

## The Influence of Internal Control System, Cash Sales On Regional Asset Management Receipts

Otniel Safkaur

Department of Accounting, University Cendrawasih Papua, Indonesia,

Correspondent: [othissafkaur@yahoo.com](mailto:othissafkaur@yahoo.com)

---

Submitted : December 24, 2020    Revised : January 10, 2020    Published : January 31, 2021

---

### ABSTRACT

The internal control system is a process, which is influenced by human resources and information technology systems, which are designed to help an organization achieve a goal. The internal control system is a way to direct, supervise, and measure the resources of a regional financial management apparatus. The purpose of the internal control system is to achieve goals and guarantee or provide accurate financial reports and ensure compliance with laws and regulations. The internal control system, consisting of policies and procedures used in company operations to provide reliable financial information and ensure compliance with applicable laws and regulations. At the regional financial management apparatus level, the objectives of internal control are related to the reliability of financial reports, timely feedback on the achievement of operational and strategic objectives, and compliance with laws and regulations on cash receipts. At a specific transaction level, internal control refers to actions taken to achieve an objective to ensure payment, receipt of cash from third parties for a service that is performed). Internal control system procedures reduce process variations and cash receipt transactions and provide more accurate results. The population in this study were 44 SKPDs in the Skouw Mabo, Skouw, Yambe, Skouw Sae, and Mosso areas, Muara Tami District, Jayapura City. These four areas are the border areas of the Republic of Indonesia and Papua New Guinea. The sample collection method is purposive sampling by taking samples from the regional financial management apparatus. The data analysis technique used in this study was SEM PLS. The results of this study indicate that the internal control system, cash sales affect cash receipts.

**Keyword:** Internal Control System, Cash Sales, Regional Asset Management Receipts

### INTRODUCTION

In today's business world, there are quite many problems that must be faced by the leadership to maintain conditions or achieve progress for the regional financial management apparatus (Ahmed, & Schneible, 2007). Therefore, a regional head must have an appropriate and accountable way and be able to establish good relationships with employees to achieve these goals (Atiase, 1985). The local government control environment includes the attitude of stakeholders and employees to the importance of control in the regional financial management apparatus. One of the factors that affect the control environment is the management philosophy (single management in a partnership or joint management within the company) and management's operating style (progressive or conservative management), organizational structure (centralized or decentralized), and personnel practices.

This controlled environment is very important because it forms the basis for the effectiveness of the other elements of internal control. Beasley, (1996) states that regional heads need to supervise employees and regional financial management officers. A leader (manager) in a

small company only needs a few policies and control procedures to be able to supervise his employees and lead the company. Besides, company leaders can directly monitor the transactions that occur (Cheon, & Sohn, 2005). Then Choi, et al. (2007) said that the more the company develops, the complexity increases so that it will be more difficult for management to supervise tasks and all stages of operations because there are more transactions and more complex problems. In dealing with this kind of situation, managers need special tools in the form of internal control and a good accounting system to keep the activities of the regional financial management apparatus running smoothly and achieving goals effectively at a fairly efficient cost. An internal control system in the financial management apparatus in the region is very important concerning the operation of the regional financial management apparatus, this is evident that the success of a company is often related to whether the internal control system is implemented in the regional financial management apparatus is good or not. With good internal control, the company can increase the security of company assets and encourage increased efficiency and work discipline.

The regional financial management apparatus which is engaged in the sale of regional assets is an activity that must receive special attention because sales are one of the important activities in the regional financial management apparatus because the size of the sales volume will affect cash receipts, then it will affect the size of the profits will be accepted, and in the end, will affect the state of the company. Because the problem of sales and cash receipts is a very dominant and important factor, it is very necessary to monitor and secure things that are not desirable (Choi, & Wong, 2007: Doyle & Ge, 2007b: FASB, 2010: FASB, 2010). The phenomenon states that the internal control system must be implemented as well as possible so that all objectives of the regional financial management apparatus can be achieved as desired and expected.

With good internal control, existing problems can be overcome and the possibilities that can harm the local government can be avoided from fraud or misappropriation that occurs in the assets of the regional government. Mansyur (2019) as the regional secretary of Semarang Province stated that poor asset management in the regions is usually influenced by several things. Among them are unclear legal status or disputes, the use of assets by other parties that are not following procedures, the exchange of state assets, and human resources who do not understand the administration of state asset management.

Whereas well-managed regional assets will have a strategic role in supporting regional budget revenues, problems in the management of state property. This condition means that the existence of assets cannot be used for regional interests. Lots of asset problems are found in the regions. this problem must be addressed immediately. With so many cases found in various regions, it is a breakthrough or innovation in the management of BMD (Regional Property) through an asset management program that is a managed system so that it can always be monitored. Well-managed regional assets will have a strategic role in supporting regional budget revenues.

The important role of the internal control system is to prevent and detect fraud and protect organizational resources, both tangible (such as machinery and land) and intangible (such as reputation or intellectual property rights such as trademarks). The existence of adequate cash receipts accounting will make the accountants of the regional financial management apparatus able to provide financial information for every level of management, owners, creditors, and other

users of financial reports (stakeholders) which are used as the basis for decision making. The Internal Control System can be used by management to plan and control the operations of the regional financial management apparatus (Hertati., 2015: Kim, 2012: Hammersley & Myers, 2008: (Feng & Li, 2009: Gintschel, A., Markov, 2014: Hayn, 1995): Guedhami, & Pittman, 2009: Griffin, & Lont, 2011: Eleswarapu, & Thomson, 2004).

