

Implementation of internal control and utilization of accounting information systems on the financial quality of PT. Misool Eco Resort (Case study in South Misol Islands, Raja Ampat Regency)

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ABSTRACT

This study examines the implementation of internal control and the use of accounting information systems on the financial reporting quality of PT. Misool Eco Resort. Using a qualitative case study approach, data were collected through interviews, observations, and document analysis. Key informants included the administrative director, operational manager, financial manager, accounting supervisor, and controller. The findings indicate that the internal control system is inadequate, with suboptimal results across the eight components of the control environment. Weaknesses include insufficient enforcement of integrity and ethical values, unclear delegation of authority and responsibility, and an ineffective controller role in ensuring compliance and goal achievement. The accounting information system, utilizing the Mekari Jurnal application, performs well in terms of speed, usability, and information quality. However, issues such as data synchronization between branches and headquarters remain. Although the accounting system contributes positively to financial reporting, weaknesses in internal control compromise the reliability and accuracy of financial statements. The study recommends enhancing internal control through improved communication of ethical standards, employee competency development, organizational restructuring, and strengthening the controller's role. Greater integration between internal control and the accounting system is essential to ensure the production of high-quality financial reports in compliance with financial accounting standards.

Keywords: internal control; accounting information system; financial report quality

JEL Classification: M41; M42

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1. Introduction

High-quality financial statements must fulfill characteristics such as relevance, reliability, and completeness of information in accordance with financial accounting standards (Limbong et al., 2021; Zavitii & Belova, 2022). The utilization of accounting information systems (AIS) is one of the primary means to achieve this quality. Information technology enables data processing across time and space (Gao & Huang, 2020) and plays a crucial role in supporting decision-making for both internal and external stakeholders (Lauseng et al., 2022). AIS helps organizations enhance efficiency and effectiveness (Dalipi & Skagne, 2022; Sukmawan & Wahdiniwaty, 2020) through key components such as people, procedures, data, software, and technology (Elsharif, 2019; Meiryani, 2020).

AIS facilitates managerial processes and decision-making (Torres et al., 2022; Nirwana et al., 2023); however, it remains vulnerable to errors and fraud, thereby necessitating internal control mechanisms (Efremova et al., 2023). Internal control serves both preventive and detective functions (Lartey et al., 2019) and supports the achievement of organizational goals accurately and reliably (Klius & Izhboldina, 2019; Guzaliya et al., 2023). These systems must be tailored to the specific needs of the business and supported by adequate evidence (Song, 2023; Zaloga et al., 2019).

At PT. Misool Eco Resort, the implementation of a web-based AIS supports financial procedures such as requisition, ordering, and payment approval. Nevertheless, several weaknesses have been identified, including unsynchronized inventory records between the head office and branches, vulnerabilities in the purchasing system that increase the risk of fraud, and a generally weak internal control environment (Karina et al., 2023). Therefore, the integration between AIS

and internal control must be strengthened to ensure accountability and the long-term sustainability of the business (Mokoginta et al., 2017).

2. Literature review

Agency theory

Agency theory explains the working relationship between principals and agents. It describes a situation in which one or more individuals (principals) delegate authority to another individual (agent) to perform certain tasks on their behalf, including the right to make decisions. As the provider of capital, the principal grants the agent authority to manage business activities with the expectation of generating profit. In return, the agent is responsible for managing the company in alignment with the principal's interests.

As part of their accountability to shareholders, managers (agents) are required to provide regular reports that contain relevant information about the company. However, since both parties seek to maximize their own utility, there is a significant risk that agents may not always act in the best interests of principals. Agents may prioritize their own financial and psychological needs, potentially leading to opportunistic behavior such as manipulating financial reports for personal gain. This misalignment of interests can result in biased or misleading financial reporting practices (Kipp et al., 2020). Within the framework of agency theory, management accounting information serves two primary functions. First, it supports decision-making by both principals and agents. Second, it is used to monitor and evaluate the performance of agents to ensure alignment with organizational objectives.

