

Research.

## Analysis of Factors Affecting the Internal Control System using Coso Elements on the Effectiveness and Efficiency of the Expenditure Cycle

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*Abstract. The purpose of this research was to see whether the control environment, risk assessment, information and communication, control activities and supervision have a partial and simultaneous effect on the effectiveness and efficiency of the expenditure cycle at PT Yongjin Javasuka Garment Factory 3. This research was developed according to a qualitative research design that was quantified with a causal or cause and effect relationship approach. In this research, the effectiveness and efficiency of the expenditure cycle are the dependent variables. While the independent variables are the Control Environment, Risk Assessment, Information and Communication, Control Activities and Supervision. According to the test (R Square) or the coefficient of determination produces a value of 0.329. This result means that there is a contribution of 32.9% of the independent variables (independent) control environment, risk assessment, information and communication, risk assessment, control activities and supervision in explaining the effectiveness and efficiency of the expenditure cycle at PT Yongjin Javasuka Garment Factory 3.*

**Keywords:** Internal Control, COSO Elements, Effectiveness and Efficiency of the Expenditure Cycle

### INTRODUCTION

One of the important business cycles in business is the expense cycle. According to Romney and Steinbart (2019), the expense cycle is a series of business activities and related data processing operations related to payments and purchases of goods and services. The expense cycle is an important part of company operations. The expense cycle is important because its activities are involved with the purchase and payment of goods and services and then used in the company's operating activities. Every business that seeks profit must think about whether the cash purchase and expenditure system that has been implemented is effective and efficient in achieving its goals. In spending there are three basic business activities, if something goes wrong in an activity it will pose a threat to the company or business.

The control environment is the facilities and infrastructure available to an organisation or company to manage a good internal control system. The control environment determines the coral of an organisation affecting employee perceptions of control. It is the responsibility of senior management to articulate the values of integrity and unethical practices that will not be tolerated (Romney and Stenbart, 2015). Every activity - activity certainly has risks that must be faced. In an organisational activity, there must be an assessment of the risks that exist in the organisation. Risk assessment must be done so that it can be overcome or minimised to achieve organisational goals. If the risks are

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assessed and conducted properly, the organisation's operations will run smoothly. Risk assessment is conducted to identify, analyse and manage various internal and external business risks to achieve its goals (Hall, 2011).

In conducting the company's operational activities, it is necessary to apply supervision to management in managing company activities, especially in the expenditure cycle, the expenditure cycle is the main element in the company's activities. Supervisory monitoring according to Ageos (2012) is a process of determining the quality of internal control operations over time. This monitoring includes determining the design and implementation of control measures in a timely manner and implementing corrective actions. This process is achieved through ongoing activities, separate assessments, or various combinations of both. In order for the implementation of company activities in the expenditure cycle to be effective and efficient in accordance with company expectations, management must implement internal control in its activities by applying the five internal control criteria according to COSO because one of the control objectives is the effectiveness and efficiency of the operation.

PT Yongjin Javasuka Garment Factory 3 is a company that produces apparel such as jackets, pants, clothes and so on based in Sukabumi Regency. The company's products are marketed internationally according to buyer demand, where products are made in accordance with the climatic seasons in the world with the purpose of attracting consumer interest and reaching the world market, where these clothes are needed at certain times and become primary needs in their activities, PT Yongjin Javasuka Garment Factory 3 carries out the main cycle activities, namely the expenditure cycle which includes the procurement of goods, especially the main raw materials, auxiliary raw materials and other auxiliary materials. Then make cash expenditures, namely payment for goods or services. To minimise basic activity errors in the expenditure cycle, an internal control covering these 5 elements is needed.

The results of interviews with purchasing staff and cash disbursements problems that often occur at PT Yongjin Javasuka Garment Factory 3 related to the expenditure cycle are first, on ordering problems, shortages and excess inventory. Raw materials in a business, especially a manufacturing business, are very important, so the provision of raw materials in a business must meet the needs. If there is a shortage, the production process cannot be conducted, and if there is an excess, there is a risk of damage because it is stored for too long. Another problem is the occurrence of errors in ordering goods due to inconsistencies in the system for information related to goods to be purchased so that the ordered goods cannot be used and if this happens continuously it can harm the company. The second is the problem of receiving, receiving goods that have not or are not ordered.