The system is a network of procedures that are united with each other to work harmoniously according to an integrated pattern to carry out the company's main activities to achieve its goals. A procedure is a sequence of clerical activities, usually involving several people in one or more departments, designed to ensure uniform handling of recurring corporate transactions. The accounting system is an organization of forms, notebooks, and reports that are coordinated in such a way as to provide the financial information needed by management and facilitate company management. Accounting systems are methods and procedures for collecting, classifying, summarizing, and reporting on a company's operating and financial information. The accounting system is an information system within a company, which has a role as a supporting tool for management in controlling a company and as an administrative tool that can provide supervision so that parts of one another will be able to supervise each other (Kwon, et, al, 2012)

Joh (2003) states that the internal control system has a narrow and broad meaning. The internal control system in a narrow sense is the same as an internal check, which is a system and procedure that can automatically check each other's accounting records carried out by a division or other function within a company organization. Internal control system The internal control system includes structure, organization, and all methods and tools that are coordinated and used within the company to safeguard the organization's wealth, checking the accuracy and reliability of its accounting data, encouraging efficiency, and encouraging compliance with established management policies. more thirsty (COSO, 1992).

Accounting oversight consists of the structure of the regional financial management apparatus and all methods and procedures relating primarily to, and directly related to, the safeguarding of assets and the reliability of financial records. Accounting controls usually include controls such as systems of approval and approval, separation of duties between those who record and make reports with parties who implement or store assets, physical control of assets, or internal auditing. This control is made to prevent inefficiency. (Printed, et, al, 2012: PCAOB, 2004: Washington, et, al, 2003: Hogan, & Wilkins, 2008: Hertati, 2015).

Administrative control (administrative control or feedback control). This supervision is made to improve efficiency in operations, Help to ensure that nothing deviates from predetermined management policies. Administrative oversight consists of the organizational structure and all methods and procedures which are primarily concerned with operating efficiency and adherence to management policies and usually have only an indirect relationship to financial records. These administrative controls usually include controls such as statistical analysis, time and motion studies, performance reports, employee training programs, and quality control. This supervision is made to obtain information about the results of operations, whether the implementation of work deviates from the plan, there are inefficiencies or not (Jung, & Kwon, 2002)

The accounting system and the internal control system are closely related, reflected in the objectives of preparing the accounting system itself, meaning that this objective will be realized if the application of the elements of internal control can be implemented. Here, the accounting

system is an implementing tool in the form of procedures that must be implemented, while the internal control system is a measure or implementation guideline that is achieved in the accounting system being run. Sarikhani, & Ebrahimi (2011) that the internal control system includes organizational structure, coordinated methods and measures to safeguard organizational wealth, check the accuracy and reliability of accounting data, encourages efficiency and encourages compliance with management policies. The internal control system is an effort or action taken by the management of the company to regulate and direct the activities of the company and to control all implementation of the plans that have been set so that goals can be achieved properly. The main elements of the internal control system as stated by Lee & Choi (2010) and Jang, & Cheon, (2003) are:

1. **The structure of the regional financial.** Management apparatus That separates functional responsibilities. The organizational structure of the regional financial management apparatus must be formulated firmly and independently. The operational functions are the functions that have the authority to carry out an activity. The function of saving is a function that has the authority to store company assets. The accounting function is a function that has the authority to record financial events of the regional financial management apparatus. These functions must not be given full responsibility for carrying out all stages of the transaction one person).
2. **Authority system and procedures.** Records that provide adequate protection against wealth, debt, income, and expenses. With the system of authority and recording procedures, transaction business activities are under the supervision and must be based on the authority of the authorized official for the transaction. Healthy practice in carrying out the duties and functions of the regional financial management apparatus. The form of supervision that is carried out is through the division of tasks between the regional financial management apparatus or between people who must carry out a work activity properly.
3. **Creating healthy practices.** The use of printed serial numbered forms must be accounted for by the authorities. Unannounced checks will encourage employees to carry out their duties according to predetermined rules. Every transaction may not be carried out from start to finish by one person, one organization, without interference from one person or another organizational unit. Job rotations that are held regularly will be able to maintain the independence of officials in carrying out their duties so that collusion between them can be avoided. The requirement of taking leave for eligible employees. Periodically, physical assets are matched against the records. Establishment of an organizational unit whose task is to check the effectiveness of other elements of the internal control system. Employees whose quality is under their responsibilities. To obtain adequate employees under the needs of regional financial management employees, steps must be taken. Selection of candidates for regional financial management employees based on the requirements demanded by the work. Development of education for regional financial managers as long as they are employees of regional financial management, under the demands of their job development.

Sales activity is the main activity of a trading company, without sales activities, the company cannot grow and develop because sales are the income earned by the company and will have the effect of increasing the company's capital. Therefore, income from the sale of goods or

services is often referred to as sales. There are times when companies use a more appropriate term, namely Sales of Merchandise. Sales transactions that occur can be carried out in two ways, namely cash sales, and credit sales. Altman (1968) states that sales or income are gross inflows of economic benefits arising from the normal activities of the company during a period when those inflows result in an increase in equity, which does not come from the contribution of investors. Broadly speaking, the implementation of cash sales transactions is regulated into several procedures. A series of procedures in the cash sales system according to Ashbaugh-Skaife (2007: Hertati., Et, all, 2019) as follows:

