THE EVALUATION OF INTERNAL CONTROL OVER RAW MATERIALS PURCHASING PROCESS AND PRODUCTION PROCESS IN PT. PRATAMA BAHANA LESTARI

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Abstract

Objectives This thesis intended to assess the internal control over raw materials and production process in PT. Pratama Bahana Lestari by using COSO Internal Control over Financial Reporting-Guidance for Smaller Public Companies. Additionally, it offers recommendations for improving company’s current internal control.

Method The methods used in this study is by having comprehensive analysis in company’s current raw materials purchasing and production process. It is performed through field research by interviewing related personnel, direct observation to the main office and factory, check lists questionnaires as well as through library research from literatures, books, journals, and website that are relevant to the topic.

Results The result of the study found some weakness in PT. Pratama Bahana Lestari’s current internal control over raw materials and production process. There is an inadequate written documentation, printed pre-numbered documents are not used, improper segregation of duties between the one who manage the production with the one who responsible for inventory custody, and the absence of blind copy of purchase order.

Conclusion In order to improve the overall company’s performances, it is essential to consider the importance of internal control as it may help the company in achieving its goals and objectives. It is recommended for the company to begin with establishing objectives, assess its business risks, and maintaining proper control activities.

Key words internal control, small company, COSO framework, purchasing, and production.