As for the raw materials and other auxiliary materials that are no longer produced, this is due to excessive ordering of goods that are not adjusted to the inventory needs that should result in the accumulation of goods in the warehouse. The following is data on goods that have not been produced anymore at PT Yongjin Javasuka Garment Factory 3 in 2022.

**Table 1 Data on goods that have been discontinued**

<b>Group</b>	<b>Qty</b>	<b>Price</b>	<b>Amount</b>
Fabric	277.534	\$1,179	\$327.212
Interlining	6.344	\$0,39	\$2.531
Padding	3.044	\$1,27	\$3.432
Baffle	1.812	\$0,54	\$809
Accesories	251.608	\$0,08	\$20.271
<b>Total</b>	<b>540.342</b>		<b>\$354.075</b>

Therefore, it is necessary to implement internal control in order to minimise the threats that occur in operational activities in the expenditure cycle. Internal control can be said to be effective if it fulfils the criteria or components of internal control. There are five criteria according to COSO that must be applied to the internal control of the expenditure cycle as described above. By applying the five components of internal control, it can

provide accurate and objective information to help management make decisions and reduce the risks that will occur within the company.

In the description of previous research above, it can be concluded that the researchers used different methods so that it is interesting to conduct research on the five components of internal control. In addition, what distinguishes this research from previous research is the time and location of the research.

### **Formulation Of The Problem**

According to the background of the problems that have been stated, the problem formulations in this research are:

1. Does the control environment affect the effectiveness and efficiency of the expense cycle at PT Yongjin Javasuka Garment Factory 3?
2. Does risk assessment affect the effectiveness and efficiency of the expenditure cycle at PT Yongjin Javasuka Garment Factory 3?
3. Does information and communication affect the effectiveness and efficiency of the expenditure cycle at PT Yongjin Javasuka Garment Factory 3?
4. Do control activities affect the effectiveness and efficiency of the expenditure cycle at PT Yongjin Javasuka Garment Factory 3?
5. Does supervision affect the effectiveness and efficiency of the expenditure cycle at PT Yongjin Javasuka Garment Factory 3?
6. Do the control environment, risk assessment, information and communication, control activities and supervision simultaneously affect the effectiveness and efficiency of the expenditure cycle at PT Yongjin Javasuka Garment Factory 3?

## **LITERATURE REVIEW**

### **Agency Theory**

This research uses agency theory as its theoretical foundation. Jensen and Meckling (1976) agency theory is a relationship or contract between one or more people (principals) involving other people (agents). In a company, agency theory is a contract between managers (agents) and owners (principals). In order for this contractual relationship to run smoothly, the owner will delegate decision-making authority to the manager. Planning an appropriate contract to align the interests of the manager in the owner in the event of a conflict of interest is what is at the core of agency theory. However, creating the right contract is difficult to realise. Therefore, investors are required to give residual control rights to managers, namely the right to make decisions under certain conditions previously seen in the contract.

Agency theory is according to several assumptions (Eisenhardt, 1989 in Rahmawati 2012). These assumptions can be divided into three types, namely assumptions about human nature, organisational assumptions, and information assumptions. The assumption of human nature emphasises humans who have selfinterest, have limited rationality (bounded rationality), and dislike risk (risk aversion). Organisational assumptions are conflicts between members of the organisation, efficiency as a criterion of productivity, and the existence of information asymmetry between principals and agents. The information assumption is that information is a commodity that can be traded. To anticipate deviant actions that can be conducted by management, company owners must supervise management performance with an effective control system. The control system is expected to reduce deviant behaviour in the reporting system, including accounting fraud.

### **Effectiveness and Efficiency**

Effectiveness comes from the word effective, which means that a job is said to be effective if a job can produce a unit of output. A job is said to be effective if a job can be completed on time in accordance with the plan that has been set (Richard, 2009). Meanwhile, according to Suswanto (2009), effective means doing the right job. Sutarto

further explained that work effectiveness is a condition where physical and spiritual activities conducted by humans can achieve the desired results.