Good Corporate Governance

Corporate governance refers to a set of rules that govern the relationships between managers, shareholders, creditors, governments, employees, and other

internal and external stakeholders in relation to the actions and responsibilities of a company (Amis et al., 2020). It is also understood as a system that directs and oversees corporate activities. In order to produce conservative and reliable financial statements that are accessible to stakeholders, proper oversight is essential to prevent misconduct such as managerial fraud. This oversight is carried out through the implementation of sound and well-structured corporate governance, rooted in the principles of Good Corporate Governance or GCG (Jhunjhunwala, 2023). According to the Organisation for Economic Co-operation and Development (OECD), the principles of Good Corporate Governance include the following:

a. Accountability

Accountability refers to the obligation to explain and justify actions. In a corporate context, management must be accountable to shareholders and other stakeholders. Shareholders are responsible for ensuring proper guidance in managing the company. The Board of Directors is accountable for achieving the company's goals as set by the shareholders, while the Board of Commissioners is responsible for supervising and advising the Board of Directors to ensure effective corporate management.

b. Responsibility

Responsibility entails ensuring that the company is managed in compliance with applicable laws and regulations. This principle emphasizes the establishment of a clear system of accountability to shareholders and other stakeholders. The objective is to align the interests of the company with those of governments, communities, business associations, and other related parties. Under this principle, company leaders and managers are expected to take full responsibility for their decisions and actions.

c. Transparency

Transparency requires that company information be open, timely, clear, accurate, and comparable. This includes disclosures regarding the company's financial position, performance, ownership, and governance. Companies should disclose both legally mandated information and other material matters relevant to shareholders and stakeholders in their decision-making processes. Transparency enhances shareholder value and builds trust in the company's operations.

d. Independence

Independence is a critical element for ensuring objective decision-making. It requires that each corporate organ perform its duties in accordance with applicable laws and GCG principles, without undue influence from other parties. Independence ensures that no single party dominates the decision-making process and that all corporate actions are carried out with impartiality.

e. Fairness

Fairness is centered on the protection of shareholders' rights, including the rights of minority shareholders and foreign investors. All stakeholders should receive equitable treatment from the company. To uphold fairness, the company must prevent unethical behavior by internal personnel that could harm others. If members of the Board of Directors become aware of conflicts of interest or unethical conduct, they are obligated to report it. The corporate governance framework consists of the core rules, procedures, and relationships among the company's governing bodies, designed to ensure the effective functioning and supervision of the management system.

3. Research method

According to Piekari and Welch (2020), there are two key approaches that support the use of case studies in theory building. The first approach treats case studies as natural experiments, where empirical observations are used to confirm, refute, or refine existing theoretical frameworks. This approach emphasizes the role of empirical inquiry in testing the boundaries of theory through real-world phenomena. The second approach is interpretive in nature. It focuses on developing contextualized understanding by interpreting the meanings and processes behind events. Rather than verifying established theories, this method aims to generate novel conceptual insights by translating specific contextual knowledge into broader theoretical constructs. Thus, the interpretive approach contributes to theory building by offering deeper, more nuanced explanations of social and organizational phenomena.

In the process of data collection, the champion method is often adopted. This term refers to the use of best practices—proven strategies or methodologies that consistently yield optimal results—in gathering, analyzing, and processing data. The label "champion" signifies an approach that is not only efficient but also effective in producing high-quality, reliable information. Organizations that emphasize data-driven decision-making often rely on champion methods to support strategic objectives. These include areas such as accounting information systems, data governance, and systems development initiatives, where accuracy, relevance, and integrity of data are critical. The champion method enhances organizational capacity to transform raw data into actionable insights, thereby reinforcing competitive advantage and operational excellence.

4. Result and discussion

Result

Internal control

The internal control related to integrity and ethical values at PT Misool Eco Resort is still suboptimal. Assessments indicate that although efforts have been made to enhance integrity and ethics, their implementation remains inadequate, particularly in terms of communicating ethical values and monitoring. The company needs to improve ethics training, supervision, and enforcement of sanctions to ensure that ethical values are genuinely applied and become an integral part of the organizational culture, thereby improving overall corporate governance and operations.

The commitment to employee competence at PT Misool Eco Resort remains inadequate and poses a challenge to effective internal control and the quality of the company's operations. The company has not yet optimally identified the competency needs, recruitment processes are insufficient, and employee performance evaluations are not conducted regularly and effectively. Therefore, PT Misool Eco Resort needs to improve its recruitment procedures, training, and competency evaluations in order to enhance company performance and ensure better implementation of ethical and integrity principles in daily operations.

