



# The study of Applying the Internal Control Based on COSO Framework to process of billing and receiving cash at PT ABC

Heri Yuliyanto<sup>1</sup>, Chotib Hasan<sup>2</sup>, Silsilia Nurtia Putri<sup>3</sup>, Dewi Kartikasari<sup>4</sup>, Nur Rahmi Fithriani<sup>5</sup>

<sup>1,2</sup>School of Strategic and Global Studies, Universitas Indonesia

<sup>3,4,5</sup>Vocational Education Program of Universitas Indonesia

[h.yulianto@ui.ac.id](mailto:h.yulianto@ui.ac.id)

**Abstract.** Business competition is getting more challenging in the current era of globalization, so companies must be able to generate income and manage company operations effectively and efficiently. Therefore, billing and receiving cash is an essential part of the business process at PT ABC to generate income. Implementing internal control in this process can guarantee that PT ABC protects assets, ensure accurate records, improve operational efficiency, and encourage policy compliance. This study uses a single case study method by applying the COSO framework to the process of billing and cash receipts. Based on the results obtained from the research, PT ABC has implemented COSO Framework so that companies can achieve their goals. However, companies can make journal entries for financial transactions to make their financial reports more accurate. In addition, the company sends a monthly account receivable report to the client as a billing reminder and avoids the possibility of late payments.

**Keywords:** Internal Control, COSO Framework, Billing Process, Receipt Cash, Revenue Cycle, Single Case Study and Reserch Qualitative

## 1 Introduction

The Business competition that is getting tougher in the current era of globalization requires companies to run their companies more effectively and efficiently to develop and achieve their goals (1)(2). Companies need income to generate cash that is used for company operational costs. Therefore, the revenue cycle is one of the critical activities in the company. Because it is activities that have the potential to generate income for the company; however, these process problems often need to be solved, especially the process of billing and receiving cash. An increase in revenue or sales can also increase accounts receivable, and an uncontrolled increase in accounts receivable can result in bad debts (3).

The process of billing and receiving cash is a process that is closely related to the company's cash inflows. The primary purpose of the billing process is to produce bills in a timely and accurate manner. In contrast, the primary purpose of the cash receipts process is to protect cash/payments received from customers and credit accounts receivable to customers on time (4). If there are risks such as errors in billing and theft of cash, it will cause losses to the company, such as loss of assets and recording errors. Therefore, it is necessary to have adequate internal controls to reduce the risks that may

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occur so that a company's cash collection and receipt process can run smoothly and produce accurate and helpful information for the company in making a decision.

Internal control is a fundamental management concept that covers all aspects of enterprise operations, from basic accounting processes to production operations to IT systems and more (5) implemented to provide reasonable assurance that the objectives of control are achieved (6). The internal control system comprises policies, practices, and procedures employed by the organization to achieve four broad objectives, that is are 1) to safeguard the assets of the firm; 2) to ensure the accuracy and reliability of accounting records and information; 3) to promote efficiency in the firm's operations; and 4) to measure compliance with management's prescribed policies and procedures (7).

PT ABC is a Cross-Sector BUMN Holding company that oversees several subsidiaries engaged in various fields. PT ABC has several components of sources of business income, which are obtained by PT ABC's business activities or as a Holding. Service revenue is one of PT ABC's operating revenues. Based on the 2022 and 2021 financial reports, PT ABC's service revenue has increased by 45.90% to IDR 14,390,208. Even though, in nominal terms, it is not the largest among the operating income accounts, the service revenue account has the most significant risk. Therefore, the first objective of this study is to provide an overview of PT ABC's business activities and income. Therefore, the study's second objective is to find out how the flow of the billing process and receipt of cash from PT ABC's advisory services. Finally, the researcher wants to know how internal controls are implemented in billing and receiving cash advisory services at PT ABC.

The remainder of the study is structured as follows. Section 2 provides a brief overview of the Billing and Receiving Cash Process theory and a review of COSO's Internal Controls Framework. Section 3 briefly describes the methodology used in this study. Section 4 reports the results of the study covering the three objectives of the study that have been described. Section 5 outlines a discussion of the findings and their contributions, along with limitations and directions for future research. Section 6 contains the conclusions of this study. Lastly, section 7 ends with a list of references used as sources of reference in this study.

