



## Analysis of Internal Control System in Employee Payrolling Procedures at PT. Great Dumping

Rosdiyati

Department of Management, Islamic University of Lamongan, Indonesia

Email: roeshanif@gmail.com

### ARTICLE INFO

#### Article history:

Received: 12/07/2020

Revised: 22/08/2020

Accepted: 30/11/2020

#### Keywords:

*System, Internal Control, Payroll Procedure*

### ABSTRACT

Companies have a good chance to survive and advance if they have the right employees, so it requires effort to find, select, and train candidates or employees. Conversely, employees need the company as a place to make a living. Employees must work to make ends meet. Therefore, employees are entitled to a salary that is in accordance with their quality. The salary received by employees should be a reasonable salary. Based on the results of research and discussion, the authors can conclude several things in the internal control system in the employee payroll procedures at the ES BATU Dumpi Agung Lamongan FACTORY are: In the organizational structure that clearly separates its functional responsibilities, the ES BATU Dumpi Agung Lamongan FACTORY has not implemented a separation of functions strictly because there is still a dual function between the present time recording section and the operations section. The distribution of salaries to each production employee whose payment method was submitted through the foreman was deemed inaccurate because it was not in accordance with their duties. In the system of authority, authorization and recording procedures, ES BATU Dumpi Agung Lamongan FACTORY has implemented it well. All employee names listed on the payroll have a SK (Decree) authorized by the Director. And in healthy work practices in carrying out the duties and functions of each organizational unit, the Dumpi Agung Lamongan ES BATU FACTORY has done it well.

Copyright © 2020 Jurnal Mantik.  
All rights reserved.

## 1. Introduction

The development of science and technology encourages companies to increase work effectiveness and efficiency. Increasing work effectiveness and efficiency must be balanced with good relations between workers and management. In every company organization, good management skills are needed, because without management it will be difficult to achieve the desired goals. Therefore the task of management must make provisions for leading and coordinating the company regarding labor issues. Companies have a good chance to survive and advance if they have the right employees, so it requires effort to find, select, and train candidates or employees. Conversely, employees need the company as a place to make a living. Employees must work to make ends meet. Therefore, employees are entitled to a salary that is in accordance with their quality. The salary received by employees should be a reasonable salary.

Salary issues are perhaps the most complex of staffing management issues and one of the most meaningful aspects for both employees and the company. Salary is a form of compensation for employee performance that is financial in nature which leads to job satisfaction. Employees will be satisfied if the amount of salary they receive is in accordance with their expertise and position. So that employees will be encouraged to work as much as possible according to their abilities.

Salary has an important meaning for employees as individuals because the amount of salary reflects the measure of the value of their work among the employees themselves, their families and society. As a result, if employees perceive the salary they receive is inadequate, their work performance, enthusiasm and motivation can decrease.

The personnel department designs and administers employee salaries so that the company should have a good payroll system. The development of a payroll system is one of the methods taken in managing human resources owned by the company. Payroll should be managed professionally to avoid manipulation of salaries by certain parties. Salary management that is not in accordance with established procedures will result in employee disappointment. This can lead to decreased employee productivity. The facts that we



encounter or what we often see are demonstrations of employees demanding salary increases and employee welfare improvements.

Running the operations of a company, there is the possibility of errors, negligence, embezzlement, and irregularities both systematically and procedurally. To avoid these possibilities, it is necessary to conduct periodic evaluations. In conducting evaluations, company management must constantly be aware of the development of the company they lead. Evaluation is part of the company's internal control system on the implementation of the company's operational systems and procedures. The function of the evaluation itself is to increase the effectiveness and efficiency of the company's operations.

The internal control system for payroll is needed to check the payroll accounting system. ES BATU DUMPI AGUNG FACTORY is a company engaged in the production sector should have a good internal control system in the payroll system that is owned so that the company's goals can be achieved. Therefore, the obligation of companies to implement an internal control system is made to prevent misappropriation of salary financing and harmful acts of fraud, and the implementation of a good internal control system is expected to improve employee performance.

Given the importance of the problem of internal control over payroll, it encourages researchers to conduct research on the payroll accounting system by taking the title "Evaluation of Internal Control Systems in Employee Payroll Procedures at ES BATU DUMPI AGUNG FACTORY".

According to Hall (2016: 3), a system is a group of two or more interrelated components that come together to achieve the same goal.

According to Bodnar and Hopwood (2016: 1), a system is a collection of resources related to achieving certain goals. According to Mardi (2014: 3), the system is a unit that has a common goal and has parts that integrate with each other. A system must have 2 activities, namely:

- a) The existence of input (input) which is a source of energy for the operation of a system.
- b) The existence of operational activities (processes) that change inputs into outputs (outputs) in the form of results of operations (goals / objectives / targets for operating a system).