Leadership at PT Misool Eco Resort is adequate in supporting internal control, particularly in terms of risk management understanding, setting control objectives, and process discipline. However, there is still room for improvement, especially in consistently applying a leadership style that considers risks and ensures all members of the organization understand and effectively implement internal control objectives. Leaders also need to promote two-way communication so that the vision and strategy of internal control can be better accepted and executed throughout the company.

The current organizational structure of PT Misool Eco Resort is considered inadequate and does not fully support the achievement of the company's strategic goals. The existing structure is not optimally implemented due to a lack of coordination between departments and insufficient supervision. Additionally, the information verification process within the organizational system is weak, which can adversely affect the quality of management decision-making. Therefore, the company needs to evaluate and restructure the organization, improve inter-departmental coordination, and enhance the information verification process to make operations more efficient and better achieve its strategic objectives.

At PT Misool Eco Resort, the delegation of authority and responsibility is still unclear and not yet effective. Although supervision of the internal control process has begun, the delegation of responsibility and authority is still inadequate, and limits of authority have not been clearly defined. This situation causes confusion among employees and hampers the company's performance. Therefore, the company needs to improve the delegation system with clearer procedures and ensure that every management level fully understands their roles and responsibilities so that internal control can function better and the company's strategic goals can be achieved.

Human resource development at PT Misool Eco Resort is still inadequate and requires significant improvement. Current HR policies do not optimally support employee development, training programs are insufficient, and the performance evaluation and compensation systems remain weak. Although there is attention to competence and integrity in recruitment, the processes of employee acceptance and retention need to be enhanced. Improvements in these areas are essential to ensure a more competent and productive workforce, thereby supporting the optimal

achievement of the company's strategic goals.

The role of the controller at PT Misool Eco Resort in ensuring compliance, efficiency, and effectiveness of internal control is still inadequate and requires significant improvement. The controller has not provided sufficient oversight, failed to give early warnings of risks, is not fully effective in maintaining corporate governance quality, and is weak in ensuring regulatory compliance. Therefore, the company must enhance training, improve monitoring systems, and strengthen the authority of the controller so that their role can function more effectively and support the quality of financial reporting and overall company operations.

The interdepartmental working relationships at PT Misool Eco Resort are still inadequate and need improvement to support the effectiveness of internal control. Coordination, communication, and collaboration between departments are currently suboptimal, which can lead to errors, disagreements, and hinder decision-making. To enhance efficiency and reduce operational risks, the company must strengthen synergy among departments by improving communication and implementing more organized cross-departmental testing procedures. These improvements are essential for internal control to function effectively and for the company's strategic objectives to be achieved.

Utilization of accounting information systems technology

The assessment of the accounting information system (AIS) utilization at PT Misool Eco Resort shows that the system is effective and functions well. The system provides comprehensive, accurate, fast-access, and secure services, producing high-quality accounting information that is easy to understand. Network speed, data security, and the system's problem-

handling capabilities support the efficiency of accounting processes and the company's decision-making. Although the results are good, the company still needs to continuously evaluate and improve the system to ensure the AIS continues to meet evolving business needs.

Discussion

Implementation of internal control on financial reporting quality

Based on findings, the implementation of internal control at PT Misool Eco Resort still exhibits several weaknesses that negatively impact the quality of financial reporting. The enforcement of integrity and ethical values within the company remains suboptimal, posing risks of errors and fraud in financial reporting. Furthermore, the competency of human resources in managing internal controls and operating the accounting information system is insufficient, potentially hindering the effectiveness of these controls.

Although the company's management demonstrates awareness of risk control, communication regarding control objectives is not well-structured, resulting in inconsistent understanding and application among staff. The existing organizational structure also inadequately supports the implementation of internal control, characterized by low transparency, unclear division of duties, and weak interdepartmental coordination. This condition leads to inefficient financial reporting processes and increases the likelihood of inaccurate data.

The supervisory roles of controllers and financial managers in verifying financial transactions are also less than optimal, necessitating improvements in control mechanisms to enhance the reliability of financial statements. Therefore, PT Misool Eco Resort is required to undertake comprehensive improvements in all aspects of internal control, including strengthening integrity,

enhancing HR competencies through training, improving organizational structure, and increasing coordination across departments. The effective utilization of a reliable accounting information system is also crucial to support the control process. By consistently implementing these measures, it is expected that PT Misool Eco Resort will produce more accurate and reliable financial reports, thereby supporting effective managerial decision-making and maintaining stakeholder trust.

