

*Research Article*

## Strengthening the Internal Control System through the Payroll and Wage Accounting Information System

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### Abstract

This study analyzes the implementation of the payroll and wage accounting information system at Sun City Hotel and Luxury Club and evaluates whether its internal control system effectively supports payroll processes. A descriptive qualitative approach was used, with data collected through interviews and observations. The research focuses on the payroll and wage accounting information system and its related internal control elements. The findings indicate that both the accounting information system and internal control are generally adequate, ensuring the accuracy of salary and wage calculations. However, some weaknesses remain. These include the absence of payroll envelopes as formal documentation in distribution and limited involvement of the cashier division in salary and wage payments. Such shortcomings may reduce transparency and leave room for potential errors or fraud. The managerial implications emphasize the need to improve payroll distribution procedures to strengthen accountability and control. Greater involvement of the cashier division and the adoption of more formalized payroll procedures would reinforce internal control mechanisms. These improvements would not only enhance transparency but also increase employee trust and reduce risks. Overall, the study suggests that while the system is effective, targeted enhancements are necessary for stronger payroll management.

Keywords: Accounting System, Payroll, Wages, Internal Control

JEL Classification: M41, M42, M12

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## 1. Introduction

A company's primary objective is to generate profits, ensure business continuity, and foster future growth. A crucial factor in achieving these objectives is effective human resource (HR) management. HR is not only a vital asset that propels operational activities but also plays a strategic role in establishing a company's competitive advantage. Therefore, businesses must provide appropriate compensation through sufficient salaries and wages, reflecting employee contributions, competency standards, and relevant government regulations (Nathalia, 2012).

The primary goal of every company is to maximize profits, strive for growth, and ensure its survival. A company's success is primarily determined by its ability to manage its resources, particularly its human resources. A high level of expertise in the required field will enable an individual to run the company's operations effectively and according to plan. This is especially true if they possess skills that align with their competencies (Mutiar Sari & Supriati, 2024).

However, the reality on the ground shows that not all companies comply with minimum wage regulations. For example, PT Panca Puji Bangun Surabaya paid workers below the Regional Minimum Wage (UMR), ranging from Rp 680,000 to Rp 1,200,000, which is far below the government-set standard (Detiknews, 2017). This case highlights the company's weak internal oversight system regarding the fulfillment of employee rights.

To anticipate potential non-compliance and prevent irregularities, companies need an adequate internal control system in the payroll and wage cycle. An internal control system serves to maintain calculation accuracy, ensure timely payments, and protect company assets from potential fraud (Mulyadi, 2014). Furthermore, implementing a payroll accounting information system (AIS) supports the systematic, efficient, and compliant payroll payment process (Romney & Steinbart, 2014; Setyanto et al., 2024).

In the hospitality industry, payroll systems have unique characteristics. In addition to the base salary, employees are entitled to additional income in the form of a service charge, which is a portion of the service fee charged to consumers. This complexity requires an accounting information system capable of accurately recording, processing, and reporting all revenue components. Sun City Hotel and Luxury Club, as a hospitality company with a large number of employees, faces this challenge. Significant salary and wage costs require strong internal controls to achieve efficiency and minimize the risk of irregularities.

The case at this company demonstrates a lack of oversight by management. Management requires financial information to monitor and make decisions in running the company. In carrying out its duties, management requires an internal control system to support the company's payroll and wage accounting system. With reasonable internal control in the payroll and wage accounting system, employee salary and wage payment procedures will run smoothly and comply with applicable regulations. A payroll and wage accounting information system helps implement payroll and wage procedures in accordance with applicable government and company regulations, ensuring that employee salaries and wages are correctly administered.

## 2. Literature Review and Hypothesis

### System

Mulyadi (2013), in his book entitled *Accounting Systems*, states that a system is a network of procedures created according to an integrated pattern to carry out the company's main activities, while a procedure is a sequence of clerical activities, usually involving several people in one or more departments, created to ensure uniform handling of company transactions that occur repeatedly. This term is often used to describe a set of interacting entities, for which a mathematical model can be created. There are many opinions about the meaning and definition of a system, as explained by several experts. The following is the definition of a system, as understood by several experts (P. A. I. Rachman & Fitri, 2023).