According to Narko (2014: 1), the system is defined as a unit consisting of the interaction of elements trying to achieve certain goals.

## **2. Theoretical Review**

According to Widjajanto (2017: 18), the internal control system is a control system that includes the organizational structure and all the methods and measures applied within the company with the aim of securing company assets, checking the accuracy and accuracy of accounting data, increasing efficiency, and encouraging management policies. obeyed by all levels of the organization.

According to Mardi (2014: 59), the internal control system is a system that includes an organizational structure along with all mechanisms and measures that are followed together to safeguard all organizational assets from various directions.

According to Kimmel, et al (2016: 454), internal control (internal control) includes the organizational plan as well as the related methods and measurements adopted by the company to:

- a) Protect assets from theft, robbery, and abuse by employees.
- b) Improve the accuracy and correctness of accounting records. This can be done by reducing the risk of errors (unintentional mistakes) and irregularities (intentional mistakes and misunderstandings) in the accounting process.

From the definition of control, there are the following basic concepts:

- a) Internal control is a process. Internal control is a process to achieve certain goals. Internal control in itself is not a goal. Internal control is a series of actions that are pervasive and an integral part, not only as an addition to the entity's infrastructure.
- b) Internal control is carried out by people. Internal control does not only consist of policy guidelines and forms, but is carried out by people from every level of the organization, including the board of commissioners, management, and other personnel.
- c) Internal control can be expected to provide adequate assurance, not absolute confidence, for the entity's management and board of commissioners. The limitations inherent in all internal control systems and the consideration of benefits and sacrifices in achieving control objectives cause internal control to be unable to provide absolute assurance.
- d) Internal control is aimed at achieving interrelated objectives: financial reporting, compliance and operations.

## 2.1 Definition of Procedure

According to Narko (2014: 3), procedures are defined as sequences of clerical work involving several people, which are structured to ensure the same treatment for the handling of repeated corporate transactions. According to Mulyadi as quoted by Erwanah (2017: 5), a procedure is a sequence of clerical activities, usually involving several people in one or more departments, which are designed to ensure uniform handling of corporate transactions that occur repeatedly.

From the various definitions above, it can be argued that the procedure has a close relationship with the existing system, because the procedure is part of the system. The system consists of several procedures where these procedures are interrelated and influence each other.

## 2.2 Definition of Salary

According to Mulyadi (2013: 377), salary is a payment for the delivery of services by employees who have managerial positions and are paid regularly every month, while wages are payments for the delivery of services by implementing employees (laborers) who are paid based on working days, working hours, or number of product units produced by employees. So it can be concluded that salaries are basically received by employees other than laborers (executors) and are paid monthly. Managers, clerks and sales clerks usually earn fixed salaries from companies

According to Warren, Reeve, and Fess (2015: 553), salary is the provision of payment for managerial, administrative or other similar services. Salary rates are usually expressed in monthly or annual terms.

The objectives of payroll according to Hasibuan (2015; 25) include:

### a) Cooperation ties

By giving a salary, there is a formal partnership between the employer and the employee. Employees must do their duties properly, while employers or employers are required to pay salaries according to the agreed agreement.

### b) Job satisfaction

With remuneration, employees will be able to meet their physical, social, and egoistic needs so that they get job satisfaction from their position.

### c) Effective procurement

If the salary program is set large enough, procuring qualified employees for the company will be easier.

### d) Motivation

If the remuneration provided is large enough, managers will easily motivate their subordinates.

### e) Employee stability

With a compensation program based on fair and proper principles and external consistency, employee stability is more guaranteed because turnover is relatively small.

### f) Discipline

By providing a large enough remuneration, employee discipline will be better. Employees will be aware of and comply with applicable regulations.

### g) Trade union influence

With a good compensation program the influence of labor unions can be avoided and employees will concentrate on their work.

### h) Government influence

If the salary program is in accordance with applicable laws (such as minimum wages) then government intervention can be avoided.

## 3. Research Methods

Qualitative descriptive research. Qualitative descriptive research is research that describes the reality of the object of research as it is by describing in detail what is observed in the field without the slightest manipulation of reality, and reality is left as it is.

