

## Analysis of the Effectiveness of Implementing Internal Control on Doubtful Receivables PT. PLN Persero ULP Belawan

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### ABSTRACT

Internal control has an important role in the performance of state-owned companies, one of which is PT. PLN (Persero). The aim of this research is to find out in detail what causes doubtful receivables to occur every month at PT. PLN (Persero) ULP Belawan. To find out whether the role of internal control is effective in collecting doubtful receivables. To find out what obstacles the internal control system faces in minimizing doubtful receivables. Then to find out what efforts must be made so that the collection of doubtful receivables can be carried out optimally. This research approach uses a descriptive approach and uses qualitative research methods. The internal control system for doubtful receivables is implemented at PT. PLN (Persero) ULP Belawan, is quite adequate in terms of the elements of its internal control. Such as the control environment, risk assessment, control activities, information and communication, but the supervision element is still not effective.

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## **INTRODUCTION**

PT. PLN (Persero) ULP Belawan is a company that provides postpaid and prepaid electricity sales services. Postpaid electricity products are a system of using electrical energy first, then making payments for electricity usage in the following month. Meanwhile, for prepaid, customers must first purchase token credit to be able to use electricity. This means that postpaid electricity sales are credit sales and the effect of this activity is the emergence of receivables. Electricity bills that exist each month after printing the accounts are called customer receivables. If the receivables are not paid on time or by the specified due date, then this becomes an arrears for the customer. So customer receivables are customer obligations that must be paid to PLN for electricity usage. According to the Statement of Financial Accounting Standards (PSAK) NO. 43 states that: "Receivables are a type of financing in the form of purchasing and/or transferring receivables or short-term bills of a company originating from business transactions." These receivables are part of working capital which has a high level of liquidity. Because receivables usually take a long time to turn into cash or cash. An important element in assessing the performance of a company that needs to be closely monitored and controlled is accounts receivable. If PLN ULP Belawan is able to convert the receivable account into cash.

However, in the receivables collection process, it is necessary to monitor internal control, which functions as a supervisor and evaluates whether the internal control over doubtful receivables is running well and efficiently, as well as monitoring whether the collection of these receivables has been carried out properly and can be collected within the time period. which has been specified. However, if the opposite happens, the company's funds are stuck in the form of receivables for a long period of time, it is certain that the company will have difficulty turning them around and using them for other activities. In its business, PLN ULP Belawan has problems with receivables, namely doubtful receivables (PRR). Because each customer's ability to pay is different, and there are some customers who neglect to pay their electricity bills, not every month the electricity payments are collected smoothly. Every month there are only a small number of customers who are in arrears in paying their electricity bills. If the movement of arrears increases, then according to applicable regulations, PLN ULP Belawan must take several actions for the collection process and preventive measures so that receivables do not turn into arrears (doubtful receivables). Actions taken include giving warning letters if customers are in arrears for a month, temporarily cutting off electricity if they are in arrears for two months and complete dismantling of kwh meters and N-mutations if they are in arrears for three months. This process is carried out with the help of a third party (vendor) in collaboration with PLN ULP Belawan.

Internal control must also play a role in monitoring this performance. However, in reality, in the field, this billing SOP is not working properly. There are still customers who are in arrears for 3 months or more but their electricity has not been cut off. This is due to PLN ULP Belawan's own internal factors, such as the humanitarian side of helping the community's economy. Namely delaying electricity cuts for underprivileged residents, places of worship,

schools, etc. As well as external factors such as customers' habits of paying for electricity every 2 months and empty houses or houses under renovation whose kWh meters are not being used by customers. So this is not evaluated enough by the internal auditor as a form of internal control, which makes it a little difficult to have zero arrears at PLN ULP Belawan. Internal control should have a very important influence on the results of the evaluation of doubtful receivables. Because arrears monitoring activities require good and strong internal control. Audit reports are given to managers routinely in the form of suggestions regarding transaction systems, procedures and physical inspections. If a finding or discrepancy is found between the system and procedure and the actual implementation, follow-up action will be taken.

Based on the background description of the problem described above, the problem formulation of this research is:

- a) What is the internal control over doubtful receivables at PT. Is PLN ULP Belawan running effectively?
- b) What are the obstacles in implementing internal control over doubtful receivables, so that many doubtful receivables are not collected every month?
- c) What efforts must be made by PT. PLN ULP Belawan so that internal control over doubtful receivables can be implemented effectively?

Based on the background description of the problem described above, the objectives of this research are:

- a) To find out and analyze whether internal control over doubtful receivables at PT. Is PLN ULP Belawan running effectively?
- b) To find out and analyze what are the obstacles in implementing internal control over doubtful receivables, so that many doubtful receivables are not collected every month?
- c) To find out and analyze what efforts must be made by PT. PLN ULP Belawan so that internal control over doubtful receivables can be implemented effectively?