Nordian and Ayuningtyas (2014), Efficiency is the relationship between goods and services (outputs) produced by an activity with the resources (inputs) used. An organisation, program or activity is said to be efficient if it is able to produce certain outputs with the lowest input or with certain inputs able to produce the maximum output (spending well). From the above opinions, it can be concluded that effectiveness is the ability to use existing resources to produce the expected output, while effectiveness is the state and ability to succeed in a work conducted by humans to provide the expected use (Suprianto, 2018).

### **Accounting Information System**

Accounting information system is a system that collects, records, stores and processes data to produce information for decision makers (Romney and Steinbart, 2015). Accounting information system is a collection or group of subsystems / parts / components of any kind, either physical or non-physical, that are interconnected with each other and work together harmoniously to manage transaction data related to financial matters into financial information (Susanto, 2013).

Bodnar and Hopwood (2012) accounting information systems are a collection of resources, such as people and equipment arranged to convert financial and other data into information. This information is conveyed to various decision makers. The Accounting Information System has the following main objectives: "Collect and process data about the activities of business organisations effectively and efficiently, produce useful information for decision making, conduct adequate supervision to ensure that transaction data has been recorded and processed accurately, and to protect these data other assets owned by the company". Krismiaji (2010).

### **Accounting Information System Cycle**

The Expenditure Cycle is the set of business activities and related data processing operations associated with purchasing and paying for goods and services (Romney and Steinbart, 2019). The main objective in the expense cycle is to minimise the total cost of acquiring and maintaining the supplies, equipment, and various services that an organisation needs to function.

The revenue cycle is a recurring set of business activities and related information processing activities that provide goods and services to customers and collect cash as payment for those sales (Romney and Steinbart, 2019). The main objective of the revenue cycle is to provide the right product at the right place and time at the right price.

### **Ledger and Reporting System.**

The ledger and reporting system plays an important role in a company's accounting information system. The main functions of the general ledger and reporting system are to provide information on regular transactions, provide information on financing and investing activities, provide information on budget amounts and provide information on adjusting journal entries..

### **Accounting Information System Activities. Expenditure Cyle**

In the expenditure cycle there are four basic activities that are often conducted by companies. According to Romney and Steinbart (2015), the activities conducted by the purchase accounting information system are as follows:

1. Ordering of Raw Materials, Supplies, and Services

Important decisions made in this initial step are identifying what, when, and how much to buy, as well as identifying which suppliers to buy from.

2. Receive and Store Raw Materials, Supplies, and Services

The receiving department is responsible for receiving deliveries from suppliers. This responsibility is usually owned by the warehouse manager who reports to the deputy managing director of production. The responsibility for inventory storage belongs to the

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warehouse manager. Information regarding the receipt of ordered merchandise must be communicated to the inventory control function in order to update inventory records.

3. Approve Supplier Invoice

In this activity the company reviews the invoice sent by the supplier to the company. If it is appropriate, the company will approve the invoice.

4. Pay for Raw Materials, Supplies, and Services

The next activity is to pay for the goods that have been received. The accounts payable department approves sales invoices for payment. The cashier, who reports to the treasurer, is responsible for making payments for purchases that have been made.

### **Threats to the Expenditure Cycle Accounting Information System**

According to several experts in the expenditure cycle accounting information system, there are several components so that they are interrelated with one another. According to Romney and Steinbart (2015), the components of the accounting information system are as follows:

1. People

People or users are in charge of operating the system and conducting various functions. Examples of people or users in the company are directors, managers, employees, and others.

2. Procedures and Instructions

Both manual and automated, involved in collecting, processing, and storing data about organisational activities. Examples of organisational activities are purchasing process, revenue process, payroll process, etc.

3. Data

Data contains organisational business processes such as goods requests and purchase order processes. Data in the company can be in the form of numbers or letters. Examples of data in an organisation's business are cheques, purchase notes, master data of the company's fixed assets, and others.