1. **Sales Order Procedure.** Sales are initiated by a sales function that serves buyers. If the buyer has chosen and agreed with the goods to be purchased, the sales function will write a note on the cash sales invoice Cash Receipt Procedure If the first sheet has been submitted to the buyer, the buyer will make a payment transaction in the cash function. The cash function accepts the cash sales invoice for the first sheet and cash from the buyer. After the money received is following the amount stated in the sales invoice, the cash function shall affix a "Paid" stamp on the invoice and the invoice is also affixed to the cash register and then handed back to the buyer to collect the goods in the wrapping function.
2. **Goods Delivery Procedure** The buyer will submit the first sheet to the packaging function to retrieve the goods, the wrapping function will compare the first cash sales invoice which has been affixed with a budding stamp and attached with registration tape with the second sheet (this invoice has been attached to the goods received from the sales function together with the goods received. selected by the buyer), this process must be done carefully so that there is no mistake in the delivery of the goods. When the first and second sheets match or match based on the invoice serial number, the packaging function affixes a stamp that has been taken on the cash sales invoice for the first and second sheets, then the goods are wrapped together with the second sheet and submitted to the buyer, while the first sheet is stored and submitted to the function accounting as valid evidence to record cash sales transactions for the accounting function.
3. **Sales Recording Procedure** This procedure is carried out by the accounting function by recording the first cash sales invoice received from the wrapping function into the sales journal book.
4. **Procedure for Recording Cash Receipts from Cash Sales** This procedure is carried out by the accounting function by recording proof of payment received by the cash function in the cash receipts journal.
5. **Bank Reconciliation. Procedures** This procedure is carried out by the internal inspection department by reading the cash register tape produced by the cash register machine every day and comparing it with the proof of deposit. Periodically the internal audit department receives a bank statement from the bank and makes a bank reconciliation by matching the information in the bank statement with the cash records maintained by the accounting function.

Ashbaugh-Skaife, et, al (2009) cash is an asset that is easily misused and used inappropriately by employees because it is the most valuable asset compared to other assets and because cash is easily transferred ". Meanwhile, cash receipts according to "Niswonger et al. (2000) are all transactions that can increase the amount of cash. The source of cash receipts at

trading companies most often comes from cash sales and credit sales invoices from customers. Cash is the most frequently manipulated activity because cash management and control must be maintained so that it can run properly, the more effective and efficient cash management is, the greater the profit that will be gained from the realization of all the company's transactions. The cash function accepts payment from the buyer and wraps it according to the purchased item accompanied by a payment receipt (cash register ribbon that comes out of the cash register) and has been stamped in full. Meanwhile, the first cash sales invoice is also stamped paid and the cash function is stored as a source document for the accounting function (Ashbaugh-Skaife, et, al, 2008). In this company, when the situation is crowded, the accounting function is often served as a function of cash. This is due to the small number of cash functions provided. After a payment transaction occurs at the Kassa section, at the end of the coming hour the cashier will count the cash from the cashier's drawer and the amount is recorded in a form (memorandum). The accounting function will take the first cash sales invoice that has been stamped in full and the cash register tape, count the money and, compare the physical amount of money, the note form made by the cashier, and the amount of money listed on the cash register ribbon. If there is a difference (cash excess or deficiency) it will be noted. Bailey, et, all (2003) network procedures that form a cash receipt system from cash sales (over the counter sales) are as follows:

1. **Sales Order Procedure.** The sales function takes orders from the buyer and creates a cash sales invoice to allow the buyer to pay the price of the goods to the cash function and allows the warehouse and shipping functions to prepare goods to be delivered to the buyer.
2. **Cash Receipt Procedure.** The cash function accepts payment for goods from the buyer and provides a payment receipt (in the form of cash register tape and affixing a full stamp on the cash sales invoice) to the buyer to take goods purchased from the delivery function.
3. **Goods Delivery.** Procedure In this procedure the delivery function hands over the goods to the buyer.
4. **Cash Sales Recording Procedure.** The accounting function records cash sales transactions in the volume of sales and cash receipts and records the reduced inventory of goods sold on the inventory card.
5. **Procedure for Depositing Cash to the Bank.** The internal control system for cash requires immediate deposits to the bank of all cash received. In this procedure, the cash function is to deposit cash received from cash sales to the bank in full.
6. **Procedure for Recording Cash Receipts.** The accounting function records cash receipts into the number of cash receipts based on proof of bank deposits received from the bank through the cash function.
7. **Procedure for recording cost of goods sold.** The accounting function recapitulates the cost of goods sold based on the data recorded on the inventory card. Based on this recapitulation of the cost of goods sold, the accounting function creates memorial evidence as a source document for recording the cost of goods sold into general journals.

The internal control system for cash sales and cash receipts can be seen from the main elements of the control system in it. The elements of the internal control system that should exist in the cash sales and cash receipts system Beneish, et, all (2008) are as designing a financial management apparatus area related to the cash receipt system from cash sales, the main element

of internal control can be described as the sales function must be separate from the cash function. The sales function is in the hands of the sales order department and the cash function is in the hands of the gauze division. Cash receipts made by the Kassa section will be checked for accuracy by the sales order department. The cash function must be separate from the accounting function. To safeguard local government property and ensure the accuracy and reliability of accounting data and prevent the use of cash from total sales by the gauze division for personal gain (Callen & Levant, et, al, 2006). Cash sales transactions must be carried out by the sales function, cash function, delivery function, and accounting function.

No cash sales transaction is carried out completely by that one function, by carrying out each cash sale transaction by these various functions will create an internal check of the work of each of these functions by other functions. Receipt of orders from buyers is authorized by the sales function using the cash sales invoice form. The cash sales transaction starts with the issuance of a cash sales invoice by the sales function. The cash sales invoice must be authorized by the sales function to become a valid document, which can be used as the basis for the cash receipt function to receive cash from the buyer and an order for the delivery function to deliver goods to the buyer, as well as a source document for recording in accounting records.

Cash receipts are authorized by the cash receipts function by affixing a "paid" stamp on the cash sales invoice and affixing a cash register tape to the invoice. Recording into accounting must be carried out by authorized regional financial management officers (Choen, & Rho, 2004). Each recording into the accounting records must be made by the regional financial management officer who is authorized to change the accounting records, after the regional financial management apparatus has updated the accounting records based on the source document, the employee must put the signature and date on the source document as evidence of the change. the data that the accounting records on that date.

