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Evaluation Of The Internal Control System At Karya Agung Printing

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Abstract

This study aims to evaluate the internal control system implemented at Karya Agung Printing. An internal control system is an important aspect in supporting the effectiveness and efficiency of a company's operational activities and minimizing the risk of errors and fraud. This study uses a descriptive method with a qualitative approach. The research data were obtained through observation, interviews, and documentation related to operational activities and the implementation of the internal control system at Karya Agung Printing. The evaluation was conducted by identifying the implementation of the elements of internal control, including the control environment, risk assessment, control activities, information and communication, and monitoring activities. The results of this study are expected to provide an overview of the implementation of the internal control system at Karya Agung Printing and identify areas of control that still need improvement. Through this evaluation, the company is expected to improve the effectiveness of its internal control system and reduce risks that may hinder the achievement of the company's objectives.

Keywords: Internal Control System, Evaluation, Internal Control, Printing Company.

INTRODUCTION

Every company requires an adequate internal control system to ensure that its operational activities can be carried out effectively and efficiently. Internal control is also necessary to safeguard company assets, improve the reliability of information, ensure

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compliance with company policies and procedures, and reduce the possibility of errors and fraud. An adequate internal control system provides reasonable assurance that company activities are carried out in accordance with established objectives and procedures.

The importance of internal control becomes greater as companies face various risks in their operational activities. These risks may include errors in transaction recording, loss of inventory, inappropriate use of company assets, errors in the production process, and fraud committed by internal parties. If these risks are not properly controlled, they may result in financial and operational losses and make it more difficult for the company to achieve its predetermined objectives. Therefore, internal control needs to be implemented and evaluated continuously to ensure that existing procedures are able to identify and manage potential risks.

One of the companies that requires an adequate internal control system is Percetakan Karya Agung, a company engaged in the printing industry. Its operational activities include receiving customer orders, purchasing raw materials, carrying out production processes, storing inventory, and managing cash receipts and disbursements. The variety of activities carried out by the company creates different types of risks that need to be managed through appropriate internal controls. Effective control is therefore needed to ensure that each activity is performed according to established procedures, responsibilities are properly assigned, and company resources are used appropriately.

Internal control is not only concerned with preventing errors and fraud but also supports the effectiveness of the company's overall operations. A well-implemented control system can help management monitor activities, ensure the accuracy and reliability of information, protect company assets, and identify problems that may interfere with operational processes. In addition, clear internal control procedures can help employees understand their responsibilities and provide a basis for carrying out activities consistently.

An evaluation of the internal control system is necessary to determine whether the controls implemented by the company are functioning properly and are capable of reducing potential risks. Evaluation can also help the company identify weaknesses in the existing system, whether related to the control environment, risk assessment, control activities, information and communication, or monitoring activities. The results of the evaluation can subsequently be used as a basis for making improvements to strengthen the company's internal control system.

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Based on this background, this study was conducted to evaluate the internal control system implemented at Percetakan Karya Agung. The evaluation focuses on understanding the implementation of internal controls in the company's operational activities and identifying potential weaknesses that may affect the achievement of company objectives.

METHOD

This study uses a descriptive method with a qualitative approach. This method was selected to obtain a comprehensive description of the implementation of the internal control system at Percetakan Karya Agung and to evaluate its effectiveness based on the components of internal control. The qualitative approach allows the study to describe the actual conditions of the company's internal control practices, including procedures, responsibilities, and activities related to the company's operations.

The object of this study is the internal control system at Percetakan Karya Agung, particularly controls related to the company's operational activities. The aspects observed include the implementation of control procedures, division of responsibilities, transaction processes, inventory management, and other operational activities that are relevant to the internal control system.

Data were collected through **observation, interviews, and documentation**. Observation was conducted by directly examining the company's operational activities, division of duties, transaction procedures, inventory management, and other activities related to the implementation of internal controls. Interviews were conducted with parties who understand the company's operational activities, such as the owner or employees who have responsibilities related to the activities being studied. Documentation was carried out by examining documents related to the company's activities, including transaction evidence, inventory records, receipts, and other operational documents that could support the research findings.

The data obtained were analyzed descriptively by comparing the internal control system implemented at Percetakan Karya Agung with the concept of internal control based on the five COSO components, namely the control environment, risk assessment, control activities, information and communication, and monitoring activities. The analysis was conducted systematically by first identifying the systems and procedures implemented by the company, followed by identifying the internal controls that had been applied. The practices identified were then compared with the relevant internal control components to determine their conformity and implementation. Furthermore,

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weaknesses or potential risks that remained within the system were identified, and recommendations for improvement were developed based on the results of the evaluation. Through this analysis, the study aims to provide an overview of the strengths and weaknesses of the internal control system and serve as a basis for improving internal control practices at Percetakan Karya Agung.

RESULTS AND DISCUSSION

Overview of the Internal Control System at Percetakan Karya Agung

Percetakan Karya Agung is a company engaged in the printing industry with various operational activities, including receiving customer orders, purchasing and storing raw materials, carrying out production processes, sales activities, cash receipts, and cash disbursements. The variety of activities carried out by the company requires an adequate internal control system to ensure that each activity is performed effectively and efficiently and in accordance with established procedures.