**Information**

Information is inseparable from data; it is data that has been processed into a form meaningful to the recipient and helpful in making current or future decisions. The basis of information is data; errors in collecting or entering data, as well as errors in processing data, will cause errors in providing quality information (Angraini & Rahayu, 2025)(Wahyuni, 2012). From the statement above, information is data that has been processed to become something that reflects the actual situation (accurate) and must be available and can be used promptly.

**Accountancy**

Romney and Steinbart (2014) state that accounting is a data identification, collection, and storage process as well as an information, measurement, and communication process. Sujarweni (2015) accounting is a process of transactions evidenced by invoices, which are then recorded in journals and ledgers, resulting in balance sheets. These balance sheets produce information in the form of financial reports, which specific parties use to inform their decisions. Based on the above definition, accounting is the process of identifying, measuring, and recording an organization's economic events to inform decisions and make informed decisions for its users (Rachman & Asaari, 2025).

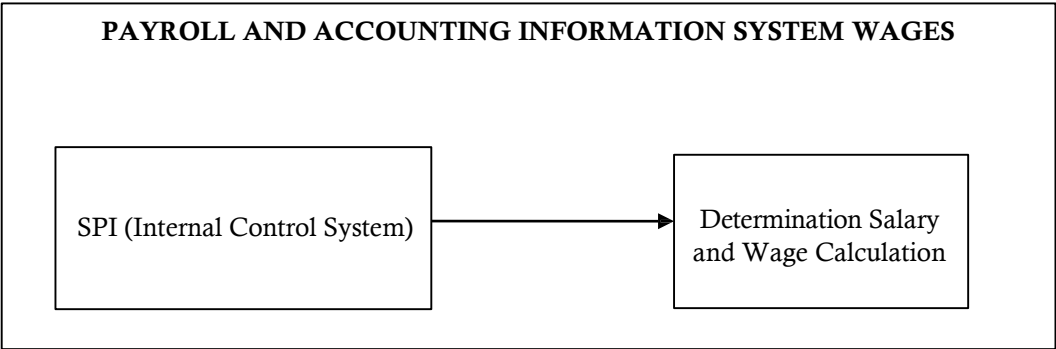
**Information Systems**

An information system is a collection of hardware, software, brainware, procedures, and/or rules that are organized integrally to process data into helpful information for problem-solving and decision-making (Widiasalwa et al., 2024). An information system is a unified, integrated, and complementary process that produces output, whether in the form of images, sounds, or writing (Astuti, 2012). From the definition above, an information system is a unified, integrated, and complementary process that processes data into helpful information for its users to support decision-making.

**Internal Control System**

Mulyadi (2014) states that an internal control system includes various organizational structures, methods, and measures that are coordinated to safeguard organizational assets, check the accuracy and reliability of accounting data, promote efficiency, and encourage compliance with management policies. According to Sujarweni (2015), an internal control system is a mechanism established to ensure security for elements within a company.

**Research Conceptual Framework**



**Figure 1. Research Concept Framework**

**3. Data and Method**

**Types and Methods of Research**

This research employed a case study method, which involves collecting data through fieldwork based on the actual conditions of the research object at the time of the study. This study utilized primary data sources. This method enabled researchers to gather information directly at the Sun City Hotel and Luxury Club.

#### 4. Results

##### Separation of Payroll and Wage Organization Functions

**Table 1. Separation of Payroll and Wage Organizational Functions**

No.	Question	Total Answers		Total questions
		Yes	No	
1.	Organizational Separation Function	55	0	5
2.	Authorization System	88	0	8
3.	Recording Procedure	33	0	3
4.	Healthy Practices	74	3	7
<b>Total</b>		<b>250</b>	<b>3</b>	<b>23</b>
<b>Presentation</b>		<b>98%</b>	<b>2%</b>	

Source: Processed Data (2018)

Based on the research results above, the elements of internal control are considered good, as the function of creating the payroll and wages list is not separate from the function of paying salaries and wages. The function of recording attendance, previously handled by the payroll department, has been separated from its operational responsibilities. The authorization system implemented by Sun City Hotel and Luxury Club is running effectively because every name on the payroll and wages list has been informed in detail.