To supervise all financial transactions that occur in the regional financial management apparatus, it can be done by supervising the use of the form used as a medium for authorizing the transaction. Calculation of cash balances that are in the hands of the cash function periodically and suddenly by the internal examiner function. Periodic and sudden cash calculations will reduce the risk of embezzlement of cash received by cashiers. In this physical cash calculation, a match is made between the calculated cash amount with the amount of cash that should be available according to the cash sales invoice and other cash receipts (for example, cash in).

However well the structure of the regional financial management apparatus, the system of authorization and recording procedures, and the various means created to promote healthy practices all depend very much on the people who carry them out. Among the four main elements of control, the quality element of the regional financial management apparatus is the most important element of the internal control system. Honest employees and experts in the areas of their responsibility will be able to carry out their work effectively and efficiently, although only a few elements of the internal control system support it. Other elements of the internal control system are quite strong, but if they are implemented by incompetent and dishonest regional financial management officers, the objectives of the internal control system will not be achieved. Because humans have human weaknesses (boredom, dissatisfaction, and other characteristics), competent and trustworthy employees are not sufficient to guarantee the achievement of the objectives of the internal control system.

The accounting system, as a series of procedures used by the management of the regional financial management apparatus, is valid for a certain period, namely the period during which the benefits of the accounting system are still felt. Besides, it should also be noted that even a good and up-to-date accounting system will not guarantee with certainty that the applied accounting system will prevent fraud or fraud in local governments. A form of internal control is needed that can help achieve local government goals. Kim (2009.) stated that internal control over cash receipts is very important because the better internal control is used, the less fraud that may occur in the cash. To avoid business misappropriation by the relevant division, a good accounting system is needed through a series of procedures that involve many parts, which means that cash receipts are not focused on one part only and can create healthy practices towards cash receipts so that they can fulfill the main elements of control. internal. The accounting system for cash receipts that are implemented in the regional financial manager, it is known that although in the structure of the regional financial management apparatus there is already a separation of functions, the division of tasks has not been strictly implemented, resulting in concurrent tasks performed by the accounting function which also serves as a cash function (Printed in Korean. Kim, 2009).

The accounting function also functions as a cash recipient when it is crowded and makes money deposits to the bank every working day. If this concurrency of duties is allowed to continue, it will open up opportunities for employees to commit acts of fraud. The internal control system used is the organizational structure, system of authority and recording procedures, and healthy practices. This is following the opinion of Bastian and Soepriyanto (2002: 204) regarding the main elements of an internal control system which consists of accounting records and accurate data. Internal Control at the Regional Financial Management Agency in the regional government that organizes the collection of regional revenue and synchronizes with other organizations in the design, implementation, and implementation of the collection of local revenue Regional financial management bodies as government organizations that optimize local revenue efficiently and effectively in managing local revenue with active support from the community.

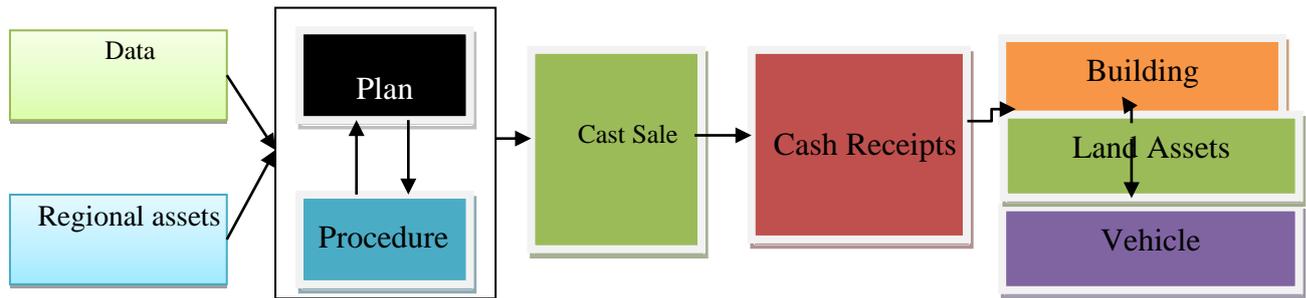
With the increasingly complex problems experienced by the Regional Financial Management Board and the increasing scale of operations, development growth, and the development of regional government activities, both the activities and the number of employees, can lead to inadequate regional financial management. Cash is one of the many assets of local government, which is the most active and easy to divert. The internal control system at the Regional Financial Management Agency is implemented to prevent leakages in the cash receipts of regional revenues and also to find out whether the management system implemented is effective or not.

Cash receipts in the Regional Financial Management Agency must be carried out as accurately as possible, because the limited amount of local revenue must be used following the stated objectives, namely developing regions and financing public facilities. Cash receipts at the Regional Financial Management Agency derived from local revenue (Chang, & Hong, 2000: Fan, & Wong, 2002) Good control does not ensure that mistakes and abuse will not occur in the organization. But at least it will minimize the occurrence of fraud and errors in appropriate ways, so that if errors occur and fraud can be quickly identified and resolved.

Hypothesis:

H1: The effect of the internal control system on Regional Asset Management Cash Receipts

H2: Effect of cash sales on Regional Asset Management Cash Receipts



Source: Image Research Paradigm, 2020.

## METHODS

A validity test was conducted which was used to determine the feasibility of the items in the questionnaire to determine the variables being tested. Descriptive analysis was carried out with the categorization which was studied using questions 1 to 5 (Firth, Fung, Rui, 2007). The variance known as SEM PLS to test the hypothesis is done to directly test exogenous variables against endogenous variables by comparing t-table and t-count. Each t calculation result is then compared with the t-table obtained using an error level of 0.05.

$$t = r \sqrt{\frac{n - 2}{1 - r^2}}$$

The following is the partial t-test formula as follows:

Where:

t: distribution t

r: correlation coefficient

n: amount of data

Hypothesis:

Ho = 0: the internal control system affects cash receipts for regional asset management

Ha ≠ 0: cash sales affect cash receipts for regional asset management.