The use of accounting information systems to improve financial quality

The analysis of the internal control environment is a crucial aspect in supporting the accuracy and reliability of financial reports through the utilization of the Accounting Information System (AIS) at PT Misool Eco Resort. The research results indicate that the use of AIS, particularly the Mekari Jurnal application, has achieved a high level of effectiveness, characterized by fast access, data accuracy, and the system's capability to provide information that supports timely managerial decision-making. This system has proven to enhance operational efficiency and the quality of financial reporting by delivering complete, accurate, and relevant data in accordance with applicable accounting standards.

The ease of system use also improves management's flexibility in managing financial information. Nevertheless, there remains a need to improve data synchronization between the head office and branches to ensure the integrity and consistency of financial data comprehensively. Overall, the AIS at PT Misool Eco Resort significantly contributes to improving the quality of financial reports; however, improvements in IT infrastructure and data integration are still required. Further analysis is needed to assess the effectiveness of internal control implementation and its impact on the

company's future financial quality through the integration of AIS and internal control systems.

The effectiveness of internal controls and AIS on financial report quality

After analyzing the impact of Accounting Information Systems (AIS) on the quality of financial reporting at PT Misool Eco Resort, it is essential to evaluate the effectiveness of internal controls and the contribution of AIS to the overall quality of financial reports. Both components are interrelated in producing financial reports that are accurate, reliable, and compliant with accounting standards. The research findings indicate that although AIS can record and process transactions in a timely and accurate manner, internal controls still face several challenges. Supervision of integrity and ethical values is not yet optimal, which may threaten the reliability and transparency of financial reports.

Additionally, limitations in employee competencies in understanding and implementing internal control procedures and using AIS potentially reduce the effectiveness of these controls. An inadequate organizational structure and unclear delegation of responsibilities hinder decision-making and control processes, negatively impacting the quality of financial reports. A lack of coordination between departments also affects the smooth flow of information, which is crucial to supporting the integration of internal controls and AIS. However, when supported by strong internal controls, AIS can be an effective tool for producing reliable and timely financial reports, assisting management in strategic decision-making. In conclusion, internal controls and AIS at PT Misool Eco Resort must operate synergistically. To improve the quality of financial reporting, the company needs to improve its organizational structure, enhance employee competencies, and strengthen

interdepartmental collaboration to effectively support the implementation of internal controls and the utilization of AIS.

5. Conclusion

Internal control at PT Misool Eco Resort still requires improvement in several aspects. The assessment of integrity and ethical values indicates that communication of ethical principles has not been fully effective, with evidence that employees do not completely understand or apply these principles in daily operations. This condition highlights the need for enhanced supervision and stricter enforcement of discipline. Moreover, although the leadership aspect is considered adequate, improvements are needed in process discipline and clearer communication regarding the objectives of internal control, so that these can be understood and effectively implemented throughout the organization.

The commitment to competence also reveals weaknesses that need to be addressed. The processes of identifying competency needs and recruitment are not fully adequate, while the implementation and evaluation of employee competencies remain suboptimal. This directly impacts the quality of performance and overall productivity of the company. Therefore, the company is advised to strengthen competency evaluation mechanisms and ensure the provision of training that aligns with operational needs.

The organizational structure at PT Misool Eco Resort is deemed insufficient, particularly in establishing and maintaining a structure that supports operational effectiveness. Coordination between departments and information verification processes remain weak, which may hinder accurate decision-making and reduce operational efficiency. Unclear delegation of authority and responsibility also causes confusion among staff regarding their roles and authority. Consequently, reviewing and restructuring

the organizational framework and delegation of authority are necessary to enhance the effectiveness of internal control.

In terms of human resource development, the company's HR policies and training programs are still inadequate. The lack of effective training contributes to the low quality of employee performance, which in turn affects the company's overall performance. The role of controllers in ensuring compliance and effective achievement of company goals also needs strengthening through appropriate training and system support to perform supervisory functions optimally. The utilization of the accounting information system at PT Misool Eco Resort has shown positive results, particularly in terms of access speed, ease of use, and quality of information produced. The implementation of the system through the Mekari Jurnal application has helped accelerate financial reporting and improve data accuracy. However, the synchronization of data between branches and the head office still requires improvement to enhance the reliability of the information system. With these improvements, the accounting information system can further support more accurate and efficient decision-making for the company.

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