

Design and Internal Control of Consulting Company Project Activities

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Abstract

In today's highly competitive market, efficiency and effectiveness are essential for a service business. Processes in the organization must be planned and controlled, which is why management must do both. Therefore, the purpose of this study is to describe and recommend improvements to the internal control system in a consulting firm. This study uses a qualitative methodology that includes an in-depth review of one of the leading IT service providers in Indonesia. Budget planning and reallocation for projects are two areas where the top management approval process does not meet adequate internal controls. This consulting company can use Application Systems and Products in data processing (SAP) to integrate their internal activity processes, as a result of the proposed improvements from this research. Due to their status as SAP consultants, the company's costs will be lower than the cost of developing a new system.

Keywords

design; internal control;
project; consulting company



I. Introduction

To be able to compete in today's increasingly competitive business environment, companies must focus on the efficiency and effectiveness of their business processes. In today's competitive business environment, service companies must ensure that their business processes are efficient and effective to remain relevant. According to (Romney, 2020), an organization's business processes are a series of interrelated tasks that are performed by a person, computer, or machine and contribute to the achievement of certain organizational goals. As a result of this definition, it can be concluded that business processes are based on a series of effective and efficient business activities. To keep pace with today's dynamic business landscape.

One of the companies engaged in services is an information technology consulting company. Information technology consulting services firms divide their work into a series of projects. The sales team must develop a strategy and budget before bidding. The estimated price to be offered to the customer or client and the estimated profit percentage (margin) for each project, are both based on an effective project budgeting system. This is necessary to ensure proper use of budget and effectiveness of project activities after obtaining funding for the initiative. Since some companies have weak systems of internal control, employees may have the ability to commit fraud that can harm the company. Internal controls and standards set by the company can be used to ensure optimal company performance (Putri & Endiana, 2020).

PT XYZ is an information technology consulting company, which sells manpower (professionalism) and time to provide expert services in the field of Information and Technology (IT). An IT consulting service company is one of the companies that have a need to streamline and streamline business processes and have an automated company

system. PT XYZ has had several projects in various cities in Indonesia and has used internal systems to store data and support its business project activities. However, PT XYZ's internal system still has a number of weaknesses, including some business processes that have not been integrated with the company's core system as well as business processes for reallocation and budget additions which are still done manually.

Based on the results of observations and interviews during the study, researchers found that there was a risk in PT XYZ's control system. One of them is in the current budgeting activity, namely before the PMO released the budget, there was no budget approval by the vice president or the budget controller. In long-term program planning, a budget is a planning tool used to make decisions about spending in both short-term and long-term time intervals (Firmansyah, 2019). Therefore, company management prepares a budget for a year or a period, the goal is to use the budgeted resources to bring the company to a certain goal.

According to (Hakimah, 2021), the company must take proactive steps to implement the budget objectives and that the budget is communicated to all members of the organization or company as a goal that must be achieved by all members of the organization or company. An effective budget helps organizational members better understand the company's goals and the relationships among its various components, both of which are critical to its overall success (Maulani, 2021). The researcher considers that the project budgeting system can also pose risks in the internal control system. Internal control of every business activity needs to be analyzed to develop a more effective and efficient system

According to Simkin, Rose, and Norman, internal control refers to the policies, plans, and procedures implemented by an organization's management to protect its assets, to ensure the accuracy and completeness of its financial information, and to meet its business objectives (Simkin, Mark G.; Rose, Jacob M. .; Norman, 2011). The Project Manager and management determine the budget plan, project team member duties, and responsibilities, and the project schedule to understand the client's needs, identify the best solution, and create a formal project plan for each project activity to be executed (Ying et al., 2021). Estimates made by project managers and management are not always accurate considering the actual situation that arose during the project. If the estimates do not match the project objectives, the risk must be accepted. Therefore, company management needs to streamline and streamline business processes, as well as integrate the company's internal activities, especially in manufacturing companies. Previous studies have focused more on internal control in manufacturing companies (Padriyansyah & Pratiwi, 2021), but few studies have described internal control in service companies. This study will present research that focuses more on consulting service companies by discussing the process of project activities. . In this study, researchers will describe the current flow of business activities and provide suggestions for improving PT XYZ's internal control.