## **LITERATURE REVIEW**

### ***Account Receivable***

There are several meanings and definitions of receivables according to experts which appear different but have the same core and objectives. According to Mardiasmo (2016:51) receivables are bills arising from the sale of merchandise and services on credit. Martani (2016: 196) defines receivables, namely, the claims of a company on other parties, both related to sales transactions and income received. represents receivables from other transactions.

According to Herry (2017: 150) receivables are things that refer to a number of bills that will be received by the company (generally in the form of cash) from other parties, either as a result of delivering goods and services on credit.

Meanwhile, according to Horne and Wachowicz (2015) in Kusuma (2017:231) say that receivables are amounts of money whose ownership is

transferred to a company by customers who have purchased goods or services on credit. Furthermore, according to PSAK No. 43 states that receivables are a type of financing in the form of purchases, transfers of receivables or short-term bills of a company originating from business transactions. For companies, receivables are an alternative to temporarily store company funds which can also be used to attract consumers and increase sales. From several definitions that have been put forward, a conclusion can be drawn that receivables are an important component of financial reports, especially balance sheets, which represent rights or claims to collectible parties in the form of money or cash. Utari (2014) believes that indicators for measuring doubtful receivables can be done by carrying out a 5 C analysis which consists of:

a) *Character*

Character is a person's nature or character. The nature or character of the people who will be given credit must be trustworthy. To read the character or characteristics of a prospective debtor, you can look at the customer's background, both work background and personal characteristics, such as: the way of life or lifestyle he adheres to, family conditions, hobbies and social life. This nature and character can be used as a measure of the customer's "willingness" to pay

b) *Capacity*

Capacity is an analysis to determine the customer's ability to pay credit. From this assessment, the customer's ability to manage the business can be seen. This ability is related to his educational background and experience in managing his business, so that his "ability" will be visible in returning the credit disbursed.

c) *Capital*

To see whether the use of capital is effective or not, it can be seen from the financial reports (balance sheet and profit and loss report) which are presented by taking measurements such as in terms of liquidity and solvency, profitability and other measures. Capital analysis must also analyze what sources the current capital comes from, including the percentage of capital used to finance the project to be carried out, how much is own capital and how much is borrowed capital.

d) *Condition*

In assessing credit, current economic, social and political conditions and predictions for the future should also be assessed. The assessment of the condition or prospects of the business sector being financed should really have good prospects, so that the possibility of the credit having problems is relatively small.

e) *Collateral*

It is a guarantee given by prospective customers, both physical and non-physical. Collateral should exceed the amount of credit provided. Collateral must also be checked for validity and completeness, so that if a problem occurs, the collateral entrusted can be used as quickly as possible.

Even though it has been researched based on the 5 C principles, there are still many customers who are in arrears on their debts. Over time, customer arrears become uncollectible and become a burden for the company. These uncollectible receivables become doubtful receivables from PLN. In dealing with doubtful receivables, companies need to realize provisions for losses on receivables. Control of an organization from a business unit consists of policies and procedures created to provide adequate guarantees so that goals can be achieved. Policies are guidelines created by management to achieve goals. A policy is a general guideline for decision making while procedures are the steps that must be taken, carried out and observed in the implementation of a policy. The implementation of these policies and procedures is expected to achieve company goals. In a company, internal control is intended so that errors and deviations caused by human factors, whether intentional or not, can be reduced to a minimum. This internal control does not only involve reviewing records but also includes assessing various operational functions within a company. For this reason, internal control is needed to help management control the company. Internal Control according to COSO (Committee of Sponsoring Organizations of the Treadway Commission) in (Lawrence, 2006) is a process that is influenced by the company's board of directors, management and other employees, to provide reasonable confidence regarding the achievement of objectives in the following categories:

- 1) Operation effectiveness and efficiency
- 2) Reliability of financial reporting
- 3) Compliance with applicable laws and regulations

