

# Analysis Of Internal Control Of The Cash Management System In Medan Mayor's Office

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## ABSTRACT

Penelitian ini bertujuan untuk menganalisis pengendalian internal yang diterapkan dalam sistem pengelolaan kas pada Kantor Walikota Medan. Pengendalian internal adalah serangkaian tindakan yang diterapkan dalam suatu organisasi untuk melindungi aset, memastikan akurasi dan keandalan informasi keuangan, serta mendorong efektivitas dan efisiensi operasional. Dalam konteks pengelolaan kas di Kantor Walikota Medan, pengendalian internal memiliki peran penting dalam menjaga integritas dan keandalan proses pengelolaan kas secara tepat waktu dan akurat. Permasalahan yang teridentifikasi dalam penelitian ini meliputi beberapa aspek terkait pengendalian internal dalam sistem pengelolaan kas. Pertama, aspek pemisahan tugas dan tanggung jawab yang tidak memadai dapat mengakibatkan potensi kesalahan dan penyalahgunaan. Kedua, kebijakan dan prosedur yang tidak jelas dan tidak terstandarisasi dapat menghambat efisiensi dan transparansi pengelolaan kas. Ketiga, kurangnya pengawasan dan pemantauan yang efektif dapat meningkatkan risiko ketidakakuratan dan kehilangan kas. Keempat, sistem informasi yang tidak terintegrasi dengan baik dapat menghambat aksesibilitas dan keandalan data keuangan.

## ABSTRACT

*This study aims to analyze the internal control implemented in the cash management system at the Medan Mayor's Office. Internal control is a series of actions implemented within an organization to protect assets, ensure the accuracy and reliability of financial information, and promote operational effectiveness and efficiency. In the context of cash management at the Medan Mayor's Office, internal control has an important role in maintaining the integrity and reliability of the cash management process in a timely and accurate manner. The problems identified in this study include several aspects related to internal control in the cash management system. First, aspects of inadequate segregation of duties and responsibilities can result in potential errors and abuse. Second, unclear and nonstandardized policies and procedures can hinder the efficiency and transparency of cash management. Third, the lack of effective oversight and monitoring can increase the risk of inaccuracies and cash losses. Fourth, information systems that are not well integrated can hinder the accessibility and reliability of financial data.*

## INTRODUCTION

Regional Financial Management is all regional rights and obligations in the context of administering regional government which can be valued in money including all forms of wealth

related to regional rights and obligations, within the framework of the Regional Revenue and Expenditure Budget (APBD). According to Permendagri Number 13 of 2006 concerning Regional Financial Management, Regional Finance is all regional rights and obligations in the context of administering regional government which can be valued in money including all forms of wealth related to the rights and obligations of the region.

Internal control is a system designed to ensure that all organizational activities are carried out in accordance with established procedures and policies. In the context of cash management in the Medan Mayor's office, good internal control is very important to prevent fraud, data manipulation, or errors that can harm the government and the community. The cash management system has a central role in the operational activities of the Medan Mayor's office. Efficient and transparent cash management will ensure timely payments, accurate financial reporting, and clear accountability for the use of public funds.

Control activities are active actions as a form of reaction on the results of the risk assessment that has been carried out so as to reduce it existing risks. These control activities include policies and procedures set by the leadership so as to help provide confidence that sufficient that the objectives of the government agency have been achieved. Policy created expected to be able to direct what actions should be taken and serves as the basis for the preparation of procedures In managing cash in government environments, there are certain risks and challenges that need to be addressed. For example, the risk of misappropriation of funds, potential financial leaks, or lack of adequate segregation of duties may create opportunities for error or abuse. Local governments in Indonesia are subject to certain laws and regulations governing the management of state finances. Therefore, this background will mention the relevant legal framework that binds the Medan Mayor's office in managing its cash.