4. Software

Software is software used by users to process data in the organisation. Examples of software in the company are Microsoft Excel, Microsoft Word, Zahir, and others.

5. Information Technology Infrastructure

Infrastructure or hardware within the organisation is used to assist business processes. Examples of information technology infrastructure are computers, support equipment, and equipment for network communication.

6. Internal Control and Security Measures

Internal controls and security measurements conducted are useful for knowing how secure the data stored by the accounting information system is. Examples of internal control are Flowcharts and Data Flow Diagrams (DFD) as a form of control over threats that exist within the organisation.

### **Internal Control System**

According to COSO (The Committee of Sponsoring Organizations) internal control is a process implemented by the board of directors, management, and all staff and employees under their direction with the purpose of providing reasonable assurance that control objectives are achieved. These control objectives include: (1) effectiveness and efficiency of operations; (2) reliability of financial reporting; and (3) compliance with existing rules and regulations.

Internal control includes organisational structures, methods and measures that are coordinated to safeguard the organisation's assets, check the accuracy and reliability of accounting data, encourage efficiency and encourage compliance with management policies (Mulyadi, 2014). Internal control is a process and procedure that is conducted to provide adequate assurance that control objectives have been met (Romney and Steinbart, 2009).

## RESEARCH METHODS

The object of this research is employees who are related and related to the expenditure cycle (cash purchases and disbursements) at PT Yongjin Javasuka Garment Factory 3. As for the research location itself, it will be conducted at PT Yongjin Javasuka Garment Factory 3. This research uses a quantitative qualitative research design with a causal relationship approach. In this research, the Effectiveness and Efficiency of the Expenditure Cycle as the dependent variable. While the independent variables in this research are Control Environment, Risk Assessment, Information and Communication, Control Activities and Supervision. In this research, researchers used a population of 3,388 people who were employees of PT Yongjin Javasuka Garment. The sampling technique in this research was purposive sampling. The sample criteria in this research are permanent employees who are directly related to the activities of the expenditure cycle (purchase and cash disbursements) at PT. Yongjin Javasuka Garment Factory 3. Primary data, namely data that comes directly from research objects or respondents, both individuals and groups (Chandarin, 2017). The data collection technique uses a questionnaire instrument by giving a list of statements to respondents and distributing questionnaires directly to the field. The procedures in data collection conducted are field studies, literature studies.

To test the validity of each item, namely by correlating the score of each item with the total score which is the sum of each item score. If the correlation coefficient is equal to or above 0.3 then the item is declared valid but if the correlation value is less than 0.3 then the item is declared invalid.

**Table 2 Validity Test Criteria**

<i>Corrected Item Total Corelation</i>	Remarks
$\geq 0.3$	Valid
$\leq 0.3$	Invalid

Source: Sugiyono (2013)

To see the reliability of each instrument used, the authors used the cornbach alpha coefficient ( $\alpha$ ) using IBM SPSS Statisticsts 22 software. The criteria for fulfilling the reliability test are as follows:

**Table 3 Reliability Test Criteria**

<i>Cronbach Alpha</i>	Remarks
$\geq 0.6$	Reliablee
$\leq 0.6$	Unreliable

Source: Sugiyono (2013)

## RESEARCH RESULTS AND DISCUSSION

### Description of Data and Research Respondents

The population in this research were employees of PT Yongjin Javasuka Garment Factory 3 as many as 3,388 people while the sample in this research were permanent employees at PT Yongjin Javasuka Garment Factory 3 who were related and directly related to the activities of the expenditure cycle (purchase and cash expenditure). The sampling technique in this research was purposive sampling. The purposive sampling technique is a technique where sampling is conducted using certain criteria. The sample criteria determined are permanent employees at PT Yongjin Javasuka Garment Factory 3.

