



Revenue Cycle Effectiveness Through Internal Control Evaluation with Coso Framework

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A B S T R A C T

Problems In a business, of course, it cannot be separated from problems. Likewise with Yuanna Catering in Mayong, there are problems in two main activities, namely catering for parties and catering for employees. This research method uses a qualitative approach using a research object in the form of a business entity, namely Yuanna Catering. method with analysis using the COSO Internal Control perspective The purpose of this study is to determine how the internal control implemented can overcome problems and risks that arise in a business entity. The purpose of this study is to increase the effectiveness of the revenue cycle at Yuanna Catering in Mayong through the design of internal control with the COSO internal control framework. The results obtained in the business entity indicate that this medium-scale agency service business still has weak internal control. The business entity understands what problems and risks exist, but has not been able to overcome the problems and risks that arise optimally. Keywords: Internal Control, COSO Framework, Revenue Cycle problems and risks that appear to maximally.

INTRODUCTION

This study discusses the revenue cycle which will be analyzed with COSO theory or COSO framework, COSO is an internal control framework, According to Møller (1990), that the internal control system is a process influenced by the board of directors, management, and other personnel, designed to provide compliance with laws and regulations. Food has always been a primary human need from time to time. A person's preference in choosing food is very subjective and influenced by various factors (Berry & Conforti, 2015; Fung & Menon, 2018). According to Marwanti & Irianto, (2018), there are three factors that influence a person in choosing food, namely: 1) family environment, where a person lives and is raised; 2) the environment outside the family social system that directly affects himself and his family; 3) motivation that comes from within or is called an internal factor. In meeting their needs, everyone has a different way. Some people choose to cook for themselves, while others use catering services.

According to Febriansyah & Indirwan (2022), that the internal control system is a process influenced by the board of directors, management, and other personnel, which is designed to provide reasonable assurance about the achievement of objectives in the category of effectiveness and efficiency of operations, constraints of financial reporting, and compliance with applicable laws and regulations. Research conducted by Sari (2024), revealed that the SPI variable has a significant effect on the fraud triangle According to Powerbuzz Online (2013) the demand for catering services has continued to increase over the years. The triggers are the increasing number of high-income households, the number of weddings and corporate events. Even now many companies use catering services to serve lunches and dinner meetings to build their image and increase sales, their company. This lifestyle certainly opens up opportunities for catering businesses to grow (Zhao et al., 2022).

Previous research that has examined COSO internal control (Graham, 2015; Ha Le & Tran, 2018), found that COSO's perspective on fraud, as well as research conducted by Sari (2024), revealed that internal control can influence the ethical behavior of a profession, and research conducted revealed that the internal control system has a significant influence on the level of tax avoidance fraud.

In running a catering business, of course, it is inseparable from the problems that exist within the business entity. Just like what happened at Yuanna Catering. Yuanna Catering is a business entity engaged in catering services and is domiciled in Mayong. This business entity serves various forms of orders, ranging from boxed rice, tumpeng, party catering, to the latest, namely serving office employee catering. It is undeniable that Yuanna Catering also experiences problems that must be faced and overcome.

The problems in party catering and employee catering are obstacles for Yuanna Catering because they can affect the sustainability of a business that has been built for a long time. In order for internal control to run effectively, business entities need to implement it properly and be supported by competent human resources. This is important to increase effectiveness in the revenue cycle.

METHOD

The purpose of this study is explanatory research using a qualitative approach. This study aims to improve the effectiveness of the revenue cycle at Yuanna Catering in Mayong by evaluating its internal control (Stevens & Wrenn, 2013). In addition, this study aims to determine how the evaluation of internal control that is made can overcome the risks that arise in the business entity. The theory used in this study is the internal control theory based on the COSO internal control framework. This theory is used because the theory related to the revenue

cycle. This study will present relevant issues and controls regarding the evaluation of appropriate internal controls for Yuanna Catering in order to improve effectiveness in the revenue cycle.

The data collection method that will be used by the researcher is Observation. Direct analysis to the field to collect more complete data needed from the Yuanna Catering business entity. Interview. Conducted by researchers in the hope of obtaining information and data that are not obtained from other data collection methods. Interviews were conducted with the owner and employees. Interviews were conducted using the semi-structured interview method. Documentation. Conducted by analyzing all documents that have been collected to analyze Yuanna Catering's internal control. Data sources used by researchers in conducting this study Actors. Data sources from actors in this business entity include owners and employees both in party catering and employee catering. Interview and observation results and document analysis. This data source was created to evaluate internal control in the revenue cycle that is appropriate for the business entity (Creswell, 2017).