The research approach used is a qualitative research approach (Qualitative Research) is an approach that is not stated by numbers. Qualitative research is a research procedure that produces descriptive data in the form of written or spoken words from people and observable behavior. (Suharsaputra, 2014: 181)

### 3.1 Internal Control System

According to Mardi (2014: 59), the internal control system is a system that includes the organizational structure along with all mechanisms and measures that are followed together to safeguard all organizational assets from various directions. Variable indicators are as follows: Mardi (2014: 59).

- a) Organizational Aspects
- b) Authorization Aspects and Recording Procedures
- c) Aspects of Healthy Practice

### 3.2 Payroll Procedure System

According to Mulyadi in Kusumawati (2013: 42), service companies involve staffing, financial functions, and personnel accounting functions that are responsible for hiring employees, assigning officials, setting salary rates, promotion and demotion, employee transfer. The financial function is responsible for the payment of salaries and various employee health benefits. The accounting function is responsible for or for recording labor costs and distribution of labor costs for information purposes in order to monitor labor costs.

Variable indicators are as follows: Mulyadi in Kusumawati (2013: 42).

- a) Attendance recording procedure
- b) Salary List Making Procedure
- c) Voucher Payable recording procedure
- d) Salary Payment Procedure
- e) General Ledger Procedure

The data analysis method used in the preparation of this study is to use data processing methods obtained from the research results in the form of qualitative data, namely data in the form of words, sentences and pictures.

The research used is qualitative research. Qualitative data processing methods according to Miles and Huberman (2017: 16), namely by reducing data, presenting data, and drawing conclusions between payroll system theories and practices that occur in companies.

The steps in this research are:

## 4. Research Results and Discussion

In the discussion of this problem, the researcher will explain what problems exist in the internal control system in the remuneration procedure of the ES BATU Dumpi Agung Lamongan FACTORY along with problem solving and suggested improvements:

### 4.1 Problems

#### a) Internal Control System

In the internal control system that has been implemented at the ES BATU Dumpi Agung Lamongan FACTORY, it already exists but is still weak because there is already a separation of functions from the organizational structure but in this division of functions it is still not optimal because there is no section of the verification section in charge of examining the payroll and documents. supporters in making salary procedures.

#### b) Payroll Procedure

In the existing payroll procedures, as a researcher I still find flaws in it. Because the procedure is still too simple, namely incomplete documents attached and distributed and no salary slips / envelopes given to employees when receiving salaries.

### 4.2 Troubleshooting

#### a) Internal Control System

There are several elements in the internal control system for employee payroll, one of which is organizational aspects. Where these aspects separate functional duties and responsibilities. To realize the separation of duties in accordance with the capabilities of each function, managers must be good at dividing tasks. The verification section is very much needed by companies in researching and checking the payroll. So that the leadership no longer doubles as a payroll examiner.

#### b) Payroll System

The documents used in the payroll system at ES BATU Dumpi Agung Lamongan FACTORY must be in accordance with the needs that present information that should be provided to parties who have the right to know payroll information. The presentation of the results of the recap of the payroll as a supporting document is very important, because the document is a summary of the salary per unit which is based on the payroll. This is to avoid errors in checking and re-examining employee salaries as well as data conformity with other organizational units in the company, namely the verification section, so that the accuracy and reliability of the data can be trusted and accounted for.

The human resources division in making the payroll must pay more attention to which organizational units should receive the distribution of these documents.

### 4.3 Assessment and Proposed Improvement

#### a) Internal Control System

From the internal control system that has been implemented by the ES BATU Dumpi Agung Lamongan FACTORY, researchers can provide an assessment based on the research results, which is quite good.

Being said good enough does not mean good because if seen from all aspects it is already well organized, but if viewed from an organizational aspect it is still not optimal.

Here the author can propose that the separation of functional duties should really be divided according to the capabilities of each organization. One of them in examining the payroll should not be an area manager but there is a verification section or section to do this task.

#### b) Payroll System

The payroll system at ES BATU FACTORY Dumpi Agung Lamongan is considered to be good because it has implemented a payroll accounting system, it's just not optimal.

### 5. Conclusion

Based on the results of research and discussion, the authors can conclude several things in the internal control system in the employee payroll procedures at ES BATU Dumpi Agung Lamongan FACTORY are:

- a) In the organizational structure that clearly separates its functional responsibilities, the ES BATU Dumpi Agung Lamongan FACTORY has not carried out a strict separation of functions because there is still a dual function between the time recording section and the operations section.
- b) The distribution of salaries to each production employee whose payment method was submitted through the foreman was deemed inaccurate because it was not in accordance with their duties.
- c) In the system of authority, authorization and recording procedures, ES BATU Dumpi Agung Lamongan FACTORY has implemented it well. All names of employees listed on the payroll have a SK (Decree) authorized by the Director.
- d) In healthy work practices in carrying out the duties and functions of each organizational unit, the ES BATU Dumpi Agung Lamongan FACTORY has done it well.