### Respondent Characteristics

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1. **Gender** is one of the factors that can lead to differences in views between men and women. Grouping of respondents in this research to determine the level of proportion of male and female gender, which can be seen in table 4:

**Table 4 Recapitulation of Respondents According to Gender**

Gender	Amount	Percentage
Male	21	18%
Female	97	82%
<b>Total</b>	<b>118</b>	<b>100%</b>

Source: Data processed by the author (2023)

According to table 4 above, it shows that the proportion level of respondents according to gender spread in this research is female with 97 employees with a percentage of 82%. So it can be concluded that most of the employees involved in the activities of the expenditure cycle (purchases and cash disbursements) at PT Yongjin Jवासuka Garment Factory 3 are female.

2. **Age** is one of the factors that becomes a measure used as a reference in conducting a field of work because the age factor can determine the level of productivity of human resources in conducting their duties and functions. The proportion level of respondents according to age in this research can be seen in table 5 below:

**Table 5 Recapitulation of Respondents According to Age**

Age	Amount	Percentage
20 – 25	32	27%
26 – 30	38	32%
31 – 35	29	25%
36 – 40	10	9%
>41	9	7%
<b>Total</b>	<b>118</b>	<b>100%</b>

Source: Data processed by the author (2023)

According to table 5 above, it shows that the largest proportion of respondents according to age in this research are respondents who have an age range of 20-25 years with a total of 32 people and a percentage of 27%, then respondents with an age range of 26-30 years with a total of 38 people with a percentage of 32%, 31-35 years with a total of 29 people with a percentage of 25%, 36-40 years with a total of 10 people with a percentage of 9%, and the smallest group is respondents aged > 41 years with a total of 9 people with a percentage of 7%. So it can be concluded that most of the employees involved in the activities of the expenditure cycle (purchases and cash disbursements) at PT Yongjin Jवासuka Garment Factory 3 are 26-30 years old.

3. **Last Education.** The education factor is a factor that measures the level of ability and capacity of a person in conducting a field of work. The characteristics of respondents according to education level can be seen in table 6:

**Tabel 6 Last Education**

Education	Amount	Percentage
SMA/SMK	84	72%
D3	11	9%
S1	22	18%
S2	1	1%
S3	0	0%
<b>Total</b>	<b>118</b>	<b>100%</b>

Source: Data processed by the author (2023)

According to table 6 above, it shows that the last education level of the largest respondent is high school with 84 people (72%), then S1 with 22 people (18%). Then D3 with a total of 11 people (9%) and the smallest is S2 with a total of 1 person (1%) So it can be concluded that most of the employees involved in expenditure cycle activities (cash purchases and disbursements) at PT Yongjin Javasuka Garment Factory 3 have a high school / vocational high school educational background.

4. **Length of Service** is a factor that shows the level of maturity of an employee's understanding and experience in conducting his duties and functions. The characteristics of respondents according to length of service can be seen in table 4.5 below:

**Table 7 Length of Service**

Length of Service	Amount	Percentage
0-5 Year	41	35%
6-10 Year	50	42%
11-15 Year	24	20%
16-20 Year	3	3%
>21 Year	0	0
<b>Total</b>	<b>118</b>	<b>100%</b>

Source: Data processed by the author (2023)

According to table 7 above, it shows that the most dominant working period of respondents is between 6-10 years with a total of 50 people (42%), followed by a working period of 0-5 years as many as 41 people (35%), 11-15 years as many as 24 people (20%) and the smallest working period of 16-20 years as many as 3 people (3%).

#### Validity Test

The results of the validity test of the Control Environment (X1), Risk Assessment (X2), Information and Communication (X3), Control Activities (X4) and Supervision (X5) variables on the Effectiveness and Efficiency of the Expenditure Cycle (Y) can be seen in the following tables:

**Table 8 Test of Validity of Expenditure Cycle Effectiveness and Efficiency**

No. Statement	R <sub>count</sub>	r <sub>critical</sub>	Conclusion
1	0.700	0.3	Valid
2	0.602	0.3	Valid
3	0.490	0.3	Valid
4	0.618	0.3	Valid
5	0.627	0.3	Valid
6	0.545	0.3	Valid
7	0.640	0.3	Valid
8	0.638	0.3	Valid

Source: Data processing output with SPSS 22 (2023)

According to the table above, it shows that seen from the average score of the Effectiveness and Efficiency of the Expenditure Cycle variable, which is 0.608, the Control Environment variable is 0.732, the Risk Assessment variable is 0.618, the Information and Communication variable is 0.782, the Control Activity variable is 0.737, and the Supervision variable is 0.632, this shows that the rcount value is more than 0.3 so it can be stated that all instruments used are valid, and suitable for use.