### ***Internal Control***

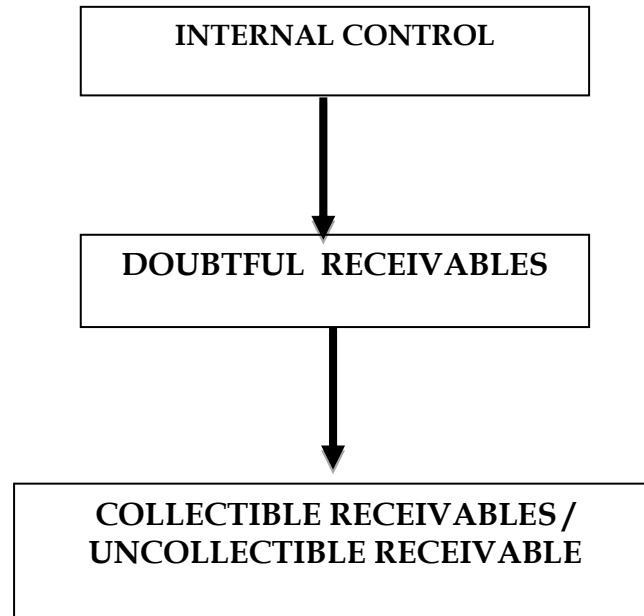
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Internal control will be very effective if the control is integrated with the infrastructure and is an important part of a company organization. COSO and SAS No. 78 states that internal control has five (5) components related to structure, which are quoted by Sawyer (2005), namely as follows:

- a) Control Environment
- b) Risk Assessment
- c) Control Activities
- d) Information and Communication
- e) Monitoring



Gambar 1. Conceptual Framework

## METHODOLOGY

This research approach uses a descriptive approach and uses qualitative research methods. Qualitative research aims to obtain data that contains meaning. The descriptive method is also research to explain problem solving based on analyzing and interpreting data, which is comparative and correlative in nature so that it does not use hypotheses. This qualitative research is specifically directed towards using the case study method. Case study is a research method that uses various data sources that can be used to research, describe and explain comprehensively various aspects of individuals, groups of programs, organizations or events systematically. This research started from April to August at PT. PLN (Persero) ULP Belawan in the Internal Control and Customer Service & Administration sections. PT PLN (Persero) ULP Belawan is located at Jalan K.L Yos Sudarso km 20.5 Belawan. The object of this research is the effectiveness of standard operational internal control procedures that have been established in work procedures, work procedures and work systems related to control over the process of forming doubtful receivables at PT PLN PLN (Persero) ULP Belawan. The data collection stage used in this research was a literature study. Proceed to the field research stage such as observation,

interviews and documentation. Library research is carried out by obtaining data from journals, books in libraries and written materials related to research, so that later it can be used to support the research being carried out.

## RESULT

From the results of the researcher's observations and interviews at the research site, the following research results were found:

- 1) What is the internal control over doubtful receivables at PT. PLN ULP Belawan has been running effectively?

Based on the results of research conducted by researchers at PLN ULP Belawan, it can be seen that internal control over doubtful receivables is still not effective considering the large number of uncollectible receivables. Doubtful receivables are receivables that arise due to the provision of services to customers for something for which collection cannot be ascertained. Therefore, the existence of monthly accounts that help customers run or have not yet been paid can be seen or monitored in the EIS (Executive Information System) Application in Real Time. Because doubtful receivables are part of the company's income, whether or not the company account has not been paid will affect PLN's financial liquidity. Doubtful receivables arise because of bills owed to customers relating to the sale of electricity. The receivables were not repaid by the debt guarantor and a complete disconnection of the electricity supply was carried out, which was preceded by a temporary disconnection. Of the 69,794 total PLN ULP Belawan customers, there are still many customers who are in arrears in paying their electricity bills. This can be seen in the following table:

Table 1. Potential for PRR PLN ULP Belawan Collection 2020/2021

<b>ULP</b>	<b>Total PRR Balance</b>	<b>2021 targets</b>	<b>Repayment</b>	<b>Repayment VS Target</b>	<b>Achievement</b>
Belawan	3.386.183.440	67.723.669	17.348.681	50.374.988	25,62

Based on the picture above, it can be seen that the total balance of doubtful receivables from PLN ULP Belawan is still quite large. With the annual target given, repayment of doubtful receivables from PLN ULP Belawan has still not been achieved.

- 2) What are the obstacles in implementing internal control over doubtful receivables so that many doubtful receivables are not collected every month? Each company has different internal control constraints depending on the type of company?

Just like PLN ULP Belawan, performance assessments in one year are carried out every semester or every six months. The results of the realization of performance every month must be improved and optimized as much as possible. With adequate internal control within the company, it is hoped that receivables collection can run smoothly. So that the effectiveness of doubtful

receivables can be guaranteed and this will not disrupt the company's financial liquidity. In other words, the implementation of internal control over receivables aims to minimize doubtful receivables. Internal control also aims to assess whether each personnel in the PAD section has carried out work procedures in accordance with company standards, as well as measuring whether these work procedures are able to improve the company's internal control. If these standard procedures are not sufficient to create internal control, then the internal auditor will provide recommendations to managers regarding improving internal control in order to achieve the overall internal control objectives. However, in auditing, internal auditors will definitely experience problems in making their reports. The following are the obstacles experienced by internal audit in auditing the reporting of doubtful receivables at PLN ULP Belawan:

- a) Lack of response from managers to the audit report provided. So the results of internal audit findings are not followed up properly
- b) Lack of system improvements after audit reporting is provided.
- c) Auditors lack power because internal auditors do not come from within the organization so the findings are not responded to wholeheartedly.
- d) Lack of punishment for internal audit activities. For example, there are no sanctions for the division with the most findings.