## RESULTS AND DISCUSSION

The target population of this study is small and medium enterprises in Indonesia. The measurement items of the current study consist of two variables which include the scientific findings of ICS, CR, RAM The research data was collected by direct questionnaire and via e.mail. It was collected from 44 samples. The population in this study were 44 SKPDs in the Skouw Mabo, Skouw, Yambe, Skouw Sae, and Mosso areas, Muara Tami District, Jayapura City. These four areas are the border areas of the Republic of Indonesia and Papua New Guinea. sample. After visiting the sample at the related SKPD directly by distributing questionnaires to them for respondent responses. The process of selecting and sampling in the related SKPD is very important for data collection for researchers, it can provide a targeted response (Kothari, 2001). Overall, the data collection process has been taken for 4 months and this research was not funded by any organization. The results of data processing can be seen in the following table:

Table 1.  
Test Results Loading factor

No.	Loading factor of each indicator	Internal Control System	Cash sale	Regional Asset Management Cash Receipts
1.	Indicator 1	0.731	0.802	0.804
2.	Indicator 2	0.894	0.810	0.889
3.	Indicator 3	0.796	0.792	0.862
4.	Indicator 4	0.827	0.761	0.770
5.	Indicator 5	0.452	0.773	0.889
6.	Indicator 6	0.371	0.684	0.879
7.	Indikator 7	-	0.666	0.889
8.	Indicator 8	-	0.662	0.849
9.	Indicator 9	-	0.382	0.889
10.	Indicator 10	-	0.382	0.839
11.	Indicator 11	-	0.382	0.889
12.	Indicator 12	-	0.382	0.899
13.	Indicator 13	-	-	0.889
14.	Indicator 14	-	-	0.829
15.	Indicator 15	-	-	0.889
16.	Indicator 16	-	-	0.819
17.	Indicator 17	-	-	0.889
18.	Indicator 18	-	-	0.889
19.	Indicator 19	-	-	0.869
20.	Indicator 20	-	-	0.889
21.	Indicator 21	-	-	0.889
22.	Indicator 22	-	-	0.889
23.	Indicator 23	-	-	0.889
24.	Indicator 24	-	-	0.889
25.	Indicator 25	-	-	0.889
26.	Indicator 26	-	-	0.889
27.	Indicator 27	-	-	0.869
28.	Indicator 28	-	-	0.829
29.	Indicator 29	-	-	0.889
30.	Indicator 30	-	-	0.849
31.	Indicator 31	-	-	0.859
31.	Indicator 32	-	-	0.889

Source: SPSS data processing, 2020

Table 2.  
Test Results. Results of Square roots of AVE

No	Variable	Square roots of AVE
1.	Internal Control System	0.829
2.	Cash sale	0.749
3.	Regional Asset Management Cash Receipts	0.832

Source: SPSS data processing, 2020

Table 3.  
Test Results Composite Reliability

No.	Variable	Composite reliability	Cronbach's Alpha
1.	Internal Control System	0.916	0.882
2.	Cash sale	0.910	0.886
3.	Regional Asset Management Cash Receipts	0.900	0.851

Source: SPSS data processing, 2020

Tabel 4.

Test results *Goodness of fit* pada *inner* model measured using *R square*

No.	Model	R square
1.	Regional Asset Management Cash Receipts	0.179

Source: SPSS data processing, 2020

Table 5.

Test results Q-square

No.	Model	Q square
1.	Regional Asset Management Cash Receipts	0.349

Source: SPSS data processing, 2020

Table 6.

Direct Effect Testing Results

No.	Direct Influence	Coefficient	Significance	Information
1	Internal Control System- Regional Asset Management Cash Receipts	-0.508	0.056	Be accepted
2	Cash sale - Regional Asset Management Cash Receipts	0.570	0.006	not accepted

Source: SPSS data processing, 2020

Testing carried out in the inner model in assessing the model with PLS starts by looking at R2 for each dependent latent variable. Changes in the value of R2 can be used to assess the effect of certain independent latent variables on the dependent latent variable whether it has a substantive effect. Besides looking at the R2 value, the PLS model is also evaluated by looking at the predictive relevance of Q2 for the constructed model. Q2 measures how well the observed value is generated by the model and also the parameter estimates. The value of Q2 > 0 (zero) indicates that the model has a predictive relevance value, whereas if the value of Q2 < 0 (zero) indicates that the model lacks predictive relevance value. AVE results indicate that the indicators owned by each variable can measure the variable in question. Discriminate validity is to compare the square root of the average variance extracted (AVE) value of each construct with the correlation between constructs and other constructs in the model. Where the AVE value must be > 0.50.

The results of composite reliability show that each indicator can measure the variable reliably. Composite reliability indicator block that measures a construct can be evaluated with two kinds of measures, namely the internal consistency developed by Werta, Linn, and Joreskog, and Cronbach's Alpha. Where is the value of good composite reliability if the value is > 0.70? Based on the results of the calculation of the influence of variables in the first hypothesis, it appears that the higher the internal control affects the better the Cash Receipts for Regional Asset Management. This can be seen from the significance value of 0.026. Therefore the hypothesis for a direct effect in this variable is accepted. The level of significance (p-value < 0.05) at a level below 0.05 indicates that cash sales affect cash receipts for asset management.

