly depicted on the wall of the BUMDes office. Apart from that, the division of responsibilities and authorization is carried out well in accordance with the policies used by BUMDes Harapan Makmur.	IN ACCORDANCE
e.	Appropriate delegation of authority and responsibility	Establish management, with appropriate body oversight, structure, reporting lines in accordance with authority and responsibility in pursuing goals.	BUMDes Harapan Makmur establishes clear management. Be it from the unit head to the members. This management is directly supervised by the BUMDes leadership. And for the supervisory board of BUMDes Harapan Makmur has a supervisory board that comes from various community groups such as the BPD, LPM and women's leaders in Tebing Tinggi Village.	IN ACCORDANCE

2.	Risk Assessment			
a.	The overall goal of the organization	The organization determines objectives as a provision of clarity so that the determination and assessment of risks are related to the objectives	BUMDes Harapan Makmur Tebing Tinggi Village has a clear goal, namely BUMDes Harapan Makmur was established to help the people of Tebing Tinggi Village in their economy. Where BUMDes is one solution for people who want to develop their business.	IN ACCORDANCE

b.	Risk identification and analysis	The organization identifies risks to the achievement of its objectives across the entity and analyzes the causal risks as a basis for determine how these risks should be managed	BUMDes identifies the risks it has carried out. The most common errors that occur are incorrect recording and incorrect assistance. So BUMDes Harapan Makmur minimizes errors by making changes in recording from manual recording to computerized recording.	IN ACCORDANCE
c.	Assess the risk of fraud	The organization considers the potential for fraud in assessing risks for achievement of objectives.	BUMDes does not deny that there will be problems caused from within BUMDes. Moreover, there are still several things that are done with manual recording. So, supervision carried out by leadership is a way to reduce the risk of this happening. Apart from that, mistakes in providing aid are also a risk faced by BUMDes. The way to reduce this by BUMDes is by identifying farmers who apply for assistance.	IN ACCORDANCE
d.	Identify and analyze significant changes	The organization identifies and analyzes changes that could significantly impact the internal control system	BUMDes Harapan Makmur always monitors changes that occur in BUMDes. Because if changes occur that will lead to new problems, BUMDes can minimize the risks that occur.	IN ACCORDANCE
e.	Natural disaster or political unrest	Organizations always back up data regularly. This is done if there is a fire, flood, earthquake or other natural disaster and there is still data saved or copied.	BUMDes always backs up data. This is done by BUMDes Harapan Makmur so that BUMDes data is always safe if the BUMDes office computer has a problem or an accident occurs to BUMDes.	IN ACCORDANCE
3.	Control Activities			

a.	Select and develop control activities	The organization selects and develops controls that contribute to minimizing risks to achieving objectives	BUMDes Harapan Makmur implements the controls that were agreed upon at the beginning of the BUMDes establishment in accordance with the regulations issued. However, not only that, internal parties or BUMDes employees always carry out improvements to their internal controls. This is done by attending various training related to control.	IN ACCORDANCE
b.	Separation of duties	There is a separation of duties between the cash holder (Finance Manager) and the recording department (Teller)	BUMDes Harapan Makmur still has not carried out a significant division of tasks. However, the cash holder with the recording section is already held by a different person because BUMDes is aware of the risks that will occur.	IN ACCORDANCE
		There is a separation of duties between the cash holder (Finance Manager) and the authorization department (General Manager)	The duties of cash holder and authorizer at BUMDes Harapan Makmur are held by different people, where cash holding is carried out by financial staff, while authorization is held directly by the BUMDes leadership.	IN ACCORDANCE
		There is a separation of duties between the recording department (Teller) and the authorization department (General Manager)	The task of recording is handled by administrative staff, while the authorization part is handled by the leadership of BUMDes Harapan Makmur.	IN ACCORDANCE
c.	Adequate authorization of business transactions	The signature of the authorized party on the Incoming Money Slip (SUM), Outgoing Money Slip (SUK), and Memo Slip documents	All important documents in BUMDes Harapan Makmur. Must have the signature of the authorizing party, namely the head of BUMDes Harapan Makmur	IN ACCORDANCE
4.	Information and Communication			

a	Relevant information	Organizations obtain or produce and use relevant and quality information. information will support the internal control function	BUMDes Harapan Makmur always uses relevant and quality information because information will influence all activities and control within BUMDes. Before BUMDes uses BUMDes information, they always search for the truth of the information.	IN ACCORDANCE
b	Internal communications	Communicate information internally, including objectives and responsibilities for internal control, to support the internal control function	All information relating to transactions is always communicated to all BUMDes Harapan Makmur employees. Including if there is a problem with providing assistance, all existing staff will look for a solution together.	IN ACCORDANCE
c	External communications	The organization communicates with external parties for matters that affect the internal control function.	BUMDes Harapan Makmur not only strengthens communication internally, BUMDes Harapan Makmur also strengthens communication externally both with customers and the community of Tebing Tinggi Village. This is done by BUMDes so that the services provided by BUMDes are provided optimally.	IN ACCORDANCE
5.	Performance monitoring			
a.	Conduct evaluation	The organization selects, develops and conducts evaluations directly during activities or separately to determine whether existing components are functioning.	The BUMDes leadership is responsible for all activities within the BUMDes. Will always carry out checks on all transactions carried out by BUMDes. Is it in accordance with existing internal controls?	IN ACCORDANCE
b.	Evaluate and communicate internal controls.	The organization evaluates and communicates internal control deficiencies in a timely manner to the various parties responsible for taking corrective action including senior	BUMDes Harapan Makmur does not carry out regular evaluations with the supervisory board in terms of internal control. Internal BUMDes will only carry out internal control evaluations if problems have occurred at BUMDes.	IT IS NOT IN ACCORDANCE WITH

		management and the supervisory board.		
--	--	---------------------------------------	--	--