## **2 Literature review/Study site**

### **2.1 Billing and Receiving Cash Process**

The revenue cycle is a recurring set of business activities and related information processing operations associated with providing goods and services to customers and collecting cash in payment for those sales (6). Meanwhile, Hall defines the revenue cycle as the direct exchange of finished goods or services for cash in a single transaction between a seller and a buyer. So, it can be concluded that the revenue cycle is a cycle in which the company offers an exchange of goods or services in exchange for payment from the customer for the goods or services they received.

**Table 1.** Treat of Billing and Cash Receipt

Activity	Treat		
	Romney and Steibart (6)	Parsian and Wirawan (2)	Soeryaatmadja and Permatasar (8)
Billing	Failure to bill	The owner didn't carry out the billing process	There are Invoices that are not integrated with Sales Orders
	Billing error	The information stated on the sales note does not match the details of the approved order	
	Posting Error in accounts receivable	Management of invoices is carried out by the owner not carried out periodically,	
	Inaccurate or invalid credit memo	Do not communicate with consumers regarding efforts to remind payment terms due	
Cash Collection	Theft of cash	The cash held does not match the payment value of the consumer order invoice.	Consumers don't pay
		In the process of buying on credit, payment is not made by direct transfer to the account of the owner	
	Cash flow problem	Existing cash and sales receipts are not provided and archived by the Head of Warehouse	

There are two main processes in the billing process: invoicing and maintaining accounts receivable. *Invoicing* is an activity that repackages and summarizes information from the sales order entry and shipping activities. It requires information from the shipping department identifying the items and quantities shipped and information about prices and any special sales terms from the sales department. On the other hand, there are basic ways to maintain accounts receivable, namely the open invoice and forward balance methods. The two methods differ in when the customer sends payments, how those payments are applied to updating the accounts receivable master file, and the format of the monthly statements sent to customers. Cash receipts are the last activity in the revenue cycle. In this activity, the company or party that provides goods/services will receive payment from the customer.

**2.2 Internal Control**

An effective internal control system is one of the best defenses against business failure that can improve business performance, manage risk and create and preserve corporate value (5). At a very high conceptual level, the relationship between internal control as a component of the risk management process and an essential element of corporate governance can be described as follows.



**Fig. 1.** The Relationship Internal Control, Risk Management and Enterprise Governance

Several experts and institutions have defined internal control. *Internal controls* are the processes implemented to provide reasonable assurance that the following control objectives are achieved (6). Hall explained that internal control comprises policies, practices, and procedures employed by the organization to achieve four broad objectives that are to safeguard the assets of the firm, to ensure the accuracy and reliability of accounting records and information, to promote efficiency in the firm's operations, and to measure compliance with management's prescribed policies and procedures (7). On the other hand, The Committee of Sponsoring Organizations (COSO) defined *internal control* as a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance (5). Thus, internal control can be defined as policies, practices, and procedures used by organizations to protect company assets, ensure the accuracy and reliability of financial reports, increase the effectiveness and efficiency of company management, and fulfill compliance with policies and procedures set by management.

Romney and Steinbart (2021) explain that internal controls perform three important functions (6):

1. Preventive controls are intended to prevent a problem's emergence. Examples include hiring qualified personnel, segregating employee duties, and controlling physical access to assets and information.
2. Detective controls are intended to discover a problem that is not prevented examples, such as duplicate checking of calculations and preparing bank reconciliations and monthly trial balances.
3. Corrective controls are intended to identify and correct problems and to correct and recover the resulting errors. Examples, such as maintaining backup copies of files, correcting data entry errors, and resubmitting transactions for subsequent processing.

2.3 COSO’s Internal Controls Framework



Fig. 2. COCO’s Internal Control Framework

The Committee of Sponsoring Organization (COSO) issued an internal control framework with five integrated components and 17 principles, each representing the fundamental concepts associated with each component. The five components and 17 principles of the internal control framework issued by COSO are summarized below (6) (9).

Table 2. Description and Priciples of COSO Framework

Components	Descriptions and Principles
Control environment	The control environment includes a set of standards, processes, and structures that form the basis for internal control throughout the organization
Risk assessment	Risk assessment is used to determine how risks will be managed. In conducting risk assessments, management must consider the impact of possible changes in the internal and external environment and take action to manage the possible impacts.
Control activities	Control activities help management mitigate risks to ensure the achievement of objectives. Control activities, both preventive and detective, can be carried out at all levels of organizational activity. It helps management mitigate risks to ensure the achievement of objectives.
Information and communication	Information obtained both internally and externally is used to support internal control components. Communication is used to disseminate significant information throughout and beyond the organization. An excellent internal communication process can tell employees that activity controls must be taken seriously.
Monitoring	Monitoring activities are periodic evaluations to verify that each of the five components of internal control is running and functioning as expected.