The second hypothesis shows a positive sign. This shows that the second hypothesis cannot be accepted because the hypothesis is negative. The reliability test was carried out by using the Cronbach alpha test using SPSS. A construct is said to be reliable if it gives a Cronbach alpha value > 0.60. Structural Equation Model (SEM) with Partial Least Square (PLS) method using warp PLS 5.0 software. This method was first coined by Wold as a general method for estimating the path model using a latent construct with multiple indicators. PLS is an

indeterminacy factor in a powerful analysis method because it does not assume that the data must be measured with a certain scale and a small sample size (Ghozali, 2014). Respondents felt this matter was very important to achieve Regional Asset Management Cash Receipts in increasing internal control. However, there are weaknesses felt by respondents, namely before the decision was taken, the regional head was sure to collect information accurately and completely before deciding to improve internal control so that regional asset management cash receipts could increase.

Cash is a company asset that is small in size but has a relatively large value compared to other assets owned by the organization. Therefore, cash is an organizational asset that is very easily distorted. To minimize the occurrence of fraud in cash processing, it is necessary to have a control called preventive control. The policy made to detect theft or misuse of cash is called detective control. In a certain sense, detective control is also preventive (prevent) because employees will endeavor to prevent theft or misuse if they become aware that such matters are likely to be exposed (Printed in Korean, et, al, 2007: Pawlewicz, 2011: Printed in Korean. Kim, et, al, 2006). Research Krishnan, (2005) found that to prevent errors or fraud, an internal control principle is needed. The system includes differentiating duties between physical money management and bookkeeping. This system teaches employees to be able to perfect each other. Cash receipts internal control system. The structure of the regional financial management apparatus, which has methods of safeguarding assets, controlling financial reports, and creating good performance. As for internal control, namely administrative control, namely control in the non-financial section which refers more to regulatory compliance and accuracy and accounting controls we are familiar with the financial reporting process, especially the cash disbursement process, which is the current discussion. (Kim, & Hwang, 2007) Printed in Korean. Ogneva, et, al (2007) cash is included in the current asset which has many of the most needed functions so that it must be guarded so that it is properly aligned so that the desired objectives are achieved in payment activities in any agency. Existing cash must be arranged as needed so that there is no idle cash that can lead to improper use or fraud. Safkaur & Herati (2020) cash is a current asset that has a very good impact on the economy in every apparatus of local government and has a very bad impact if it is misused or manipulated. Cash in the form of money which has a certain amount that can be used to finance the needs of activities in government agencies. Penenrimaan Cash. Sohn & Lee, (2005) cash disbursements must use checks, but if cash disbursements are small, do not need to use checks.

The benefit of using checks is that they ensure security in cash disbursements because every transaction made will be recorded reliably. Cash Expenditure Accounting System. Song (1989) states that cash is a very important element in the scope of government. Cash cannot be separated from every activity in the scope of government, the amount of cash must be based on the planning of the use of the budget, cash management must be monitored properly from the planning, receiving, and disbursing processes of cash. So that no cash funds will cause fraud that can hinder activities within the scope of local government (Securities and Exchange, 2002: Securities and Exchange, 2007: Printed in Korean. Solidarity for Economic Reform, 2010: Printed in Korean. La Porta, et. all, 1999) CONCLUSION Monitoring of the internal control system will find deficiencies and increase control effectiveness. Internal control can be monitored properly through special assessments or in line with management efforts. The last monitoring effort can be done by observing employee behavior or warning signs provided by

cash receipt accounting. Specific assessments are usually carried out periodically as there are major changes in senior management strategy, corporate structure, or business activities. In large companies, the internal auditor is the party responsible for monitoring the internal control system. Independent auditors also frequently assess internal control as part of an audit of financial statements.

The main elements of the internal control system, namely when viewed from the organizational structure, in this company there is no strict separation of functional responsibilities because there is no function resulting in concurrent tasks performed by the cash function or the sales function. Besides, if it is viewed from other elements of internal control, namely the system of authority, recording procedures, and sound practices, the implementation of the internal control system for cash sales has weaknesses due to the absence of a sales function so that the cash sales invoice used consists of only two copies. The implementation of the internal control system for cash receipts has not been going well because it has not fulfilled the main elements of the internal control system, especially in terms of its organizational structure which has not separated functions and duties so that there are still concurrent duties in the accounting function apart from being in charge of bookkeeping to allow the occurrence of misappropriation of company property. To maximize the implementation of the internal control system for cash sales at the DPP KAD, each function should be held so that there are no more concurrent duties by the cash function or the sales function. Besides, based on the system of authority and good recording procedures and to implement more sound practices, the cash sales accounting system should use cash sales invoices to avoid misappropriation of company assets. These functions include a sales function, a warehouse function cash function, and an accounting function.

## **ACKNOWLEDGMENT**

This research was conducted independently and the population in this study was 44 SKPDs in the Skouw Mabo, Skouw, Yambe, Skouw Sae, and Mosso areas, Muara Tami District, Jayapura City. These four areas are the border areas of the Republic of Indonesia and Papua New Guinea. We would like to thank our colleagues in the Skouw Mabo, Skouw, Yambe, Skouw Sae, and Mosso areas, Muara Tami District, Jayapura City, border areas of the Republic of Indonesia and Papua New Guinea who were very helpful in filling out this research questionnaire, the conclusion of this paper Finally, the author would like to thank profusely.

## **REFERENCES**

- Ahmed, A., Schneible Jr., R., (2007). The impact of regulation fair disclosure on investors' prior information quality – evidence from analysis of changes in trading volume and stock price reactions to earnings announcements. *Journal of Corporate Finance* 13 (June),282–299.
- Atiase, R., (1985). Predislosure information, firm capitalization, and security price behavior around the earnings announcement. *Journal of Accounting Research* 23 (1), 21–36.
- Altman, E., (1968). Financial ratios, discriminant analysis, and the prediction of corporate bankruptcy. *Journal of Finance* 23, 589–609.
- Ashbaugh-Skaife, H., Collins, D., Kinney, W., (2007). The discovery and reporting of internal control deficiencies prior to SOX-mandated audits. *Journal of Accounting and Economics* 44 (1/2), 166–192.

