

Analysis of the Internal Control System for Cash Receipts at the Tirtanadi Waterworks Company, Diski Medan Branch

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Abstract

This study aims to analyse the effectiveness of the internal control system for cash receipts at the Tirtanadi Waterworks Company, Diski Medan Branch. Cash receipt activities play a crucial role in supporting the company's operational sustainability, making an adequate internal control system essential to ensure the reliability of financial information and the safeguarding of company assets. The research employs a descriptive qualitative method by collecting data through observations, interviews, and documentation related to procedures for receiving cash from customers. The results of the study indicate that the internal control system for cash receipts at the Diski Medan Branch is generally well-implemented, as evidenced by the separation of duties, the use of authorisation procedures, and the existence of routine supervision. However, several weaknesses were identified, such as the lack of periodic evaluations, limited use of digital systems, and insufficient documentation for certain transactions, which may create opportunities for human error or fraud. Strengthening these areas is necessary to enhance the reliability and transparency of financial processes. Overall, the study concludes that while the internal control system for cash receipts is functioning adequately, improvements are still required to ensure optimal financial control and minimise risks. This research is expected to contribute to the development of better cash management practices within the company.

Keywords: *Internal Control System; Cash Receipts*

I. INTRODUCTION

Tirtanadi Regional Drinking Water Company (PDAM) is a regionally owned enterprise engaged in providing clean water to the community. As a company that serves the public's needs, PDAM Tirtanadi has a significant responsibility in managing its finances, especially in terms of cash receipts. The Diski Medan Branch, as one of PDAM Tirtanadi's operational units, also plays a crucial role in managing cash receipts from customers in its region. Cash receipts are a crucial aspect of PDAM Tirtanadi's operations, considering that the majority of the company's revenue comes from customer water bill payments. Therefore, an effective internal control system is needed to ensure that all cash receipts are managed properly, accurately, and free from the risk of fraud or error. However, in practice, cash receipt management at PDAM Tirtanadi's Diski Medan Branch still faces several challenges. Considering the

importance of internal control over cash receipts for the operational continuity and financial performance of PDAM Tirtanadi's Diski Medan Branch, Therefore, an in-depth analysis of the current system is necessary. This analysis aims to identify potential weaknesses in the implemented internal control system and to formulate recommendations for improvement to increase the effectiveness and efficiency of cash receipt management. By analysing the internal control system for cash receipts, it is hoped that PDAM Tirtanadi, Diski Branch, Medan, can enhance the quality of its financial management, minimise the risk of fraud or errors, and increase accountability and transparency in public services. One of the most important basic human needs is the need for clean water. In everyday life, clean water is a primary source of needs whose use is increasing over time, both for household, social, industrial, and as a raw material for company production. Therefore, the fulfilment of this need must always be available smoothly and healthily. Given the vital role clean water plays in people's lives, a responsible body or organisation is needed to oversee and oversee

the provision of clean water. This organization was established by the government and is known as the Regional Drinking Water Company (PDAM). PDAMs serve as clean water providers throughout Indonesia, with each region having its own PDAM, such as PDAM Tirtanadi in North Sumatra. PDAM activities include the production, processing, and distribution of clean water to customers. To carry out company activities, a control system is required that can function efficiently and effectively through a working mechanism called "internal control." An internal control system is a system that encompasses organizational structure, methods, and coordinated steps to protect organizational assets, verify the accuracy and reliability of accounting data, promote efficiency, and ensure compliance with management policies (Mulyadi, 2020). An internal control system is not designed to prevent all possible errors or fraud. A good internal control system is one that can reduce errors and irregularities that may arise. A good control function, based on a solid management and financial system, will ensure that company activities run smoothly and orderly (Anastasia, 2020).

To prevent fraud, companies must implement adequate internal controls over company cash. An organizational structure that allows for proper separation of functions, a system of authorization, and correct recording procedures are examples of adequate internal controls. Therefore, the implementation of internal controls is crucial. One asset that plays a crucial role in company development is cash. Cash is one of the most liquid assets a company owns. Cash requires special attention due to its characteristics: it is easily transferred, difficult to prove ownership, readily convertible to cash, easy to carry, and can be transferred relatively quickly.

II. RESEARCH METHODOLOGY

The focus of this research is the internal control framework regarding cash inflow at the Regional Drinking Water Company (PDAM) Tirtanadi, Diski branch. In relation to the title above, the research approach used in this study is qualitative. According to Mantra (2014), qualitative research is research that produces descriptive data in the form of words or spoken words from people and observed behaviour. Qualitative research is also a research method that emphasises the aspect of in-depth understanding of a problem.

Data analysis is the process of systematically searching for and organizing data obtained in the field, so that it can be easily understood and communicated to others (Sugiyono, 2008). The data analysis technique in this study uses elements of internal control for cash receipts, namely: control environment, risk assessment, control activities, information and communication, and monitoring. This is done to determine the implementation of the internal control system for cash receipts in the company and whether it has achieved the objectives of the internal control system.

The data analysis activities include:

1. Developing interview questions related to the elements of the company's cash receipts internal control system.
2. Conducting direct interviews with employees of PDAM Tirtanadi, Diski branch, in the finance division to obtain answers, opinions, and messages regarding the company's cash receipts internal control system.
3. Comparing the interview results with the company's cash receipts internal control system to determine whether the system is adequate and has achieved the internal control system objectives.
4. Analyzing the problem formulation in the implementation of the company's cash receipts internal control system to

determine whether it has achieved the internal control system objectives.

5. Drawing conclusions based on the analysis of the internal control system for the company's cash receipts.

III. RESULTS AND DISCUSSION

The results of the study show that the internal control system for cash receipts at the Tirtanadi Waterworks Company, Diski Medan Branch, is implemented adequately, although several weaknesses still exist. The analysis of each component is summarised as follows:

1. **Control Environment**

The company has established clear organizational structures and job descriptions that support the separation of duties in the cash receipt process. Cashiers, accounting staff, and supervisors have distinct responsibilities, helping to reduce the risk of fraud. However, periodic training on internal control procedures is still limited.

2. **Risk Assessment**

The branch has identified the main risks related to cash receipts, such as late payments, incorrect recording, and potential misappropriation. Despite this, formal documentation of risk assessments is not consistently prepared, making it difficult to evaluate risk management performance.

3. **Control Activities**

Several control activities are implemented effectively, including:

- a. Authorisation of transactions
- b. Pre-numbered receipts
- c. Daily cash reconciliation
- d. Supervision of cash handling

However, weaknesses were found in the documentation of manual transactions and inconsistent application of digital payment verification systems.

4. **Information and Communication**

Information flows between cashier staff, accounting, and management functions adequately. The company uses internal reports for daily and monthly reconciliations. Nevertheless, the use of digital systems for cash receipt reporting could be improved to increase accuracy and timeliness.

5. **Monitoring**

Supervisory activities are conducted routinely, and management performs periodic checks on cash balances and documentation. However, there is no formal internal audit function dedicated at the branch level, leading to limited independent evaluation of internal control effectiveness.

IV. CONCLUSION

the internal control system for cash receipts at the Diski Medan Branch is functioning reasonably well, supported by separation of duties, authorization procedures, and supervision. Nonetheless, several improvements are necessary, especially in documentation practices, digitalization, and formal risk evaluation, to strengthen the transparency and reliability of the cash receipt process.

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