- 3) What efforts should be made by PT. PLN ULP Belawan so that internal control over doubtful receivables can be implemented effectively?

From the results of the researcher's observations, it is recommended that PLN ULP Belawan must make efforts or improvements in the form of innovation in implementing internal control in the collection of doubtful receivables so that it can be carried out well. PLN ULP Belawan has its own way of handling this matter, one of which is by ensuring that doubtful receivables must be handled and resolved immediately. Because doubtful receivables that drag on without being handled will cause losses to the company. Settlement of doubtful receivables carried out by internal auditors as a form of internal control at PLN ULP Belawan is as follows:

- a) Regarding billing for delays in settling electricity arrears, internal audit checks the list of customer arrears through the EIS & AP2T system and evaluates billing reports every month.
- b) Regarding invoices that have not been used, internal audit provides recommendations to the PAD section, namely that the administration must always update the invoice numbers that have been used. So that during the internal audit process on invoices, it can be clearly seen which invoice numbers have not been used and which have been used Internal audit takes part in surveys or tagging locations related to customers who are in arrears, so that they can directly ascertain the reasons why these customers are in arrears.
- c) Coordinate intensively with the manager and PAD department on any monitoring results of the progress of settlement of doubtful receivables.



- d) Establish a handling and settlement scheme and outline time targets, especially for uncooperative billing officers.

## **DISCUSSION**

Suggestions for improvement are useful so that existing weaknesses in this case, namely doubtful receivables, can be minimized so that company goals can be achieved. Improvement proposals or recommendations describe actions that managers may consider to correct incorrect conditions in business activities. Apart from that, recommendations are also used to strengthen weaknesses in the control system for the PAD section. The proposed improvements submitted by the internal auditor are also based on joint considerations with various parties. Because in the end PLN ULP Belawan has to take these corrective actions. In order to achieve previously established company goals regarding protecting company assets, one of which is in the form of receivables. Currently, growing companies demand more professional management in the field of management. Company management must develop a control structure in order to help the company achieve the desired goals. The main purpose of these controls is to secure and protect both company records and assets and to produce reliable data that can be used to make decisions.

So management must be able to manage their business in accordance with the strategies and policies that have been established by the company, including organizing, providing resources, administering and controlling various operational activities. Internal audit is a form of control that helps management maintain company assets and helps achieve organizational goals. Testing evaluates various planning, preparation and arrangement processes to determine whether there is certainty that various goals and targets can be achieved effectively and efficiently.

The internal control system will be adequate if it is implemented and carried out properly. Adequate internal control can provide supervision over all matters involved in the implementation and achievement of company goals. It can be said that adequate control over the management of the collection of doubtful receivables will guarantee that the results of the collection of receivables will be deposited in a timely manner. PLN ULP Belawan, which has quite large amounts of receivables, must be able to control its receivables well. Because considering the risks contained in it are quite large, namely the possibility of uncollectible doubtful receivables.

## **CONCLUSIONS AND RECOMMENDATIONS**

After carrying out research and conducting analysis, the author can draw conclusions as follows:

- 1) Implementation of an internal control system for doubtful receivables applied at PT. PLN (Persero) ULP Belawan is not adequate when viewed from the elements of its internal control. Such as the control environment, risk assessment, control activities, information and communication in the supervision element are still not effective.

- 2) Internal control is considered not effective enough in carrying out audit work. Viewed from the perspective of audit planning, evaluation, testing information, making audit reports, and following up on audit findings and providing recommendations on existing internal control weaknesses.
- 3) In the company the objectives of the internal control system have not been fully implemented properly. It can be seen that doubtful receivables are still increasing. This is because there are several elements of the company's internal control system for doubtful receivables that are not running well.

Based on the conclusions above, the researcher tried to provide advice to PT. PLN (Persero) ULP Belawan which has tried to do its best in the company's internal control system for trade receivables. Namely, the author's suggestions are as follows:

- 1) The company should pay more attention to PT's internal control system. PLN (Persero) ULP Belawan. So that it can run well and reduce inaccuracies in settling the company's doubtful receivables.
- 2) Supervision system at PT. The existing PLN (Persero) Belawan ULP can be further improved, so that the company's performance, especially in the settlement of doubtful receivables, can be carried out optimally.

#### **ADVANCED RESEARCH**

For future researchers, the results of the thesis on the internal control system for doubtful receivables can be used as a reference in the future.

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