- Ashbaugh-Skaife, H., Collins, D., Kinney, W., LaFond, R., (2008). The effect of SOX internal control deficiencies and their remediation on accrual quality. *The Accounting Review* 83 (1), 217–250.
- Ashbaugh-Skaife, H., Collins, D., Kinney, W., LaFond, R., (2009). The effect of SOX internal control deficiencies on firm risk and cost of equity. *Journal of Accounting Research* 47 (1), 1–43.
- Bailey, W., Li, H., Mao, C., Zhong, R., (2003). Regulation Fair Disclosure and Earnings Information: Market, Analyst, and Corporate Responses, Working Paper, Cornell University.
- Brown, S., Hillegeist, S.A., Loh, K., 2004. Conference calls and information asymmetry. *Journal of Accounting and Economics* 37 (3), 343–366.
- Beasley, M.S., (1996). An empirical analysis of the relation between the board of director composition and financial statement fraud. *The Accounting Review* 71 (4), 443–466.
- Beneish, M.D., Billings, M., Hodder, L., (2008). Internal control weaknesses and information uncertainty. *The Accounting Review* 83 (3), 665–703.
- Callen, J.L., Levant, J., Segal, D., (2006). The information content of SEC filings and information environment: a variance decomposition analysis. *The Accounting Review* 81 (5), 1017–1043.
- Cheon, Y.S., Sohn, J., (2005). Firm characteristics and the market monitoring of optimistic preliminary earnings announcements. *The Korean Accounting Review* 30, 79–105.
- Choen, Y., Rho, J., Bae, G., (2004). The effect of the DART system on the timing that earnings information is impounded in stock prices. *Korean Accounting Journal* 13, 77–100
- Chang, S.J., Hong, J., (2000). Economic performance of group-affiliated companies in Korea: intergroup-resource sharing and internal business transactions. *Academy of Management Journal* 43 (3), 429–448.
- Choi, J.-H., Choi, S., Hogan, C., Lee, J., (2013). The effect of human resource investment in internal control on the existence of internal control weaknesses. *Auditing: A Journal of Practice and Theory* 31 (4), forthcoming.
- Choi, J.-H., Kim, J.-B., Liu, X., Simunic, D.A., 2008. Audit pricing, legal liability regimes, and Big 4 premiums: theory and cross-country evidence. *Contemporary Accounting Research* 25 (1), 1–49.
- Choi, J.-H., Wong, T.J., (2007). Auditors' governance functions and legal environments: an international investigation. *Contemporary Accounting Research* 24 (1), 13–46.
- Committee of Sponsoring Organizations of the Treadway Commission (COSO), (1992). *Internal Control 2. Internal Control* Cont U.S.
- Doyle, J., Ge, W., McVay, S., 2007a. Determinants of weaknesses in internal control over financial reporting. *Journal of Accounting and Economics* 44 (1/2), 193–223.
- Doyle, J., Ge, W., McVay, S., (2007b). Accruals quality and internal control over financial reporting. *The Accounting Review* 82 (5), 1141–1170.
- Eleswarapu, V., Thomson, R., Venkataraman, K., (2004). The impact of regulation fair disclosure: trading costs and information a symmetry. *Journal of Financial and Quantitative Analysis* 39 (2), 209–225.
- Fan, J., Wong, T., (2002). Corporate governance structure and the informativeness of accounting earnings in East Asia. *Journal of Accounting and Economics* 33, 401–425.
- Financial Accounting Standards Board (FASB). (2010). *Conceptual Framework for Financial Reporting*. Statement of Financial Accounting Concepts No. 8.
- Firth, M., 1981. The relative

- information content of the release of financial results data by firms. *Journal of Accounting Research* 19 (2),521–529.
- Firth, M., Fung, P., Rui, O., (2007). Ownership, two-tier board structure, and the informativeness of earnings – evidence from China. *Journal of Accounting and Public Policy* 26, 463–496.
- Feng, M., Li, C., McVay, S., (2009). Internal control and management guidance. *Journal of Accounting and Economics* 48 (2/3), 190–209. Ge, W., McVay, S., 2005. The disclosure of material weaknesses in internal control after the Sarbanes-Oxley Act. *Accounting Horizons* 19,137–158.
- Gintschel, A., Markov, S., (2004). The effectiveness of regulation FD. *Journal of Accounting and Economics* 37, 293–314. Grant, E.B., 1980. Market implications of differential amounts of interim information. *Journal of Accounting Research* 18, 255–268.
- Griffin, P., Lont, D., Segal, B., (2011). Enforcement and disclosure under regulation fair disclosure: an empirical analysis. *Accounting and Finance* 51, 947–983.
- Guedhami, O., Pittman, J., Saffar, W., (2009). Auditor choice in privatized firms: empirical evidence on the role of state and foreign owners. *Journal of Accounting and Economics* 48 (2/3), 151–171.
- Hayn, C., (1995). The information content of losses. *Journal of Accounting and Economics* 20, 125–153. Irani, A.J., Karamanou, I., 2003. Regulation fair disclosure, analyst following, and analysts forecast dispersion. *Accounting Horizons* 17(March), 15–29.
- Hammersley, J.S., Myers, L., Shakespeare, C., (2008). Market reactions to the disclosure of internal control weaknesses and to the characteristics of those weaknesses under Section 302 of the Sarbanes Oxley Act of 2002. *Review of Accounting Studies* 13 (1), 141–165
- Hertati. L (2015). Competence of Human Resources, The Benefits of Information Technology on Value of Financial Reporting in Indonesia. *Research Journal of Finance and Accounting* 6, (8) 12-18
- Hertati.L. Hertati.L. Zarkasyi. W. Suharman. H. Umar.H. (2019). The Effect of Human Resource Ethics on Financial Reporting Implications for Good Government Governance (Survey of Related Sub-units in State-owned Enterprises in SUMSEL). *International Journal of Economics and Financial*. 9(4), 267-276
- Hogan, C.E., Wilkins, M.S., (2008). Evidence on the audit risk model: do auditors increase audit fees in the presence of internal control deficiencies? *Contemporary Accounting Research* 25 (1), 219–242.
- Jang, J., Cheon, Y., (2003). Preliminary-earnings-announcement, firm characteristics, and preemption of market reactions to actual earnings announcements. *The Korean Accounting Review* 28, 79–107.
- Jung, K., Kwon, S., (2002). Ownership Structure and Earnings Informativeness: Evidence from Korea. *The International Journal of Accounting*, 301–325.
- Joh, S.W., (2003). Corporate governance and firm profitability: evidence from Korea before the economic crisis. *Journal of Financial Economics* 68 (2), 287–322.
- Kothari, S.P., (2001). Capital markets research in accounting. *Journal of Accounting and Economics* 31, 105–231. Opong, K.K., 1995. The information content of interim financial reports: UK evidence. *Journal of Business Finance and Accounting* 22(2), 269–279.