#### Reliability Test

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The reliability test is used to determine whether the data collection tool used shows the level of accuracy, accuracy, stability and consistency of the tool and the measurement results, and the measurement results will remain consistent when measured again. The reliability test results show how far the consistency and trustworthiness of the results of the respondents' answers to the instruments / statements given. To measure the consistency of the interval using the instrument, Cronbach's alpha is used, to find out that all variables are declared reliable, the average Cronbach's alpha value must be greater than or equal to 0.6. The reliability test results can be seen in the following table:

**Table 9 Reliability Test Results**

No	Variable	Cronbach's Alpha	T <sub>critical</sub>	Conclusion
1	Expenditure Cycle Effectiveness and Efficiency	0.751	0.6	Reliable
2	Control Environment	0.890	0.6	Reliable
3	Risk Assessment	0.735	0.6	Reliable
4	Information and Communication	0.683	0.6	Reliable
5	Control Activities	0.828	0.6	Reliable
3	Supervision	0.747	0.6	Reliable

Source: Data processing output with SPSS 22 (2023)

According to this table, the average value of Cronbach's Alpha from each variable, namely the Effectiveness and Efficiency of the Expenditure Cycle has a value of 0.751, the Control Environment has a value of 0.890, Risk Assessment has a value of 0.735, Information and Communication has a value of 0.683, Control Activities has a value of 0.828 and Supervision has a value of 0.747. All of these values show greater than 0.6. Then all variable instruments are declared reliable. So it can be concluded that all instruments used in this research have consistency when measurements made with these measuring instruments are used repeatedly and on different occasions.

## DISCUSSION

### **The Effect of Control Environment, Risk Assessment, Information and Communication, Control Activities and Supervision on the Effectiveness and Efficiency of the Expenditure Cycle**

Table 4.66 F test is 32.9% of the independent variables of control environment, risk assessment, control activities, information and communication, and supervision in explaining the effectiveness and efficiency of the expenditure cycle, while the remaining 67.1% (100%-32.9%) is explained by other variables not examined in this research. This finding is in accordance with agency theory, which provides various descriptions of how agents and principals establish good relationships, so that the implementation of company activities in the expenditure cycle runs well and as expected by the company, management must implement internal control in its activities by applying the five internal control criteria according to COSO, namely the control environment, risk assessment, control activities, information and communication and supervision simultaneously.

The creation of a control environment with the division of authority and responsibility according to their functions, identification of risks, adjustment of environmental activities, acquisition of information and communication between superiors and subordinates with quality control of raw materials, purchasing and expenditure cycles conducted by each section will affect the effectiveness and efficiency of the expenditure cycle where each

section related to the purchase of raw materials, expenditures (purchasing, receiving, accounting, recording debts and recording all transactions) must be separate in order to make it easier for the company to control other than that, in order to achieve good internal control in conducting the effectiveness and efficiency of the expenditure cycle. In this research, internal control in companies that have a very important role in terms of the running of the expenditure cycle (cash purchases and expenditures). This internal control must be implemented by all management and employees, therefore, all important aspects in the company, especially employees and management, must have awareness and commitment to conduct predetermined activity procedures in order to create a good work environment.

#### **The Effect of the Control Environment on the Effectiveness and Efficiency of the Expenditure Cycle**

Table 4.67 The t test shows the results that partially the control environment has no effect on the effectiveness and efficiency of the expenditure cycle. This result is indicated by the t-statistic value of 1.580 which is smaller than the critical value z (1.580 < 1.65) with a positive direction. From these criteria, it can be concluded that the first hypothesis (Ha) is rejected.