### 3 Methodology

#### 3.1 Method Approach

*Case study research* is a comprehensive method that incorporates multiple data sources to provide detailed accounts of complex research phenomena in real-life contexts (10). The method is exciting when a researcher is motivated to spend time and effort on situations and areas to answer "how" and "why" questions. It is a complex approach to getting the answer to the question, but it takes a lot of time, patience, and energy to work on complex problems (11). There are several types of case studies, such as explanatory, single-case exploratory, multiple-case, intrinsic, and others (12). The benefits of a single case study are that it is less expensive and time-consuming than multiple or other case studies and can better describe the existence of a phenomenon (13).

#### 3.2 Data Collection Analysis

Data were collected through observation, interviews, literature studies, and documentation of the research object. In detail, data collection is carried out:

1. Observation, making direct observations in the field of the main problems faced. These observations were made not limited to people but also other objects, such as the performance process.
2. Interview. Researchers conducted direct interviews with employees at PT. ABC is needed to obtain information on data and opinions and a clearer picture of the problem being researched by the author.
3. Documentation techniques are in the form of information derived from vital records both from institutions or organizations and from individuals.
4. Literature study, conducted by reading and studying various references in the form of journals, books, and previous research related to the author's research

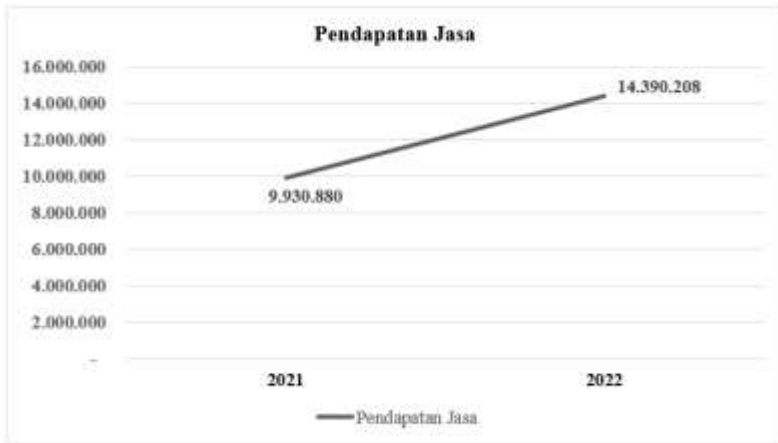
The data and information that has been collected is then analyzed as follows:

- identify information obtained directly from PT ABC relating to the billing process and cash receipts process
- Describe the billing process and cash receipts process
- Conduct an analysis of the application of internal control in the billing and receiving process using the COSO Framework.

### 4 Result.

#### 4.1 General description of PT. ABC's revenue

PT ABC has several business activities, including the advisory services business. Advisory services are business activities that provide financial advisory services for corporate customers consisting of state-owned companies, the private sector, and ministries or institutions that require comprehensive review services. From PT. ABC's financial statements, the service revenue account originating from advisory services business activities has increased by 45% from the previous year. The following is a chart of service revenue accounts for 2022 and 2021:



**Fig. 3.** Revenue Growth of PT ABC (2022 vs 2023)

The advisory services revenue cycle includes the billing and cash receipts process for advisory services income. There are several activities in the Billing and Receipt Cash Process of PT ABC's Advisory Services. The following is an explanation of each process.

#### **4.2 Billing and Cash Receipt Process of PT ABC's Advisory Services.**

##### **Division Involved in Billing and Cash Receipt Process.**

There are three divisions and two directors that are involved in the process of billing and receiving cash advisory services at PT. ABC, and it is are:

1. Advisory Division is in charge of preparing BAST with the client, documents requesting memos for signatures of *Berita Acara Serah Terima* (BAST), and documents requesting the issuance of invoices. BAST is a document used as a sign that the work has been completed and handed over to the client under the agreement.
2. Accounting Division has two sub-divisions of this division, namely Billing and accounting. The billing sub-division is responsible for issuing tax invoices and submitting these documents to clients and other interested parties. The Billing Subdivision is also in charge of monitoring billing documents that have been sent, making memos requesting signatures of imposition of fines, writing letters of imposition of fines, and preparing, reconciling, and updating invoice monitoring reports. While the Accounting sub-division is in charge of recording accounting into the recording system, starting from recording income to cash receipts. This sub-division is also in charge of recording and updating receivables, preparing reports on cash receipts, updating general ledgers, and conducting bank reconciliations.
3. Finance Division is responsible for receiving payments from clients, verifying the suitability of payment amounts between bank statement documents and proof of payment documents, copies of invoices, and copies of tax invoices. The Finance

Division is also in charge of preparing and sending proof of cash receipts to clients, as well as sending copies of proof of payment to interested parties.

4. The Director of Investment, the Director of Investment is tasked with authorizing documents by signing the memo requesting the signature of BAST and BAST documents.
5. The Director of Finance & Risk Management is in charge of authorizing documents by signing the memo document requesting the signature of the acceptable imposition letter and the acceptable imposition document.

### **Billing and Cash Receipt Process.**

Two sub-processes are carried out in the billing process of PT ABC's advisory services, namely 1) the Sub-process of making billing documents, delivering billing documents, and recording revenue, and 2) the Sub-process monitoring and handling of outstanding invoices.

*Sub-process of making billing documents, delivering billing documents, and recording revenue.*

1. The billing document creation process starts with The Advisory Division coordinating with the client to prepare the BAST document. The Advisory Division archives copies of signed Cooperation Agreements as primary documents. From this process, an original document of BAST and two copies of it were produced, as well as a copy of the signed Cooperation Agreement, which was previously used as the primary document. Furthermore, a copy of the signed Cooperation Agreement, BAST document, and two copies are used in making the Memo document of signature request for Minutes of Handover. After that, the Head of the Advisory Division will sign the memo document of signature request for Minutes of Handover. Then, the memo document of the signature request for BAST, the BAST document, and two copies of the BAST are sent to the Director for the signing process as a form of authorization.
2. The Investment Director signed the memo document of signature request for BAST, the BAST document, and two copies of the Minutes of Handover. After being signed, the document will be returned to the Advisory Division.
3. The Advisory Division archives the Memo document of the signature request for BAST and one copy of the signed BAST document. Then, the Advisory Division sends one copy of the signed BAST to the Accounting Function. Furthermore, the Advisory Division is making a document request for issuing an invoice using a copy of the signed Cooperation Agreement and the original signed BAST document. From the process, I produced a document request for issuing an invoice and a copy. After that, the Head of the Advisory Division will sign the document request for issuing an invoice. From the process, I produced a signed document request for issuing an invoice and a copy. Then, the Advisory Division sends a copy of the signed Cooperation Agreement, the original signed BAST document, and the original signed document request for issuing an invoice to the Billing Function, while the copy signed document request for issuing an invoice will be into the archives of the Advisory Division.



4. The billing function does the conformity verification process on the copy of the signed Cooperation Agreement, the original signed BAST document, and the original signed document request for issuing invoices received from the Advisory Division. The verification process is, at least, on information related to Terms of Payment, billing amounts, taxation, and so on. The copy of the signed and verified Cooperation Agreement and the original signed and verified BAST document will become Billing Function archives from this process. After that, the Billing Function performs the process of issuing invoices and tax invoices with the original signed and verified document request for issuing the invoice as the primary document. The original signed and verified document request for issuing an invoice will become an archive from this process. Then the original invoice documents, original tax invoice documents, and four copies of each original document will be signed by the Head of Billing Function. After being signed by the Head of the Billing Function, one copy of the signed invoice and one copy of the signed tax invoice will be sent to the Advisory Division, Accounting Function, and Finance Division and archived by the Billing Function. Furthermore, the Billing Function delivers the original signed invoice document and the original signed tax invoice document to the client, which will be sent via courier. Then, the courier will send proof of document receipt, which will become an archive of the Billing Function.
5. The Accounting function verifies the conformity of a copy of the signed BAST, a copy of the signed invoice, and a copy of the signed tax invoice. After being verified, the documents are used to record revenue and then become an archive of the Accounting Function. From the process of recording revenue, a revenue journal is generated, which will be used to record receivables; then, an account receivable card is generated. The accounts receivable card and revenue journal will be the primary documents in the general ledger update process. After that, the accounts receivable card will be archived with the revenue journal. In the recording process, there will be approval in the used recording system (approval by the system) by the Head of the Accounting Division.