An internal control system is needed to help the company safeguard its assets, improve the reliability of information, ensure that operational activities are carried out according to applicable procedures, and reduce the risk of errors and fraud. In this study, the evaluation of the internal control system at Percetakan Karya Agung is based on the five components of internal control according to COSO, namely the control environment, risk assessment, control activities, information and communication, and monitoring activities. These five components are interconnected and provide a basis for assessing the adequacy of internal control within the company.

Control Environment

The control environment is the foundation of the company's entire internal control system. This component is related to integrity and ethical values, organizational structure, division of duties and responsibilities, employee competence, and management's attitude toward internal control. A good control environment can influence how employees understand and implement the controls established by the company.

At Percetakan Karya Agung, the division of duties and responsibilities is an important aspect that needs to be considered. Each employee needs to have clear duties, responsibilities, and authority to prevent overlapping work and unclear accountability. Clear division of duties can also reduce the possibility of errors and misuse of authority because each employee understands the activities for which they are responsible.

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In addition to the division of duties, the company also needs to pay attention to employee integrity and ethics. Employees are expected to understand their responsibilities in safeguarding company assets and protecting the interests of the company. Management's attitude and example also influence the implementation of internal control. Management that consistently provides direction and supervision can encourage employees to carry out their responsibilities in accordance with established policies.

Thus, an adequate control environment can serve as a strong foundation for implementing an effective internal control system. The company needs to ensure that every employee understands their duties and authority and performs their work in accordance with applicable policies and procedures.

Risk Assessment

Risk assessment is a process of identifying and analyzing risks that may interfere with the achievement of company objectives. Every company faces different risks depending on the characteristics and complexity of its business activities. Therefore, risk identification is necessary to determine the appropriate controls for preventing or reducing the impact of potential risks.

At Percetakan Karya Agung, risks may arise in production, inventory, sales, and financial activities. In the production process, for example, risks may include errors in receiving customer orders, incorrect use of raw materials, damaged materials, production results that do not match customer specifications, and delays in completing orders. These risks can affect production costs, customer satisfaction, and the smoothness of company operations.

The company also faces risks in inventory management. Raw materials such as paper, ink, and other supporting materials need to be properly managed because loss, damage, or inappropriate use of materials can increase company costs and disrupt the production process. In financial activities, risks may include errors in transaction recording, errors in cash receipts or disbursements, and misuse of company funds.

Therefore, the company needs to identify and assess potential risks periodically. By understanding the risks that may occur, management can determine appropriate control procedures to prevent the occurrence of risks or minimize their potential impact on the company's operations.

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Control Activities

Control activities are policies and procedures implemented to ensure that identified risks can be properly controlled. These activities may include segregation of duties, transaction authorization, use of supporting documents, transaction recording, and physical examination of assets and inventory. Appropriate control activities help ensure that operational activities are carried out according to established procedures.

Segregation of duties is one of the important forms of control for Percetakan Karya Agung. Functions related to cash receipts, transaction recording, asset custody, and examination should, as far as possible, not be entirely performed by the same person. Separation of these functions is intended to reduce the risk of errors and fraud and to create an appropriate mechanism of supervision among employees.

Inventory control also requires particular attention. The company can maintain regular inventory records and conduct periodic physical inspections to ensure that the quantity of raw materials available is consistent with company records. Such procedures can help the company identify losses, damage, or differences in inventory quantities at an early stage.

In addition, each transaction should be supported by appropriate evidence that can serve as a basis for recording and verification. Complete and well-organized transaction documents can improve the reliability of information and make it easier for the company to trace and examine transactions when differences or errors occur.

With adequate control activities, the company can better safeguard its assets, improve the accuracy of its records, and reduce the possibility of errors and fraudulent activities in its operational processes.

Information and Communication

Information and communication are important components of an internal control system because every part of the company requires accurate and relevant information to perform its responsibilities. Incomplete information or ineffective communication may result in errors and misunderstandings in operational activities.

In the activities of Percetakan Karya Agung, information concerning customer orders needs to be clearly communicated to the parties responsible for the production process. Information such as the type of order, quantity, specifications, price, and completion time needs to be properly recorded and communicated to prevent errors during production. Clear information can help ensure that customer requests are understood and processed according to the agreed specifications.

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Inventory information also needs to be managed systematically. Recording the use of raw materials can help the company determine the amount of inventory available and identify future purchasing needs. Meanwhile, information related to financial transactions needs to be supported by adequate documentation so that transactions can be reviewed and verified when necessary.

Communication between the owner or management and employees is also important to ensure that company policies and procedures are properly understood. Effective communication enables employees to understand their duties, responsibilities, and the procedures that must be followed. Therefore, adequate information and communication can support the consistent implementation of internal controls throughout the company's operational activities.