**Table 2. Percentage of Questionnaires for the Sun City Hotel and Luxury Club Payroll and Wage Accounting Information System**

No.	Question	Total Answers		Total Questions
		Yes	No	
1.	Related Functions	55	11	6
2.	Documents Used	77	11	8
3.	Accounting Records Used	33	0	3
4.	Procedure Network	55	0	5
<b>Total</b>		<b>220</b>	<b>22</b>	<b>22</b>
<b>Presentation</b>		<b>90%</b>	<b>10%</b>	

From the description of the research results above, the functions related to payroll and wages at Sun City Hotel and Luxury Club are personnel functions, time recording functions, salary and wage list making functions, financial functions, and accounting functions.

#### 5. Discussion

##### Analysis of Internal Control Elements of Payroll and Wage Systems

Based on the research results, the elements of internal control at Sun City Hotel and Luxury Club have been running well. This is evident from the separation of functions, document authorization, and effective recording procedures. The payroll and wage register function is not combined with the payment function, while the attendance recording function is separated from the operational function, thereby reducing the risk of fraud. The authorization system is also running effectively because every employee listed on the payroll has a valid appointment document signed by the director.

Salary and wage changes, based on the director's decisions, are forwarded to the finance department, as well as salary deductions authorized by the personnel department, which demonstrate the existence of strict controls. Furthermore, the relevant authorities have authorized time cards and overtime orders, and payroll registers and cash disbursements have been validated in accordance with established procedures. Recording procedures also support adequate controls through reconciliation, verification of wage rates, and attendance monitoring.

Analysis based on the results of the Internal Control System of Payroll and Wages of Sun City Hotel and Luxury Club in Table 1 obtained a questionnaire percentage of 98% and in the Accounting Information System of Payroll and Wages of Sun City Hotel and Luxury Club in Table 2 obtained a percentage of 90%. Table 1 explains that the internal control system at Sun City Hotel and Luxury Club is very adequate, and the payroll and wage information system in Table 4.14 shows that this system is also very appropriate with the procedures that should be followed by Sun City Hotel and Luxury Club.

This demonstrates that a robust internal control system for payroll and wages will have a significant impact on the payroll and wages accounting information system. This will significantly support the determination of employee salary and wage calculations at Sun City Hotel and Luxury Club.

## 6. Conclusion

Drawing from the discussions in the preceding chapters, it can be concluded that the internal control system for payroll and wages at Sun City Hotel and Luxury Club is operating effectively. This effectiveness is attributed to the implementation of fundamental control elements including the separation of functions, authorization processes, recording procedures, and robust practices. Additionally, the payroll and wages accounting information system has demonstrated its capability to facilitate accurate salary and wage calculations in accordance with established procedures, thereby enhancing reliability, accuracy, and transparency in the management of payroll and wages within the organization.

## Managerial Implications

The management of Sun City Hotel and Luxury Club must uphold its strong internal control system through regular evaluations. This includes implementing digital payslips to enhance transparency, incorporating the cashier function as an additional control, and ensuring that all employees are compensated in alignment with the minimum wage. These measures are essential for enhancing accuracy, accountability, and employee trust, all while supporting the company's sustainability.

## Recommendation(If any)

Based on the conclusions obtained, it is recommended that Sun City Hotel and Luxury Club continue to use pay slips in envelopes even though payments are made via bank transfer to maintain the confidentiality of employee income details. In addition, the cashier section should remain involved as an additional control function to ensure payment accuracy and prevent potential misappropriation. The company also needs to pay more attention to the welfare of daily worker employees by considering wage increases or transparency in profit sharing, to improve work motivation and the quality of human resources in the company.

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