#### **Sub-process monitoring and handling of outstanding invoices.**

1. The Billing Function compiles invoice monitoring reports on invoices sent to the client during this process. In the process, the Billing Function uses an archive copy of the signed invoice, an archive copy of the signed tax invoice, and an archive proof of document receipt. An invoice monitoring reports document is produced from the process, which will be reviewed and updated monthly. Every month, there are two possible conditions, namely:
  - There is a payment before the due date. The existence of a payment is indicated by a copy of a verified payment proof document from the Finance Division (from the cash receipt process). That document is used for the invoice monitoring report reconciliation process. An invoice monitoring report document (reconciled) is generated from that process. After that, the invoice monitoring report document (reconciled) will be updated further, while a copy of the verified payment proof document will become an archive of the Billing Function.

- There has yet to be a payment, and it was due. The Billing Function makes a letter of imposition of fines and a memo document of signature request for the letter of imposition of fines. The maximum penalty is 5% of the contract value. This process produces the original memo document of the signature request for the letter of imposition of fines, the original letter of imposition of fines, and four copies of the letter of imposition of fines which will be sent to the Director of Finance & Risk Management for the signing process.
- 2. The Director of Finance & Risk Management does the process of signing the letter of imposition of fines, a memo document of signature request for the letter of imposition of fines, and four copies of the letter of imposition of fines. Once signed, the document will be submitted back to the Billing Function. As for submitting the document, it will also be forwarded to the Director of Investment.
- 3. The Billing Function archives a memo document of signature request for a letter of imposition of fines and a copy letter of imposition of fines signed by the Director of Finance & Risk Management. Then, the Billing Function sends one copy of the signed letter of imposition of fines to the Advisory Division for direct filing, one to the Finance Division, and one to the Accounting Function. The original document of the signed letter of imposition of fines is the primary document for updating the invoice monitoring report document (reconciled). This process resulted in an updated invoice monitoring report document (reconciled) and three copies. After that, a verification process will be carried out by the Billing Function staff before finally being signed by the Head of the Billing Function. Once verified, the Head of the Billing Function will sign the updated invoice monitoring report document (reconciled) and three copies. Then, a signed letter of imposition of fines will be sent to the client, and the updated and verified invoice monitoring report document (reconciled) will be archived. Then, each copy of it will be sent to the Director of Finance & Risk Management and the Advisory Division for archiving. Meanwhile, one other copy of it will be sent to the Accounting Function.

### **Cash Receipt Process of PT ABC's Advisory Services.**

There are two conditions in the Cash Receipt Process of PT ABC's Advisory Services: Cash receipts process – payments are made before and when they are due (no fines are imposed) dan Cash receipts process – payments made after due (subject to fines). The following is an explanation of PT ABC's advisory service cash receipt proces:

1. **No fines are imposed**, The Finance Department verifies the conformity of the proof of payment documents received from the client with a copy of the invoice from the Collection Function along with bank transfer documents from the bank. Then the Finance Division will make a cash receipt document with the original payment proof document verified as the primary document. Furthermore, the Accounting function makes a cash receipts report with the primary documents, namely the original proof of payment document that has been verified and received from the Finance Department, archives the signed copy of the invoice, and archives the signed copy of the tax invoice. In the process of recording cash receipts, a cash receipts journal is created, which will be used in the process of updating receivables, together with a copy of the updated billing monitoring report document (reconciliation) received

from the Billing Function. In the recording process, there will be approval in the recording system used (approval by the system) by the Head of the Accounting Division. Division does the process of verifying the conformity of the payment proof document received from the client with the copy of the signed invoice and copy of the signed tax invoice from the Collection Function along with the bank statement document from the bank. From this process, the Finance Division archives one copy of the signed payment proof document, a copy of the signed and verified invoice, a copy of the signed and verified tax invoice, and a bank statement document. Then, the Finance Division will send a copy of the verified payment proof document to the Billing Function for further processing (in Sub-process monitoring and handling of outstanding invoices number 1 point a). Then, the Finance Division will make a cash receipts proof document with the original verified payment proof as the primary document. This process sends the original verified payment proof document to the Accounting Function. In contrast, the Head of the Finance Division will sign the original cash receipts proof document and its copy. Then the copy of the signed cash receipts proof document will become the archives of the Finance Division, while the original signed cash receipts proof document will be sent to the client.