Monitoring Activities

Monitoring activities are conducted to ensure that the internal control system implemented by the company continues to operate effectively. Monitoring is necessary because an internal control system should not only be established but also regularly reviewed and evaluated to determine whether the controls remain appropriate and are being implemented as intended.

At Percetakan Karya Agung, monitoring can be conducted over operational activities, inventory, financial transactions, and the performance of employees in carrying out their responsibilities. Inventory monitoring, for example, can be performed by comparing inventory records with the actual physical inventory. Financial transactions can also be reviewed by matching transaction evidence with the company's records.

Periodic monitoring can help management identify weaknesses or deviations in the implementation of internal controls. When errors or inconsistencies are identified, the company can take corrective action promptly so that the problem does not develop into a larger operational or financial risk.

Therefore, routine monitoring is important to ensure that established policies and procedures are actually implemented by the responsible parties. Continuous monitoring can also provide management with information for improving the internal control system in accordance with the company's operational needs.

Potential Weaknesses in the Internal Control System

Based on the theoretical evaluation of the internal control system, several aspects require attention at Percetakan Karya Agung. One of these is the possibility of

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overlapping duties when the number of employees is limited. Such conditions may result in one employee being responsible for several activities simultaneously, which can reduce the effectiveness of supervision and increase the possibility of errors or misuse of authority.

Another aspect concerns transaction documentation. Incomplete documentation may make it difficult for the company to conduct examinations and trace transactions when errors or discrepancies occur. Therefore, each important transaction should be supported by clear evidence and stored systematically so that it can be easily accessed when needed.

Inventory management is also an aspect that requires attention. Raw materials have economic value and are directly used in the production process. If inventory records and physical inspections are not conducted regularly, the company may experience difficulties in determining the actual condition and availability of its inventory. Differences between records and physical inventory may consequently remain undetected.

In addition, monitoring of the implementation of established procedures needs to be strengthened. An internal control system cannot operate effectively if it is not accompanied by adequate supervision and periodic evaluation. Regular monitoring is therefore necessary to ensure that internal control procedures are consistently implemented and that identified weaknesses can be addressed appropriately.

Efforts to Improve the Internal Control System

To improve its internal control system, Percetakan Karya Agung can undertake several improvement efforts. The company can clarify the duties, responsibilities, and authority of each employee so that every individual understands their respective roles. Where company conditions permit, functions related to cash receipts, transaction recording, asset custody, and examination should be separated to strengthen segregation of duties and reduce the risk of errors and fraud.

The company also needs to improve the documentation of its transactions. Evidence of purchases, sales, cash receipts, and cash disbursements should be properly recorded and systematically stored so that the documents can be used for verification, monitoring, and accountability purposes.

In inventory management, the company can conduct routine recording and periodic physical inspections. These activities can help identify differences between

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inventory records and actual inventory conditions and allow the company to detect losses, damage, or other discrepancies more quickly.

Furthermore, the owner or management needs to conduct periodic monitoring of operational activities and evaluate whether the procedures currently implemented remain appropriate for the company's needs. Periodic evaluation allows the company to identify weaknesses and make improvements before deficiencies in internal control result in greater losses.

Through these improvement efforts, the internal control system at Percetakan Karya Agung is expected to become more structured and effective. An adequate internal control system can help the company safeguard its assets, improve the reliability of information, reduce the risk of errors and fraud, and support the effectiveness and efficiency of the company's overall operational activities.

CONCLUSION

Based on the discussion of the evaluation of the internal control system at Percetakan Karya Agung, it can be concluded that an internal control system is an important part of supporting the company's operational activities. Internal control is needed to safeguard company assets, improve the reliability of information, reduce the risk of errors and fraud, and support the achievement of company objectives effectively and efficiently.

The evaluation of the internal control system at Percetakan Karya Agung was conducted based on the five components of internal control according to COSO, namely the control environment, risk assessment, control activities, information and communication, and monitoring activities. These five components are interrelated and collectively contribute to the establishment of an adequate internal control system. The control environment serves as the foundation through the division of duties and responsibilities, integrity, ethics, and management's attitude toward internal control. Risk assessment is needed to identify potential risks arising from production, inventory management, sales, and financial activities, while control activities help reduce these risks through segregation of duties, transaction authorization, documentation, and examination of assets and inventory.

Information and communication also play an important role in ensuring that information related to customer orders, production processes, inventory, and financial transactions is properly recorded and communicated to the relevant parties. Meanwhile, monitoring activities are necessary to ensure that established control procedures are

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implemented consistently and that corrective actions can be taken when weaknesses are identified.

Based on the evaluation, several aspects of the internal control system at Percetakan Karya Agung still require attention, particularly the division of duties and responsibilities, inventory control, transaction documentation, communication, and periodic monitoring. Strengthening these aspects can help the company reduce potential risks and improve the effectiveness of its internal control system.

Therefore, the implementation of an adequate and consistent internal control system can contribute to the effectiveness and efficiency of operational activities at Percetakan Karya Agung. The internal control system should also be evaluated periodically so that it can be adjusted to the company's development, operational conditions, and changing needs.

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