II. Research Method

Qualitative research is the approach used in this study. PT XYZ, one of the leading IT service providers in Indonesia, is the focus of this investigation. To obtain the most accurate information, this study uses primary data obtained by conducting interviews, and secondary data is used as a trial of the proposed system. PT XYZ's internal control system is the focus of this research, which aims to identify and assess potential problems.

III. Results and Discussion

3.1 Results

In PT XYZ's business process, which starts from project acquisition until the project is completed, it involves several parties involved in this business activity. This includes directors, vice presidents, presales, sales, budget controllers, accounting and finance headquarters, operational project managers (PMOs), project managers, consultants, and project admins. In the project budgeting process, the project manager needs quick approval to keep the project going. Often in this phase, the details of these expenditures are not reported and detailed in the system and are done manually. The implementation project is the next step in the business process. Some project budgeting business processes, such as those involving top-level management approval for budget planning or processes involving top-level management approval for budget changes, are still done manually and reportedly not yet connected to PT XYZ's internal system. Based on the research results, this is still ongoing during the middle of project implementation.

The final phase of project activities is the support phase. The researcher considers that although the company's internal systems have been well maintained in terms of budget control, such as the ability to track activities and actual budget usage, there is still room for improvement to achieve more optimal company performance results.

3.2 Discussion

In this section, we will describe the current flow of business activities and provide suggestions for improving PT XYZ's internal control.

1. Prepare Project Submission Proposal

The first step for PT XYZ to get a client is to make a proposal that will be submitted to the client. Sales and pre-sales teams are responsible for this stage. Sales and pre-sales teams collaborate to develop project opportunities that include pricing details and information technology solutions in the form of proposed modules that clients can use to adapt to client business activities, streamline and streamline client business processes, support business strategies, and integrate systems. The following is a business process diagram for the tender proposal design:

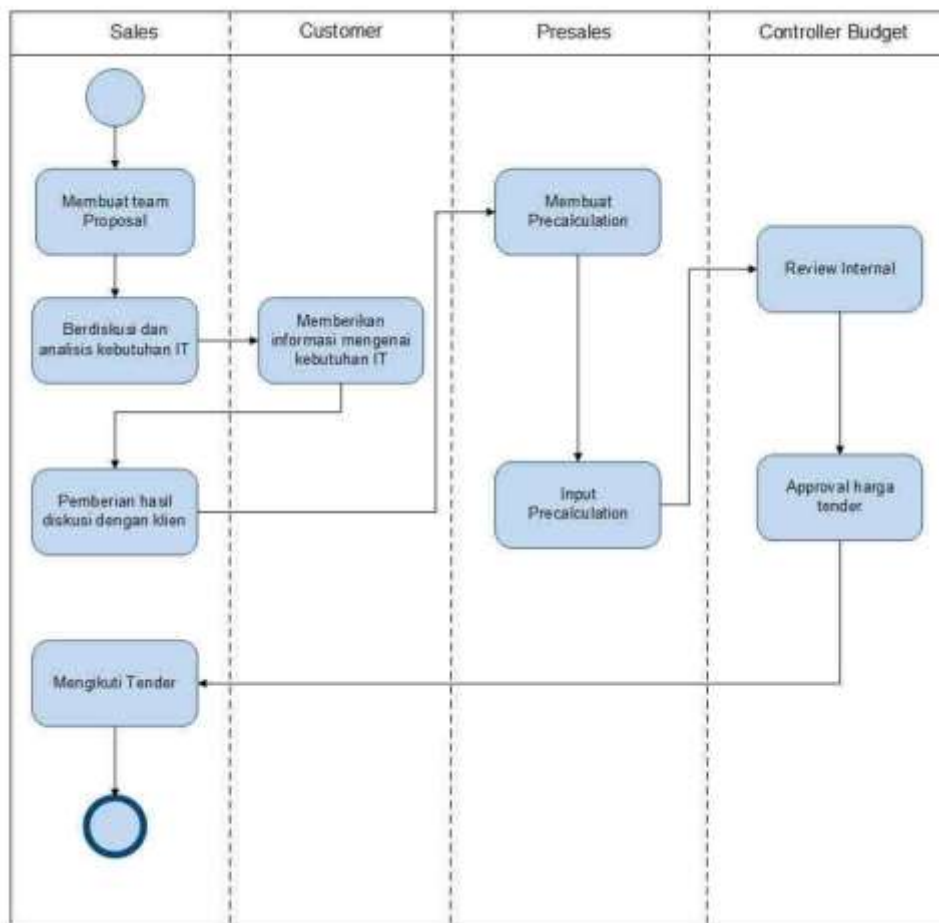


Figure 1. Business Process Diagram: Tender Proposal Design Process

Source: Data processed by researchers, 2021

PT XYZ's first step in acquiring a client is to make a proposal that will be presented to potential customers. Sales and pre-sales teams are in charge of this phase. Sales and presales work together to generate project opportunities. Before designing an IT solution, sales and pre-sales representatives from each division will visit the customer to collect the necessary data. In a business setting, PT XYZ currently does not specify the costs incurred in planning proposals and tenders when making proposals and tenders. As a result, the system does not report and detail these costs in detail. Based on the proposed system, this system has a controlling module. *The Controlling module* which can be abbreviated as CO is one of the Finance sub-modules in the system that can use the *System Application and Product in data processing* (SAP) which can be used to cover the cost accounting process at PT XYZ effectively.

Based on the findings of these risks, this research proposes improvements to the implementation project's business processes. The following is *a business process diagram* in the implementation project's business process as follows:

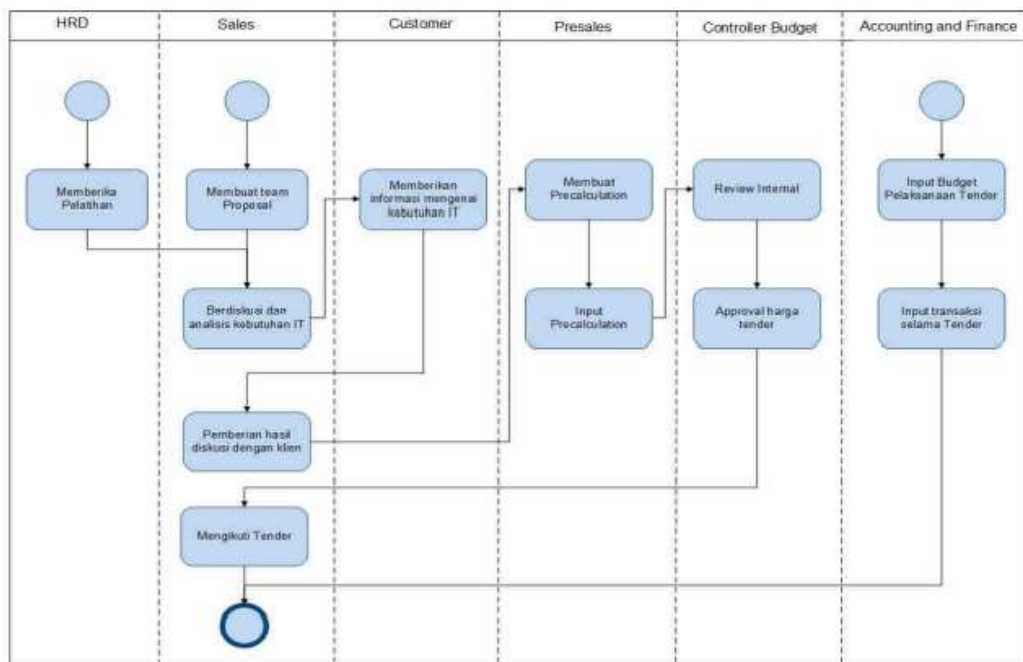


Figure 2. Business Process Diagram: Tender Proposal Design Proposal
Source: Data processed by researchers, 2021

2. Tender

Tender is one of the facilities for service companies to offer prices and facilities for services to be provided to prospective clients (Hilmy, 2020). Several service providers from the same industry compete in these tenders to provide the best and most affordable offers to potential clients. The sales and pre-sales division will be responsible for the tender stage of the procurement process. The following is a diagram of the tender process from a business perspective:

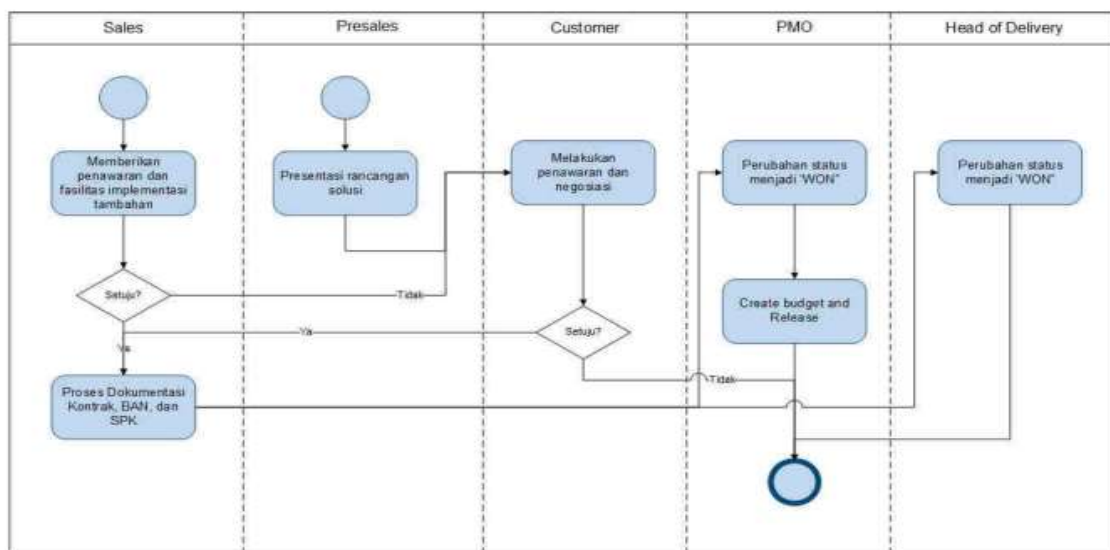


Figure 3. Business Process Diagram: Tender Process
Source: Data processed by researchers, 2021

Based on the results of observations and interviews during the research, there is a risk in PT XYZ's control system, namely that there is no *budget approval* made by *the vice president* or *controller budget*. Based on the findings of these risks, this research proposes improvements to the implementation project's business processes. The following is a business process diagram and flowchart regarding the details of the proposed business process improvement for the implementation project as follows:

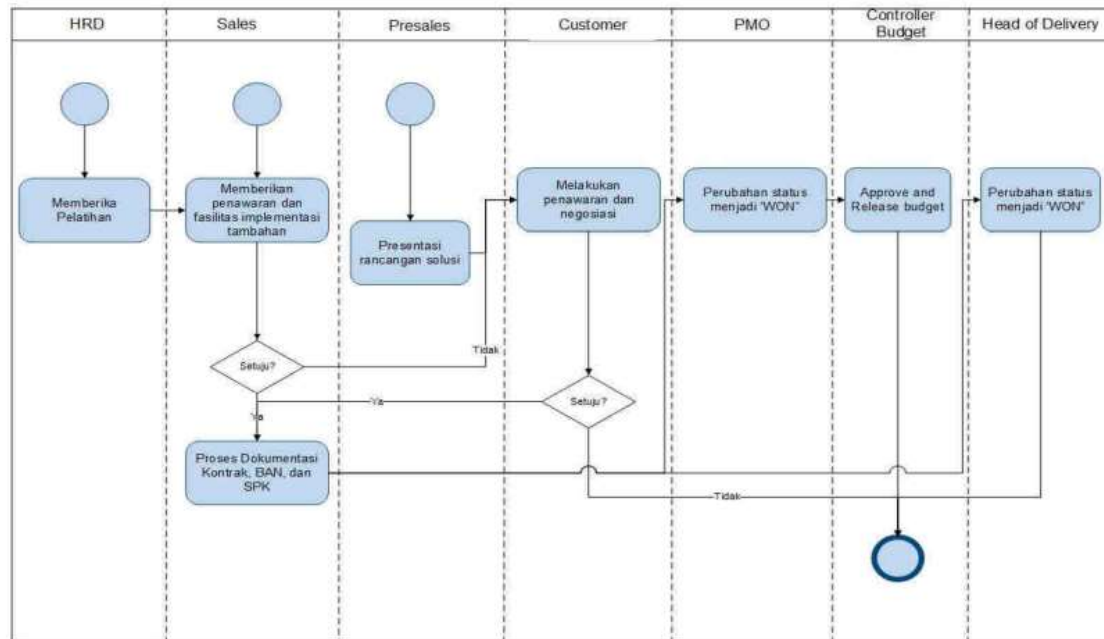


Figure 4. Business Process Diagram: Proposed Tender Process

Source: Data processed by researchers, 2021

Participating in the tender is one of PT XYZ's pre-sales activities to get the project. The SAP system has a sales and distribution module, which can describe business processes when conducting tenders, according to the proposed system. This tender activity is referred to as a sales inquiry in the sales and distribution module because it includes business activities such as identifying clients, recording tender values, the timing of tenders, and status of tenders. After the tender is declared the winner, the next step is to prepare the project and budget.

3. Project Implementation

This stage is carried out by *the delivery team*. Each project consists of a *project manager*, *consultant*, and *project admin*. The project team will be at the client's location to make it easier for the team to carry out discussions and carry out implementation. In monitoring the activities of the project team, the company has a *timesheet system*. This system will monitor activities and calculate the breakdown of transportation costs and incentives for each person on the project team. The following is a business process diagram of the project implementation business process:

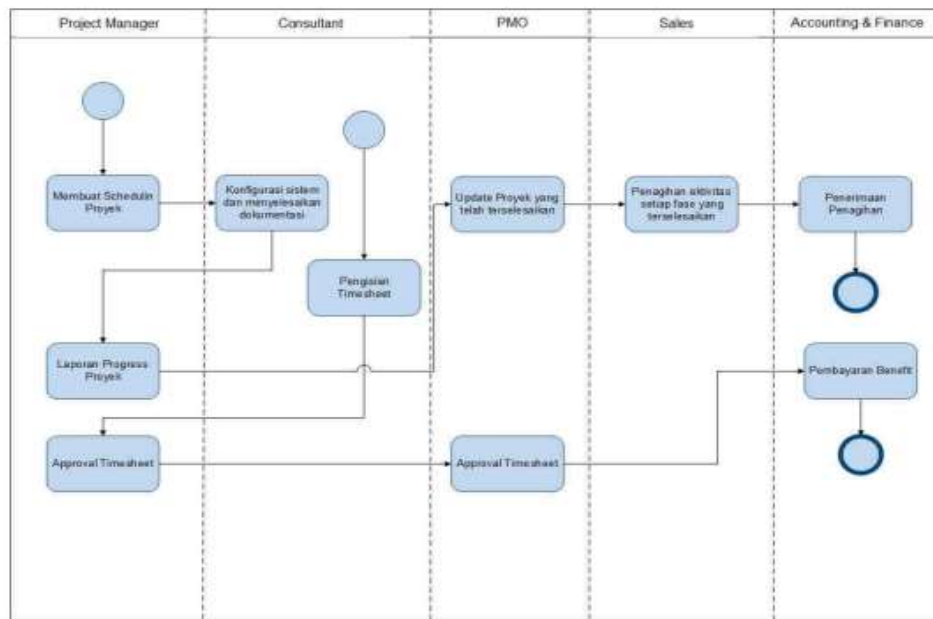


Figure 5. Business Process Diagram: Project Implementation Process
Source: Data processed by researchers, 2021

In the implementation phase, the project team went through 5 implementation phases. Explanation of the 5 phases as follows: plan the project, develop the business blueprint, execute the plan, complete the final preparation and go live & support

Based on the findings of these weaknesses, this study makes recommendations to improve the business processes of the implementation project. The following is a business process diagram and flowchart detailing the proposed business process improvements for the implementation project:

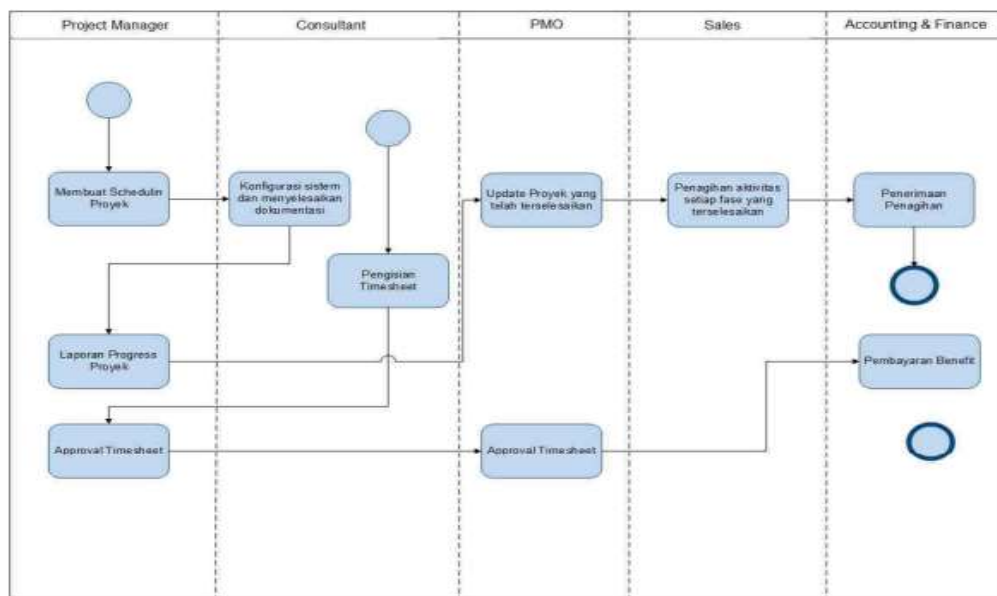


Figure 6. Business Process Diagram: Proposed Project Implementation Process
Source: Data processed by researchers, 2021

In its implementation, there are often changes to the budget that was originally designed. This is due to the need for modifications to carry out project implementation activities. Changes (revisions) of budget details must be proposed by the project manager (PM) to Project Management Operations (PMO). The process for submitting changes to the project budget must be approved by several levels of management. Submission of budget revisions is done via email. The business reallocation project budget process diagram is as follows:

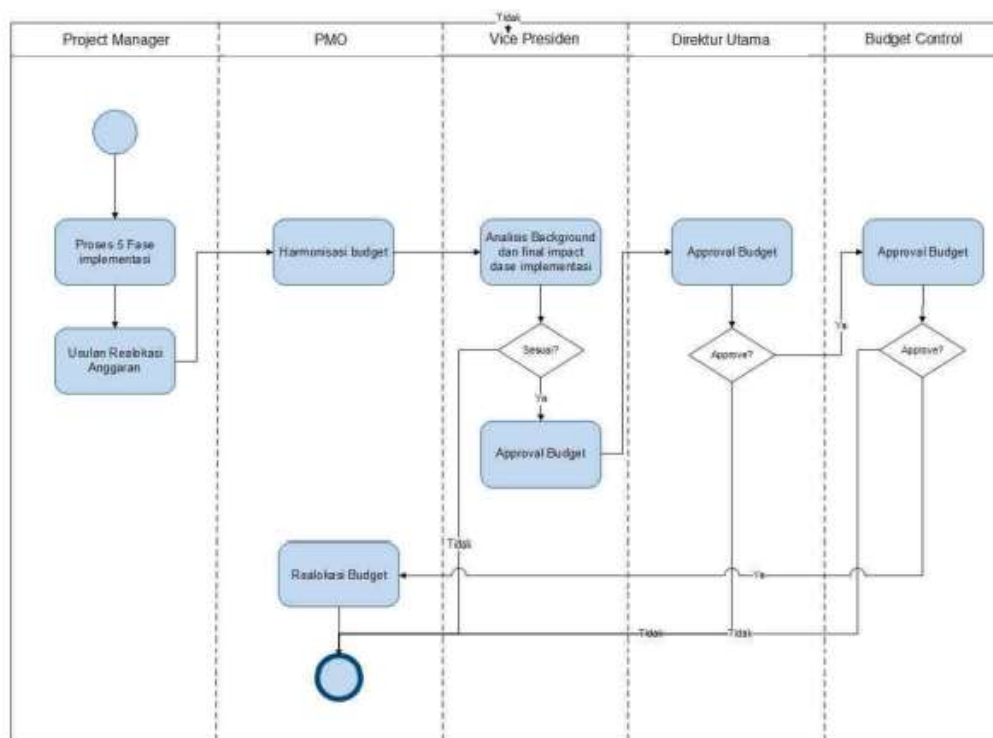


Figure 7. Business Process Diagram: Business reallocation project budget

Source: Data processed by researchers, 2021

The project Manager (PM) must submit the budget changes to the PMO. Then the PMO will review whether the line budget is sufficient to be transferred to the line budget that needs to be added according to the *Project Manager's submission*. If sufficient, the form for submitting a change in the composition of the budget is given to the vice president. The proposed budget changes will be reviewed by the vice president. After approving the proposed budget change report, the company president can proceed with the project. With changes in project costs, there is a change in cash flow, which will be seen by the project director and budget controller. The controlling budget informs the PMO that budget changes can be made when the changes do not have a significant impact on the project's cash flows. In addition, the PMO will change the line budget and notify the PM.