The results of the study partially indicate that accounting information systems and internal controls affect employee. Determinants with the mildest impact are risk assessment and monitoring of control. Based on the findings, it is important that the management of the firms improve the internal controls to effectively reduce the chance of fraud in their firms JEL. The first model reveals that the quality of ICP has a moderating effect on the relationship between perceptions of organizational justice and employee fraud. The second model indicates that ICP quality is significantly and positively related to three key organizational factors: the corporate ethical environment, the extent of risk management training of staff, and the internal audit (IA) activity level (Rae & Subramaniam, 2008).

Internal control system aims to (1) comply with legal, technical and administrative order; (2) promote an entity's efficiency and effectiveness; (3) guarantee information reliability and timeliness; and (4) take appropriate measures to correct control deficiencies (Rivera, 2019). In the United States, the Committee of Sponsoring Organizations (COSO) published Internal Control-Integrated Framework, which acts as the framework that management and auditors use to assess internal controls (Bandaranayake, 2014).

RESULTS AND DISCUSSION

The following are the results and discussion of the internal control evaluation based on the COSO internal control framework which explains that the study for COSO has several indicators, namely the control environment, risk assessment, control activities, information and communication and finally there are monitoring and control activities.

Control Environment

a. Code of Ethics and Ethics

There is no written code of ethics and ethical values of the business entity in this business entity. Internal control is carried out, namely the company should create a written code of ethics regarding work regulations with the aim that employees can clearly understand the rules regarding the code of ethics and ethical values that apply in the business entity (Adelstein & Clegg, 2016). This control is effective because with the existence of a written code of ethics and ethical values, employees clearly

know the rules and ethical values that apply in the business entity so that employees can avoid negative things outside the provisions of the written code of ethics (Wahyu et al., 2019). Through the above control, the problems that occur are expected to be resolved so that the operational activities of the business entity can run well and the goals of the business entity are achieved (Utomo, 2019).

b. Organizational Structure, Reporting Lines, Authority, and Responsibility

There are no written policies or clear rules that can cause chaos in work. Chaos causes operational activities to be disrupted and worsens the work atmosphere. Therefore, internal control is carried out, namely the owner makes clear written policies and rules regarding work rules and the division of tasks for each employee (Sull & Eisenhardt, 2015). In addition, the owner also reduces the intensity of giving reminders to his employees. This control is effective because it aims to ensure that employees can work independently according to their respective job descriptions without causing chaos in operational activities.

The problem in accountability is that the business entity realizes that the price of the package offered is not a cheap price so that the business entity is committed to providing good quality food and providing satisfactory service as a form of responsibility of the business entity to consumers (Azwari, 2016).

c. Competence Commitment

The owner does not pay much attention to the level of education of his subordinates, only that for the completion of work it cannot be denied that employees with high school/vocational school graduates are more flexible and skilled in completing their work (Arwani & Priyadi, 2024). It is possible that education below high school/vocational school graduates do not have the same competencies as graduates of high school/vocational school. This control certainly helps the business entity to achieve its goals effectively. This control is effective because the business entity gets skilled, trained and competent employees. This control also makes it easier for the owner to focus on achieving the goals of the business entity.

The business owner also focuses on the ability of each employee in promoting catering and providing good service to all Yuanna Catering consumers. The control that can be carried out is that the business owner can assess the performance of each employee. The more promotions that are made to attract consumers, it can affect the value of employees and employees will get rewards. This affects the business entity's revenue cycle. This control is effective because the owner knows how much responsibility the employees have for their work.

d. Human Resource Policies and Practices

The owner gives trust to competent employees and the length of time the employee has worked. The control carried out is that the business owner gives responsibility to competent employees which is not only seen from the length of time the employee has worked because the length of time the employee has worked does not determine whether the employee is competent (Siyanbola & Gilman, 2017). The owner can also consider new employees who have good performance and are competent by providing direction or guidance to the employee in working. This control is effective because by selecting competent employees to be given responsibility, obstacles in operational

activities can be avoided so that the objectives of the business entity are achieved (Harinurdin, & Safitri, 2023).

Risk Assessment

The possibility of risk in a business entity requires the business entity to carry out internal control. The risks that may arise include:

- a. The risk of food poisoning that could arise due to employee negligence in cleaning vegetables or in the cooking process.
- b. The risk of embezzlement that can be carried out by anyone in the business entity.