#### Suggestions

Based on the results of the study, the researcher can provide several suggestions, including the following:

- a) ES BATU Dumpi Agung Lamongan FACTORY should separate the functions between the attendance time recording function and the operation function to ensure the accuracy and reliability of the data generated, because attendance time or attendance lists are used as the basis for calculating salary.
- b) The distribution of salaries to employees in the production division should be the same as for permanent employees, namely through the administration and finance department.
- c) After the payroll is made by the personnel, it should be followed by making a salary slip which will be included in the salary envelope. So that in addition to easier distribution, it can also convince employees of the correctness of the payroll process.

### 6. References

- [1] Anastasia Diana&LilisSetiawati. 2013. "Sistem Informasi Akuntansi Perancang, Proses, dan Penerapan". Yogyakarta
- [2] Baridwan, Zaki. 2013. *Intermediate Accounting*. Edisi VII. Yogyakarta: BPFE
- [3] Djakman, dkk. 2014. *Pengantar Akuntansi*. Adaptasi Indonesia
- [4] George, H.Bodnar dan William S.Hopwood. 2016. *Sistem Informasi Akuntansi*. Buku 2. Jakarta: Salemba Empat
- [5] Hall, J.A. 2016. *Sistem Informasi Akuntansi*. Jakarta: Salemba Empat
- [6] Haripratiwi, Ika. 2016. *Analisis Pengendalian Intern Atas Penggajian Karyawan pada BMT Al-Ikhlas Yogyakarta*. Skripsi, 2006. STAIN Surakarta
- [7] Kimmel, P.D.,dkk. 2016. *Accounting Principles*. Jakarta: Salemba Empat
- [8] Kusumawati. 2014. *Evaluasi Sistem Akuntansi Produksi dan Penggajian pada Pabrik Karung Surabaya*. Skripsi, 2011. UWK Surabaya
- [9] Mardi. 2014. *Sistem Informasi Akuntansi*. Bogor: Ghalia Indonesia
- [10] Miles Matthew B dan A.Michael Huberman. 2017. *Analisis Data Kualitatif*. Cetakan Pertama. Jakarta: UI-Press
- [11] Mulyadi. 2013. *Sistem Akuntansi*. Edisi Ketiga. Jakarta: Salemba Empat
- [12] Mulyadi. 2014. *Sistem Akuntansi*. Edisi Keempat. Jakarta: Salemba Empat
- [13] Mulyadi. 2014. *Pemeriksaan Akuntan*. BP STIE YKPN Yogyakarta
- [14] Narko. 2014. *Sistem Akuntansi*. Yogyakarta: Yayasan Pustaka Nusantara
- [15] Ni Wayan Putri dkk.2016, *Analisis Penerapan Sistem Akuntansi Penggajian*. PT. Citra Aji Pratama: Yogyakarta.
- [16] Rendy Satrio Argianto dkk, 2014.*Analisis Sistem akuntansi penggajian dan pengupahan Dalam Upaya Meningkatkan Efektivitas Pengendalian Internal Perusahaan*. Jurnal Administrasi Bisnis (No.1 januari 2014). Halaman 1s/d8.
- [17] Suharsaputra, Uhar. 2014. *Metodologi Penelitian*. Bandung: Refika Aditam



- [18] Syairozi, M. (2015). Pengaruh Faktor Eksternal (Inflasi, Bunga) Dan Faktor Internal (Bagi Hasil, Jumlah Bank) Terhadap Deposito Mudharabah Pada Perbankan Syariah Di Indonesia (Doctoral dissertation, Universitas Brawijaya).
- [19] Syairozi, M. I. (2017). APLIKASI AKAD MUSYARAKAH PADA PEMBIAYAAN UNIT USAHA SYARIAH PT BANK RAKYAT INDONESIA (PERSERO), Tbk. *DARUL 'ULUM ISLAMIC UNIVERSITY*, 111.
- [20] Warren,dkk. 2013. *Pengantar Akuntansi*. Edisi 8. Jakarta: Salemba Empat
- [21] Widjajanto, Nugroho. 2013. *Sistem Informasi Akuntansi*. Jakarta: Erlangga
- [22] Wirnana, Wing. wahyu. 2016. "Sistem Informasi Akuntansi". Edisi Kedua. Yogyakarta; STIM YKPN. James A Hav (2007), Sistem Informasi Akuntansi, edisi keempat, Salemba Empat, Jakarta.