Source: COSO, 2013

Based on the results of data analysis, regarding the activities carried out by BUMDes Harapan Makmur Tebing Tinggi Village in internal control, BUMDes Harapan Makmur has mostly carried out organizational activities in accordance with the five components of internal control according to COSO and its twenty sub-components. But in its daily activities there are two sub-components that are not suitable for BUMDes Harapan Makmur to carry out.

This discrepancy lies in the environmental and control components, namely the sub-components regarding integrity and ethical values. This is said to be inappropriate because BUMDes Harapan Makmur only takes action to resolve problems related to employee commitment, limited to the relationship between leaders and employees. A commitment problem that often occurs is the leaking of problems faced by BUMDes Harapan Makmur to residents, so that it becomes a topic of discussion among residents. The resolution of this problem also does not involve the supervisory board in the resolution. Apart from that, warnings regarding issues regarding this commitment were only given verbally by the BUMDes leadership. So, this is not in accordance with the subcomponents of internal control according to COSO. The second discrepancy lies in the performance monitoring component in the sub-component of evaluating and communicating internal control. This subcomponent is not appropriate because BUMDes Harapan Makmur does not carry out regular evaluations of the internal controls they implement. They only use internal controls that have been agreed upon from the inception of BUMDes until now. So that there is no development of the internal controls they implement. So, this is not in accordance with the subcomponent according to COSO regarding evaluating and communicating internal control.

For the risk assessment component, control and information and communication activities along with all sub-components are in accordance with the activities carried out by BUMDes Harapan Makmur Tebing Tinggi Village. These three components have been implemented by BUMDes Harapan Makmur Tebing Tinggi Village.

CONCLUSION AND RECOMENDATION

Conclusion

So, from the results of the research above, the author concludes that of the five components, there are twenty sub-components for internal control assessment according to COSO. There are two sub-components that are not in accordance with internal control according to COSO. Eighteen sub-components of internal control assessment at BUMDes Harapan Makmur are in accordance with internal control according to COSO. In other words, most of the internal controls implemented by BUMDes Harapan Makmur Tebing Tinggi Village are in accordance with internal controls according to COSO.

Recommendation

For violations of commitments committed by BUMDes Harapan Makmur employees, they must be given a written warning. This aims to ensure that violations are not repeated and cause problems and must carry out regular evaluations of the internal controls they implement. This aims to ensure that problems that arise over time are controlled and resolved. Evaluation of controls must involve the BUMDes advisor and supervisory board.

References

- COSO. (2013). COSO Internal Control - Integrated Framework (2013). *Kpmg*, 1–8.
- Desa, P. M., Tertinggal, P. D., & Nomor, T. R. I. (4). tahun 2015 tentang Pendirian. *Pengurusan dan Pengelolaan, dan Pembubaran Badan Usaha Milik Desa*.
- El Junusi, R. (2020). *COSO-based internal control: efforts towards good university governance. Journal of Islamic Accounting and Finance Research–Vol, 2(1)*.
- Laia, M. (2023). *Pengendalian Internal Kas Terhadap Penerimaan Dan Pengeluaran Kas Pada PT. Bronson Prima Industri Cabang Medan Tanjung Morawa. INVESTASI: Inovasi Jurnal Ekonomi dan Akuntansi, 1(1), 8-12*.
- Mulyadi. 2016. *Sistem Akuntansi. Edisi keempat. Salemba Empat. Jakarta*.
- Nst-Julianti, Y. S., & Jannah, A. R. (2020). *Analisis Evaluasi Sistem Pengendalian Intern Pengeluaran Kas Pada PT. Puduarta Insani Medan. AGHNIYA: Jurnal Ekonomi Islam, 2(1), 112–124. https://doi.org/10.30596/aghniya.v2i1.3909*
- Romney, M., Steinbart, P., Mula, J., McNamara, R., & Tonkin, T. (2012). *Accounting Information Systems Australasian Edition. Pearson Higher Education AU*.
- Sedarmayanti, S. H., & Hidayat, S. (2002). *Metodelogi Penelitian. Mandar Maju, 1(1), 271*.
- Villania Putri, D., & Era Yusdita, E. (2024). *Evaluation of Petty Cash Accounting: A Case Study at a Job Training Institution. KnE Social Sciences, 2024, 752–763. https://doi.org/10.18502/kss.v9i6.15329*
- Wifriya, M., & Sanjaya, S. (2020). *Analisis Sistem Pengendalian Intern Pengeluaran Kas PT Tigaraksa Satria Tbk Cabang Medan. Jurnal Bisnis Dan Ekonomi, 2(1), 104–119*.



<https://lpbe.org/index.php/lpbe/article/view/21/24>