- 2. Subject to fines,** The Finance Department verifies the suitability of the proof of payment received from the client with the settlement of completed bills and returns of signed tax invoices from the Billing Function. Furthermore, the Finance Department will make a cash receipt document with the original proof of payment documents that have been processed and cancel the signed letter of imposition of fines as the primary document. The accounting function reports cash receipts with the primary documents, namely the original documents for payment of evidence collected and received from the Finance Department. After the refining process, the signed cash receipts report will become an archive of the Accounting Function. Meanwhile, the original documents of proof of payment that have been processed, the return of signed invoice files, the return of signed tax invoice files, and the destruction of signed letters of imposition of fines will be used as essential documents in recording cash receipts. In the recording process, there will be approval in the recording system used (approval by the system) by the Head of the Accounting Division. Furthermore, the billing function will update the invoice monitoring report document (reconciliation) with information from the recovery of proof of payment documents that have been collected from the Finance Division.

## **5 Discussion**

### **5.1 Internal Control Analysis**

The following is an analysis of internal control based on internal control components according to The Committee of Sponsoring Organizations (COSO):

#### **Control environment**

PT ABC commits to integrity and ethical values, which are used as the basis for all employees in carrying out every operational activity of the company, including the billing and cash receipts processes. The company values owned by PT ABC are Trustworthy, Competent, Harmonious, Loyal, Adaptive, and Collaborative. Every employee must sign the code of ethics statement and comply with and apply existing

ethical values which are part of the hiring process. Leaders in each work unit must monitor and review the company's code of ethics implementation and provide warnings if they violate company regulations and code of ethics.

The Board of Directors has a role in internal control over the billing process and cash receipts for PT ABC's advisory services. The involvement of the signing of documents in the process of billing and cash receipts indicates this. In addition, the Board of Directors supervises the process of billing and cash receipts through reconciled documents regarding details of outstanding invoices.

The organization's structure, PT ABC, is led by a President Director who oversees three Directors in different fields: the Director of Investment, the Director of Human Resources & Legal, and the Director of Finance & Risk Management. Each director oversees several divisions and functions in PT ABC. The division involved in billing and cash receipt, namely the Advisory Division, is under the Director of Investment. Meanwhile, the Finance Division, Billing Function, and Accounting Function are under the Director of Finance & Risk Management. The billing Function and Accounting Function are part of the Accounting Division. PT ABC's corporate organizational structure can clarify the reporting lines and responsibilities of each company's operational processes, including the billing and cash receipts process.

Competent individual alignment with the organization's objectives, PT ABC has implemented policies in operating employee recruitment to get the best candidates. The recruitment process is integrated through a planning process according to the needs and the required qualifications in each division/function. In increasing the capacity and capability of Human Resources, PT ABC focused on competency development through training activities organized by themselves as well as training activities held by third parties.

### **Risk Assessment**

Risk assessment is a process for identifying, analyzing, and managing risks. PT ABC has a Risk Management Division under the Director of Finance & Risk Management, which focuses on managing corporate risk. The following are the internal and external risks that exist at PT ABC.

1. Internal risk, Operational risks such as the risk of recording errors. PT ABC has used a recording system to record every activity, including the billing process and cash receipts process for PT ABC's advisory services. However, no document is used before recording a journal of financial transactions, such as journal vouchers, so there is a risk of recording errors.
2. There are two external risks: lousy debt risk and macro and geopolitics risk. Bad Debt risk is the risk that arises because of uncollectible advisory service receivables; this risk factor is due to the client's inability to pay caused by the difficulties in the company's financial condition. Macro & geopolitics risks arise due to several factors which cause business competition with advisory activities from foreign consultants. Several factors can lead to business competition in advisory activities because of macro & geopolitical risks, such as economic instability, government policy changes, geopolitical uncertainties, and financial

market volatility. By that several factors, PT ABC, as a company with business activities, which are advisory services, must understand, anticipate, analyze, and provide accurate recommendations in every condition the client's company faces. That way, PT ABC can survive in the existing advisory activity business competition.