According to the results of interviews with the assistant warehouse manager regarding the control environment at PT Yongjin Javasuka Garment Factory 3 related to human resources. The company only conducts training when employees enter in the first three months only, for the next no training is conducted so that this will affect the effectiveness and efficiency of the expense cycle where the company should conduct training for employees every year so that employees can implement work properly and adjust to existing changes.

#### **The Effect of Risk Assessment on the Effectiveness and Efficiency of the Expenditure Cycle**

According to table 4.67, the t test shows the results of risk assessment affect the effectiveness and efficiency of the expenditure cycle at PT Yongjin Javasuka Garment Fact 3. This result is indicated by the  $t_{\text{statistic}}$  value of 1.753 which means it is greater than the critical value z with a significant level of 10% or 1.65 (1.753 > 1.65) with a positive direction. From these criteria, it can be concluded (Ha) is accepted.

This hypothesis supports the second hypothesis in this research, namely according to the results of partial tests using the central limit method, risk assessment has a significant positive effect at a significant level of 10% on the effectiveness and efficiency of the expenditure cycle at PT Yongjin Javasuka Garment Factory 3, this shows that the higher the risk assessment applied to the expenditure cycle, the higher the effect on the effectiveness and efficiency of the expenditure cycle.

#### **The Effect of Information and Communication on the Effectiveness and Efficiency of the Expenditure Cycle**

According to table 4.67, the t test shows the results of information and communication have a significant effect on the effectiveness and efficiency of the expenditure cycle at PT Yongjin Javasuka Garment Fact 3. This result is indicated by the t-statistic value of 3.783 which means greater than the critical value of z with a significant level of 1% or 2.58 (3.783 > 2.58) with a positive direction. From these criteria, it can be concluded (Ha) is accepted.

Information and communication can be reflected in the process of opening and delivering information conducted by the company. In this case, the process of opening and delivering information conducted by the company does not affect the expenditure cycle. Good information and communication should be reflected in communication between superiors and subordinates or coordination from subordinates to superiors. Good communication should be implemented by the company so as to provide confidence that transactions have been recorded, have been authorised and have been fairly valued so as to reduce the level of errors in the expenditure cycle. In accordance with the statement on the questionnaire where the company communicates internally regarding internal control

to support other components. Information is an exchange of news or data at a time that allows people to conduct their responsibilities.

According to the results of interviews with the assistant warehouse manager, the leadership has ensured effective internal communication. Every morning before starting work, the leader or supervisor conducts a meeting either evaluating sharing information about so that employees can do their jobs properly. Any irregularities are reported to the leadership and the company has a written SOP procedure for employees. With the achievement of information and communication implemented at PT Yongjin Javasuka Garment Factory 3, it can affect the effectiveness and efficiency of the expense cycle.

The results of this research are in line with research conducted by Martanto et al (2020) with the results of the research showing that partially information and communication affect the cash expenditure cycle.

### **The Effect of Control Activities on the Effectiveness and Efficiency of the Expenditure Cycle**

According to table 4.67, the t test shows the results that control activities affect the effectiveness and efficiency of the expenditure cycle at PT Yongjin Javasuka Garment Fact 3. The results are indicated by a value with a t-statistic value of -1.729 which means greater than the critical value of z with a significant level of 10% or -1.65 (-1.729 > -1.65) with a negative direction. From these criteria, it can be concluded that the second hypothesis (Ha) is accepted.

This means that control activities negatively affect the effectiveness and efficiency of the expenditure cycle. Thus the fourth hypothesis is accepted. Negative control activities mean that the higher the application of control activities, the lower the effectiveness and efficiency of the expenditure cycle. Control activities are reflected in the company's operational activities and expenditure systems that have been conducted in accordance with the procedures applied. The company's control activities also include proper authorisation activities in the expenditure cycle and separation of company duties. Separation of duties is done to reduce the opportunity for someone to do or make mistakes in conducting their duties, especially in terms of the expenditure cycle.

According to the results of interviews with the assistant warehouse manager, the control activities at PT Yongjin itself have been implemented properly, where all documents in the expenditure cycle activities have been strictly and well guarded by their respective sections.