Based on the findings of these weaknesses, this study proposes improvements to the business process implementation project. The following is a business process diagram and flowchart regarding the details of the implementation project process improvement proposal as follows:

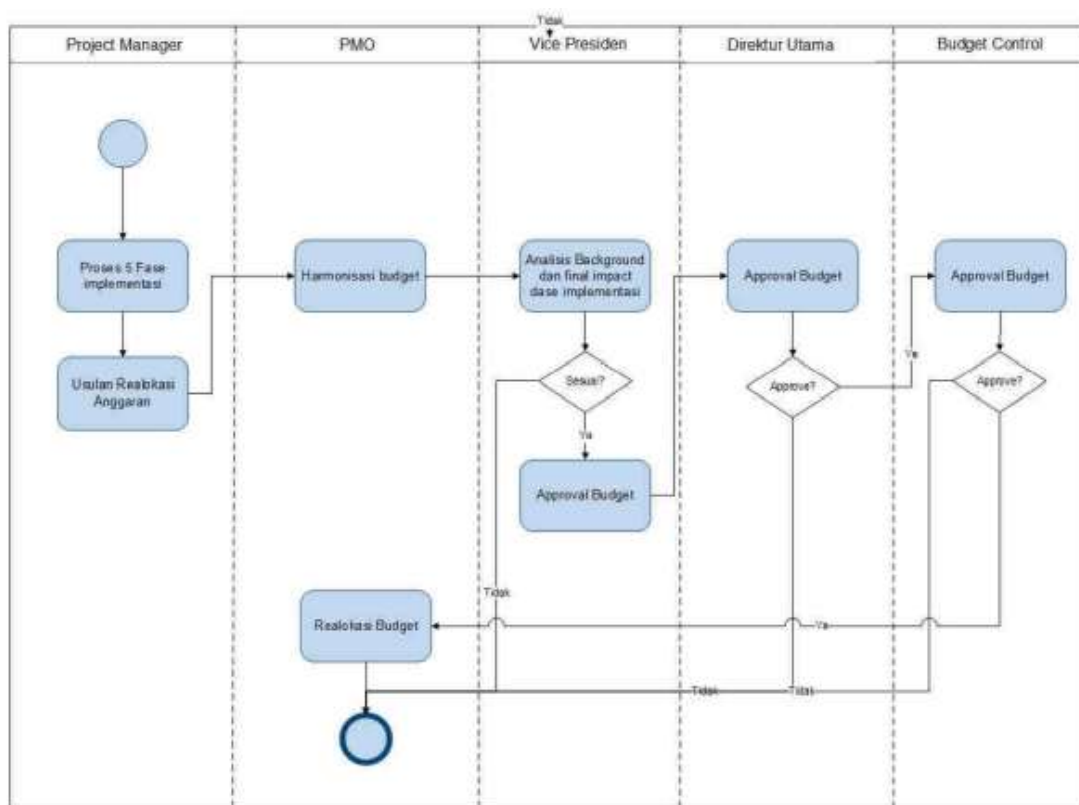


Figure 8. Business Process Diagram: Proposed Project Budget Reallocation Process
Source: Data processed by researchers, 2021

4. Support

The fourth stage in PT XYZ's business process is to perform maintenance on the use of the system after the implementation is complete. The following is a business process diagram when transferring project implementation responsibility to the support team:

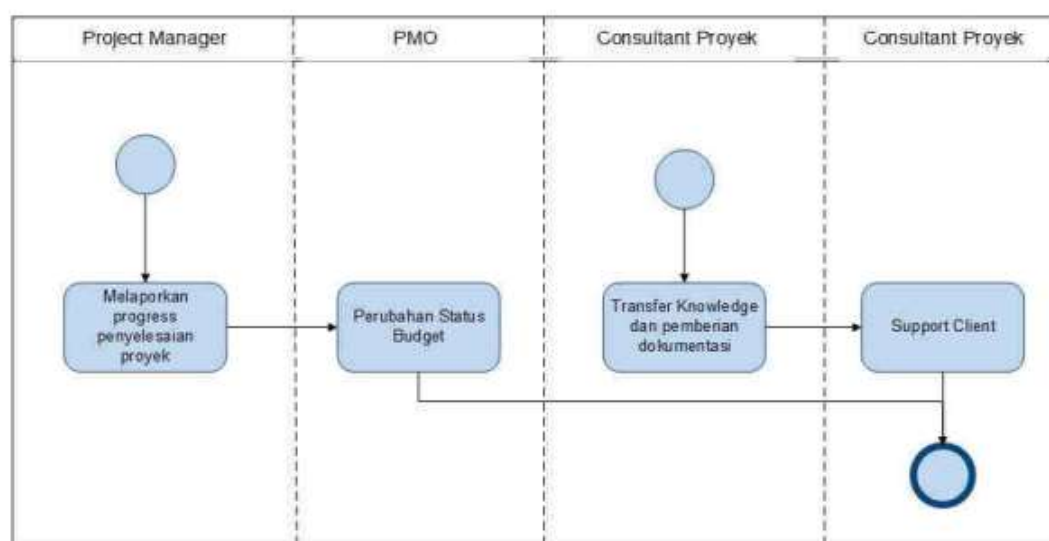


Figure 9. Business Process Diagram: Process Support
Source: Data processed by researchers, 2021

Based on the findings of these weaknesses, this study proposes improvements to the business process implementation project. The following is a business process diagram and flowchart regarding the details of the proposed business process improvement for the implementation project as follows:

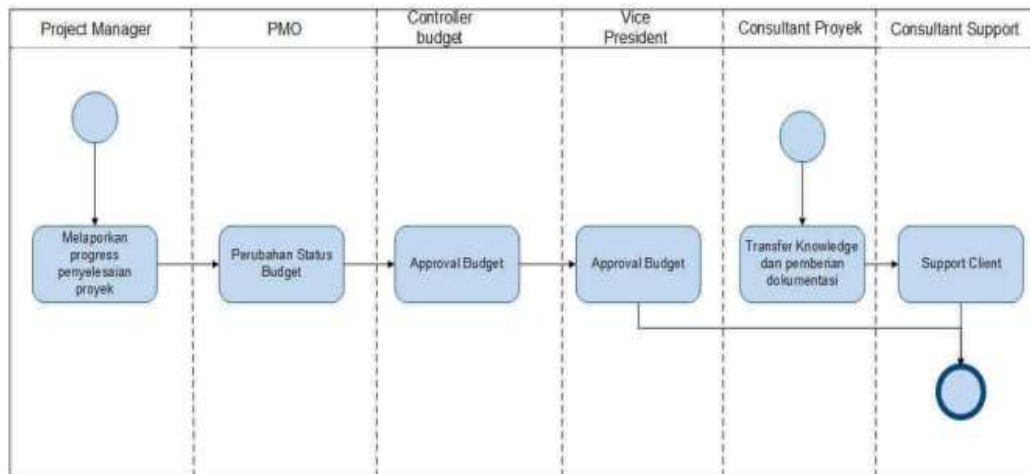


Figure 10. Business Process Diagram: Proposed Support Process

Source: Data processed by researchers, 2021

IV. Conclusion

Based on the research results, there are several weaknesses in internal control in business processes during top management approval for project budget planning and top management approval processes during project budget reallocation. The two processes are still carried out manually so that it has an impact on the budget planning approval process and budget revision which has a fairly long timeline. Based on the proposed improvements resulting from this research, it is concluded that PT XYZ can use System Application and Product in data processing (SAP) to integrate their internal activity processes. Because they are SAP consultants, the costs that will be incurred by PT XYZ are cheaper than creating a new system. The process of using the proposed information system is not seen completely, this is because the discussion in this study only discusses the core activities of PT XYZ, namely business processes when carrying out implementation projects. In subsequent research, this can be refined to complete the discussion of all consulting services business activities.

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