These risks can certainly have an impact on the survival of the business entity (going concern) because these two risks are quite crucial risks in the business entity. If food poisoning occurs, of course the business entity will no longer get the trust of the public so that the goals of the business entity are not achieved (Yunus & Dewi, 2022). Likewise with the risk of fraud, the more losses due to the embezzlement, the more the company suffers losses and does not achieve the goals of the business entity. Therefore, the control that can be provided by the researcher is to carry out prevention and supervision by carrying out all requirements regarding hygiene in food processing in accordance with the standards in the Regulation of the Minister of Health of the Republic of Indonesia Number 1096/Menkes/PER/VI/2011. For the risk of fraud, the owner must be alert and firm in anticipating the risk of fraud that may occur, including by providing punishment in the form of salary reduction or termination of employment to the perpetrator of fraud (Supriyanto et al., 2022).

Control Activities

The operational activities of this business entity are in the party catering and employee catering activities. Where there are problems in each activity. The control carried out on the problems of party catering activities is:

- a. Working with the party leader (consumption leader) to regulate the rhythm of serving or filling food so that it can extend the time the food runs out.
- b. The number of plates served is added or increased by 10% of the total number of orders to prove that the plates are in accordance with the guests present (only to measure the food served is enough). This activity must be in accordance with the consumer agreement.

This control should be considered for implementation in the course of party catering activities because the business owner can solve existing problems. This control is certainly effective because it can help overcome problems that occur in the field appropriately, is easy to implement and brings real benefits to the business entity such as reducing complaints from consumers. Solving problems through this control also aims to increase the trust of customers and other people who want to order catering and with the increase in customers it will certainly increase the income of the business entity so that the goals of the business entity are achieved (Amelia & Mahmud, 2022).

In employee catering activities, problems were found such as complaints from employees and consumers who did not know the price of the employee menu and asked for a more varied menu. In addition, there were employees who were not wise in using coupons. The controls carried out were:

- a. The catering party can report to the management regarding the problem so that the management can urge its employees to be wiser in using coupons. In addition, the coupons are eventually cashed and if not exchanged, it will affect the amount of income of the catering party.
- b. In the case of free food provided by Yuanna employees, the owner of Yuanna Catering should conduct periodic inspections to monitor employee performance. In addition, the owner can give warnings to punishments to employees who do this, and ask for cooperation with the management to give warnings to employees who exchange food without using coupons and provide direction to all employees to be wiser in using meal coupons.
- c. The catering party should be able to ask for cooperation with the company's management to post a menu schedule in the canteen that has been signed by the management so that it can be known by all employees of the Company.

This control is effective because it can discipline Yuanna Catering employees and employees from the consumer side to be wiser in using coupons. In addition, employees from the consumer side also know that the existing menu has been agreed upon by the management and the catering party. Through this control, it is expected that employees can use coupons as well as possible and can understand if the menu that has been made has been designed according to management's approval. Therefore, with this control, the problems of the business entity can be resolved and the goals of the business entity can be achieved.

Information and Communication

The delivery of information in this business entity is quite good. Information from the owner is conveyed to each employee in each section. The business owner also often communicates regarding internal control. One form is in verbal form which is then conveyed to each section containing the policies and procedures for each activity (Purnama et al., 2023). In this section, the control that must be carried out is that the chief executive can conduct a briefing with his subordinates for the smooth running of operational activities. Communication is the key to socializing. Therefore, in order to achieve the goals of the business entity optimally, the chief executive can provide a briefing regarding the work plan at that time. In addition, the briefing is also a work evaluation for each employee in order to maximize their performance at work. This control is effective because by conducting a briefing, employees know what to do in accordance with applicable work regulations (Kaunang et al., 2021).

CONCLUSION

Based on the results and discussion above, Yuanna Catering faces several weaknesses in its internal control system that can negatively impact operational effectiveness and revenue cycle. The absence of a clear code of ethics, ethical values, and job descriptions causes irregularities in employee governance, which has the potential to reduce operational performance and efficiency. In addition, the risk of fraud, misuse of the coupon system, and lack of supervision of food hygiene standards are serious threats to business continuity. To overcome these problems, improvements in internal control are needed, including the preparation of written rules regarding the code of ethics and job descriptions, stricter employee selection based on educational

background and skills, and the application of strict sanctions against perpetrators of fraud. In addition, supervision of food hygiene standards must be tightened in accordance with applicable regulations to minimize the risk of poisoning. By implementing these improvement steps, Yuanna Catering can improve operational effectiveness, strengthen its internal control system, and maintain the stability and growth of its revenue cycle in the future.

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