The results of this research are also in accordance with agency theory where in the management of a company, especially related to the expenditure cycle, a separation of duties must be conducted to avoid conflicts of interest due to inequality of objectives and become an opportunity to commit various frauds. Thus, well-implemented control activities will reduce errors in the expense cycle.

### **The Effect of Supervision on the Effectiveness and Efficiency of the Expenditure Cycle**

According to table 4.67, the t test shows the results of partial supervision on the effectiveness and efficiency of the expenditure cycle. This is indicated by the value with a t-statistic value of 2.384 which means greater than the critical value z with a significance level of 5% or 2.58 (2.384 > 2.58) with a positive direction. From these criteria, it can be concluded that (Ha) is accepted.

The results of this research are in line with the agency theory of Jensen and Mecling (1979) Agency theory describes the relationship between shareholders or owners as principals and management as agents. Management is the party contracted by shareholders. Because they are chosen, management must be accountable for all their work to shareholders. Therefore, in its activities, supervision must be conducted on management in managing company activities, especially in the expenditure cycle, the expenditure cycle is the main element in company activities.

According to the supervision questionnaire statement which states that quality control of materials or raw materials is conducted by the Incoming Quality Control section. This statement affects the statement of the effectiveness and efficiency of the expenditure

cycle which states that the Company always identifies what, when and how much inventory of trade goods is ordered and purchased. This means that in order for the process of effectiveness and efficiency of the expenditure cycle to run properly and according to procedures, it is necessary to closely monitor both when the goods are received and control the quality of the goods. If the goods received are in accordance with the purchase order and the process of checking the quality of raw materials is conducted properly, the production process will run smoothly so that the company's goals will be achieved. This means that supervision affects the effectiveness and efficiency of the expenditure cycle.

According to the results of interviews with the assistant warehouse manager at PT Yongjin Javasuka Garment Factory 3, monitoring is always conducted regularly, but updates are made if all parties agree and the control system is inadequate in dealing with existing problems. In addition, a performance assessment is conducted if the performance is not as expected, the employee cannot be appointed as a permanent employee and the contract is not extended. By implementing this supervision, it can realise the effectiveness and efficiency of the expenditure cycle in the company.

### **CONCLUSIONS**

According to the results of testing, processing and data analysis that has been conducted and the discussion that has been explained and the purpose of this research is to determine the effect of the control environment, risk assessment, information and communication, control and supervisory activities on the effectiveness and efficiency of the expenditure cycle, the conclusions that can be drawn from the results of this research are as follows:

1. The Control Environment partially has no effect on the Effectiveness and Efficiency of the Expenditure Cycle at PT Yongjin Javasuka Garment Factory 3.
2. Risk Assessment partially has a positive effect at a significant level of 10% on the Effectiveness and Efficiency of the Expenditure Cycle at PT. Yongjin Javasuka Garment Factory 3.
3. Information and Communication partially has a positive effect at a 1% significant level on the Effectiveness and Efficiency of the Expenditure Cycle at PT. Yongjin Javasuka Garment Factory 3.
4. Control Activities partially have a negative effect at a significant level of 10% on the Effectiveness and Efficiency of the Expenditure Cycle at PT. Yongjin Javasuka Garment Factory 3.
5. Supervision partially has a positive effect at a significant level of 5% on the Effectiveness and Efficiency of the Expenditure Cycle at PT. Yongjin Javasuka Garment Factory 3.
6. Control Environment, Risk Assessment, Information and Communication, Control Activities and Supervision simultaneously have a significant positive effect on the Effectiveness and Efficiency of the Expenditure Cycle at PT Yongjin Javasuka Garment Factory 3.

According to the calculation of the coefficient of determination (R Square), a value of 0.329 is obtained. This result means that there is a contribution of 32.9% of the independent variables of the control environment, risk assessment, information and communication, control and supervisory activities in explaining the Effectiveness and Efficiency of the Expenditure Cycle at PT Yongjin Javasuka Garment Factory 3.

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