### **Control activities.**

The principles of controlling activities are Selecting and developing control activities, Selecting and developing general controls over technology, and Deploying control activities through policies and procedures (9). PT ABC has built activity control by utilizing technology as the process policy outlines. Perform transaction authorization, segregation of duties, and supervision. This is shown in the document validation process, which is verified in stages and carried out by different units and levels. The Director of Finance & Risk Management signs as a form of authorization the memo on the request for the signature of the fines imposition letter and the fines imposition letter received from the Billing Function with a copy to the Investment Director. In addition, the signing of the memo requesting a letter of imposition of fines by the Head of the Billing Function before being submitted to the Director of Finance & Risk Management.

In order to avoid billing errors and data manipulation, PT. ABC has separated the duties between the party that bills and records income for work completion. The Billing sub-function carries out billing by issuing invoices and tax invoices, which will be submitted to the client, while the Accounting sub-function will record income on these invoices and tax invoices. Separation of duties is also carried out in receiving payments and recording them. Then the Accounting function will carry out the conformity verification process between BATS documents, invoices, and tax invoices before finally recording income using the SAP application.

### **Information and Communication.**

Information and communication activities at PT ABC have been done well. Internal communication usually, is done either by holding meetings or utilizing communication such as telephone, e-mail, internal memos, and other means of communication. PT ABC also holds regular Board of Directors meetings (3-4 times per month) which the Directors and the Division Heads attend to discuss business conditions in every Division to ensure that the Directors know the conditions in every Division and obtain direction from the Directors in a specific condition. In each meeting, there are minutes of the Board of Directors Meeting, which will be conveyed to the participants attending the meeting.

External communication involves external parties such as shareholders, the public, or other interested parties. Communication with shareholders, usually, is carried out by holding a General Meeting of Shareholders, which is held at least once a year. PT ABC has social media pages such as the company's Instagram, Twitter, Facebook, and LinkedIn, which provide information to external parties. In addition, PT ABC also

provides Annual Reports, Financial Reports, and other reports and information that can be accessed through the company's official website.

### **Monitoring Activities.**

PT ABC has precise functions, structures, and responsibilities in the operational activities, including the billing and cash receipts process for PT. ABC's advisory services. For example, in the billing and cash receipts process, the Head of the Advisory Division monitors the operational activities carried out by the Advisory Division staff. The Advisory Division oversees making the documents of Minutes of Handover, memo document of signature request for Minutes of Handover, and document request for issuing the invoice. The Head of the Advisory Division monitors the implementation of these activities to ensure that these activities run smoothly and under established policies or operational standards. The Director of Investment supervises the Head of the Advisory Division.

In addition, PT. ABC has a Risk Management Function that will conduct Risk Control and Self-Assessment (RCSA) periodically and submit the results to the Risk Management Committee for further handling. The risk management committee is a committee under the Board of Directors. Thus, the Board of Directors will also monitor the handling of the results of the Assessment. If, from the results of the Risk Control and Self-Assessment (RCSA), it is necessary to improve the policy, then the policy improvement will be carried out by the Business Process Policy Division with an agreement one week after the applicant receives it.

No document is used before recording a journal of financial transactions, such as journal vouchers. It would be better if documents were used before making journal entries for financial transactions to avoid potential risks and ensure the accuracy of the journals recorded. On the other hand, no monthly accounts receivable reports are sent to clients. The company should make a monthly report on accounts receivable, which is sent to the client as a form of transparency and a reminder to the client of unpaid or overdue bills.

## **6 Conclusion**

There are two processes in the billing process at PT. ABC, (a) the process of preparing and submitting billing documents & recording income and (b) the process of monitoring and handling outstanding invoices. The monitoring process focuses on the existence of fines imposed for late payments past the due date.

The internal controls that have been applied to billing and cash receipts from PT. ABC's advisory services can avoid the threat of billing errors, such as incorrect amounts billed to clients and fraud on records, because PT. ABC has carried out the process of verifying the document for the issuance of invoices with supporting documents before issuing invoices and tax invoices and has carried out segregation of duties between the finance division to process cash receipts and the accounting function to record the process of billing and cash receipts.

There are two weaknesses in internal control over the process of billing and cash receipts for PT. ABC's advisory services, particularly in the control activity component for accounting records, namely (a) the absence of documents used prior to recording journal entries for financial transactions and (b) the absence of Accounts receivable monthly reports sent to the client.

It is advisable to have a monthly report on accounts receivable sent to the client to remind the client that there are unpaid or overdue bills and to avoid delays in payment from the client because there are no reminders of unpaid or overdue bills.

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