## **THEORETICAL BASIS**

Internal control is a plan, method, procedure and policy designed by management to provide adequate assurance for achieving operational efficiency and effectiveness, reliability of financial reporting, security of assets, compliance/compliance with other laws, policies and regulations (Valery G. relapse, 2010). Internal Control: This is a concept that includes processes, policies and practices designed to ensure the achievement of organizational goals, protect organizational assets, prevent fraud and errors, and maintain accountability and transparency in organizational operations.

This theory discusses the elements of internal control, such as the control environment, risk assessment, control activities, information and communication, and monitoring. According to Nugroho Widjanto (2016) in order to run well, an internal control must have elements such as organizational structure, authority system and recording procedures, healthy work implementation and employees with quality according to responsibility. This theory focuses on overall cash management, including collection, use, and reporting of existing funds.

This theoretical study will cover the principles of cash management, the importance of segregation of duties in cash management, the application of prudential principles and liquidity, as well as best practices in managing cash in public organizations. The importance of accountability and transparency in the management of local government finances. This includes compliance with laws and regulations governing public financial management, disclosure of information to the public, and the importance of accurate and timely financial reports.

Previous Research

No	Researcher Name	Research Title	Research result
1.	<sup>1</sup> Elizar Sinambela <sup>2</sup> Fitriani Saragih <sup>3</sup> Eka Nurmala Sari 2018	APBD Structure Analysis in Improving Regional Financial Management in North Sumatra Regional Government	The results obtained from the research are as follows: Regional financial management of North Sumatra Province has not been effective as seen from the APBD which shows the realization of income and expenditure has not been able to reach the target. it has not been clearly disclosed in the APBD structure,besides that it can also be stated that there is still a need for support from the North Sumatra regional government to further analyze the APBD structure in improving Regional Financial Management.
2.	Miftahul Jannah	The Influence of the Government's Internal Control System on Regional Financial Management in Medan City Government	Based on the results of the research and discussion previously stated, the following conclusions can be drawn: The Control Environment influences the Regional Financial Management of the Medan City Government. Risk Assessment has an effect on Regional Financial Management in Medan City Government. Control activities affect Regional Financial Management in the City Government of Medan.
3.	<sup>1</sup> Afifah Nindi Popi <sup>2</sup> Mukhammad Idrus <sup>3</sup> Samsinar Anwar	Analysis of Internal Control in the Salary System for Honorary Workers (Case Study at the Maros Regency Regent's Office)	Based on the results of the analysis and discussion, it can be concluded that: The procedure network for the honorary payroll system for the Maros District Head Office consists of procedures for making payroll and procedures for paying salaries. In the procedural network, the honorary payroll system does not have a procedure for recording attendance and work time.

RESEARCH METHODS

Based on the title of the research, "Analysis of internal control in the cash management system at the Medan Mayor's Office", this study has two variables, namely the independent variable is internal control and the dependent variable is the payroll system. Data collection techniques used in this study

were interviews and observation. In this study, the data analysis technique used was a qualitative descriptive analysis technique.

Where, qualitative descriptive analysis technique is a problem-solving analysis technique that describes the results of the data in the form of words or sentences. Whereas a qualitative mindset is a data analysis technique that is not set forth in the form of statistics or in the form of numbers, but is presented in the form of a statement or in the form of a series of words which are then arranged systematically.

## RESULTS AND DISCUSSION

Based on the results of research and descriptions that the majority of employees at SKPD Kota Medan feel that the clarity of work plans and budgets have been clearly and comprehensively defined, effective budget execution is determined by the effort deployed, one's quality capabilities, participation, target setting, and one's perception of duties and responsibilities as well as routine budget reporting are carried out every year and can be evaluated.

The control environment places quality in the organization and plays a role in influencing the awareness of the people involved in an agency regarding the importance of control, so that in this concept it places the control environment elements as the basic foundation or rhythm determinant for all elements in other internal control systems.