- Kim, C.S., (2012). Is business group inefficient? A long-term perspective. *Asia-Pacific Journal of Financial Studies* 41, 258–285.
- Kim, J.-K., (2009). Internal control weakness over financial reporting and accruals quality. *Korean Accounting Journal* 18 (4), 33–64,  
Printed in Korean. Kim, H.J., Berger, P., (2009). The management characteristics of Korean chaebols vs. non-chaebols: Differences in leverage and its ramifications: myth or reality? *Advances in Management* 2, 26–35.
- Kim, Y.-S., Hwang, K.-J., Kim, Y.-C., (2007). The effect of firm characteristics and corporate governance on the quality of internal control over financial reporting. *Korean Accounting and Auditing Research* 46, 249–275,  
Printed in Korean. Kim, J.-B., Yi, C.H., (2006). Ownership structure, business group affiliation, listing status, and earnings management: Evidence from Korea. *Contemporary Accounting Research* 23 (2), 427–464.
- Krishnan, J., (2005). Audit committee quality and internal control: an empirical analysis. *The Accounting Review* 80, 649–675.
- Kwon, D.-H., Choi, J.-H., Shin, J., Hyun, J.-H., (2012). The effect of agency problem between controlling shareholders and minority shareholders on board and audit committee characteristics. *Korean Accounting Review* 37 (1), 121–155,  
Printed in Korean. La Porta, R., Lopez-De-Silanes, F., Shleifer, A., (1999). Corporate ownership around the world. *Journal of Finance* 54 (2), 471–518.
- Lee, J.-I., Choi, S., Choi, J.-H., (2010). The association between human resource investment in internal control and audit fees. *Korean Accounting and Auditing Research* 51, 191–225,
- Mansyur (2019). Banyak Pengelolaan Aset Bermasalah. <https://radarsemarang.jawapos.com/berita/semarang/2019/08/28/banyak-pengelolaan-aset-bermasalah/>
- Opong, K.K., 1996. Hourly share price response to the release of preliminary annual financial reports: some UK evidence. *British Accounting Review* 28, 187–202.  
Printed in Korean. Lee, M.-G., Choi, S.-T., Chang, S.-J., (2007). Weaknesses in internal accounting control system: its relation with earnings management and information risk. *Korean Accounting and Auditing Research* 46, 61–91,
- Pawlowicz, R., (2011). The Effect of Regulation G on the Timeliness and Perceived Reliability of Earnings Announcements, Working Paper. Baruch College, City University of New York.  
Printed in Korean. Lee, M., Shim, H.-S., Choi, J.-H., (2012). Board characteristics and the frequency of disclosure of the firms belonging to large business groups. *Korean Accounting Review* 37 (2), 279–320,  
Printed in Korean. Ogneva, M., Subramanyan, K.R., Raghunandan, K., (2007). Internal control weakness and cost of equity: evidence from SOX Section 404 disclosures. *The Accounting Review* 82 (5), 1255–1297.  
Printed in Korean. Solidarity for Economic Reform, (2010). The analysis on the Dynamic Changes of 200 Largest Companies Over 1986–2006 Period. Seoul, Korea, Printed in Korean
- Public Company Accounting Oversight Board (PCAOB), (2004). An Audit of Internal Control over Financial Reporting Performed in Conjunction with an Audit of Financial Statements. Auditing Standard No. 2. Washington, D.C.: PCAOB.

- Safkaur.O, & Herati, L. (2020). Perubahan Striktur Modal Menyebabkan Perubahan Struktur Modal. *Jurnal Ekonomi Dan Perbankan* 9(2) 94-105
- Sarikhani, M., Ebrahimi, M., (2011). Corporate governance and earnings informativeness: evidence from Iran. *International Research Journal of Finance and Economics* 65, 43–50.
- Sohn, S., Lee, E., (2005). Information content study of timely disclosure regarding income structural changes. *Korean Accounting Journal*14, 29–56.
- Song, I.M., (1989). An empirical study of usefulness of accounting earnings: review of the timing of the accounting earnings disclosures using weekly returns. *The Korean Accounting Review* 9, 1–24
- Securities and Exchange Commission (SEC), (2002). Final Rule: Certification of Disclosure in Companies' Quarterly and Annual Reports. Release Nos. 33–8124; 34–46427.
- Washington, D.C.: SEC. Securities and Exchange Commission (SEC). 2003. Final Rule: Management's Reports on Internal Control over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports. Release Nos. 33–8238; 34–47986.
- Washington D.C.: SEC August 14. Shin, H.G., (2007). Analysis of review reports on internal control systems. *Korean Accounting Journal* 16 (1), 107–128,