What is meant by the control environment is the conditions created in a work unit/work unit that affect the effectiveness of internal control. The control environment can be carried out by upholding integrity and ethical values, commitment to competence, conducive leadership, establishing a conducive organizational structure, establishing an organizational structure that suits the needs, delegating appropriate authorities and responsibilities, formulating and implementing sound policies regarding development human resources, embodiment of the role of an effective government internal supervisory apparatus. If this can be implemented properly, regional financial management will have a good impact so that financial management can run effectively.

Control activities are active actions as a form of reaction to the results of the risk assessment that has been carried out so as to reduce existing risks. These control activities include policies and procedures set by the leadership so as to help provide adequate assurance that the objectives of government agencies have been achieved. The policies made are expected to be able to direct what actions should be taken and serve as the basis for preparing procedures.

The procedures in question are instructions for a series of sequences of actions in carrying out existing activities, which are adjusted according to the size, complexity and nature of the duties and functions of government agencies. The results of this study are supported by previous research issued by Sinambela, Saragih and Sari (2018) and Pujiono, Sukarno and Puspitasari (2016) and Ditya and Surjono (2012), meaning that in the Medan City SKPD there has been an adequate separation of obligations, an adequate authorization system well, the implementation of physical controls and independent checks on the implementation of activities.

Internal control is a process of evaluating all activities that have been carried out to assess quality over time and determine whether internal controls have been running effectively. Monitoring is also a follow-up to audit findings and other evaluations so that improvements can be made as soon as possible. Risks that arise in an organization can be caused by internal and external factors. Internal risks include inadequate equipment, incompetent human resources, and a non-conducive work environment. External risks include changes in government, security disturbances, or even natural disasters. After knowing the existing risks, the second step that must be taken is to make a decision, whether to accept the risk, reduce the risk to a tolerable limit or avoid the risk. Risk assessment can be carried out with the stages of risk identification, assessing other factors that can increase risk and risk analysis, when the risks can be tabulated and analyzed, of course the regional finances that are managed will be effective.

This research is in line with previous research issued by Pujiono, Sukarno and Puspitasari (2016),

Ditya and Surjono (2012) and Sinambela, Saragih and Sari (2018), this also indicates that the majority of SKPD in Medan City say that in SKPD Kota Medan there has been an assessment of risk, determination of measurement methods, determination of limits and determination of risk tolerance and establishment of internal controls.

If the internal control system that exists in government agencies is monitored regularly, efforts to achieve the mission of the organization or government agency can be carried out and ultimately in the long term the vision can be realized. This research is supported by previous research issued by Nambela, Saragih and Sari (2018) and Pujiono, Sukarno and Puspitasari (2016) and Ditya and Surjono (2012), thus in the Medan City SKPD there has been an independent examination of the implementation of activities, Monitoring is carried out periodically and Monitoring is carried out to assess the quality of internal control.

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusion

Based on the research and discussion above, it can be concluded that:

1. The Control Environment influences the Regional Financial Management of the Medan City Government.
2. Control activities affect Regional Financial Management in the Medan City Government.
3. The Risk Assessment has an effect on the Regional Financial Management of the Medan City Government.
4. Monitoring has an effect on Regional Financial Management in the City Government of Medan.
5. Control Environment, Risk Assessment, Control Activities, and Monitoring affect the Regional Financial Management of the Medan City Government

### Suggestion

1. The Medan City Government should be able to maintain and even improve a good Regional Financial Management System, by upholding integrity and ethical values, commitment to competence, conducive leadership, establishing an organizational structure that suits needs, delegating authority and appropriate responsibilities, drafting and the implementation of sound policies regarding the development of human resources, embodiment of the role of an effective government internal supervisory apparatus.
2. The Medan City Government can also improve the implementation of its internal duplicating procedures. The procedures in question are instructions for a series of sequences of actions in carrying out existing activities, which are adjusted according to the size, complexity and nature of the tasks and functions of government agencies.

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