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Internal Audit Enhances Internal Control Over Cash Receipts Within F&B Distribution

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ABSTRACT

This study investigates the significant influence of internal audit on the internal control of cash receipts, highlighting its crucial role in enhancing company development. Effective internal control over cash not only boosts the company's growth but also minimizes the chances of errors and fraud. The primary objective is to understand how internal audits function, the current state of internal cash receipt controls, and the impact of internal audits on these controls. Utilizing a descriptive quantitative approach, the research collects data through questionnaires distributed to thirty individuals. The statistical methods employed include correlation analysis, simple linear regression, and coefficient of determination analysis, following validity and reliability testing of the data. Findings indicate that both internal audit and sales internal control possess fairly good average values. The simple linear regression shows that internal audit does indeed affect internal control. It reveals that internal audit significantly contributes to the effectiveness of cash receipt control, while a portion remains influenced by factors like underutilized human resources and incomplete procedures. The novelty of this research lies in its specific focus on the food and beverage distribution sector, revealing how targeted internal audits can systematically enhance cash receipt controls unique to this industry. The implications suggest that strengthening internal audit practices could lead to substantial improvements in cash management and overall organizational efficiency.

Keywords: Internal Audit, Internal control, Cash Receipts, Organizational Efficiency.

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INTRODUCTION

Cash receipts are crucial for a company's survival, as higher cash inflows enhance its ability to cover expenses and carry out activities. According to Statement of Financial Accounting Standards No. 2, cash serves as a ready means for funding general company activities. As companies grow larger, they face increasingly complex challenges, notably the constraints on leadership's ability to oversee all activities directly. With expansion, it becomes impractical for leaders to monitor everything personally. Hence, companies must develop effective and efficient human resources to assist in reaching their goals.

Internal auditing plays a crucial role in organizations as it is a systematic examination of records, procedures, and operations. Its primary purpose is to enhance both efficiency and effectiveness within a company. When audits are properly conducted, they help safeguard company assets and serve to prevent and identify mistakes or fraud that could lead to significant losses.

In particular, cash management is a critical area for internal audits. This is where the internal audit process becomes essential to ensure that cash control mechanisms are properly followed according to established procedures. An effective internal audit function operates independently, which supports management in fulfilling its responsibilities more effectively. Research by Shuwaili et al. (2024) and Wan Ali et al. (2025) highlights the importance of internal audits in enhancing governance and operational integrity, emphasizing how robust audit practices are fundamental to maintaining organizational health and security.

The state of the art regarding internal audits emphasizes their critical role in enhancing organizational effectiveness and efficiency. Previous research highlights that internal audits are essential for safeguarding company assets and preventing errors or fraud. However, the literature mainly focuses on general audit practices without sufficiently addressing specific areas, such as cash management, which is particularly vulnerable and critical for operational efficiency.

Far from being a passive set of rules, internal control actively shapes how a company performs. Research by Odunko (2022) demonstrates a direct, positive link between effective internal control mechanisms and overall firm performance. When management enforces strict control protocols, the company optimizes its resource allocation and minimizes operational

waste. This structured environment creates a reliable pathway for organizations to hit their financial targets and maintain a competitive edge in the market.

Within the broader scope of internal controls, cash control stands out as a critical defense mechanism. Cash represents the most liquid and vulnerable asset in any business. Without tight control measures, a company exposes itself to leakage, misappropriation, and human error. Effective cash control processes—such as separating duties, enforcing daily reconciliations, and securing cash receipts—actively protect the company's vital lifeline.

Furthermore, efficient cash control mirrors the precision required in inventory management. Just as Putra et al. (2023) highlight that strict information control prevents discrepancies and optimizes stock levels in garment supply chains, robust cash controls provide management with real-time, accurate visibility over cash flows. This precise tracking prevents shortages, stops unauthorized transactions, and ensures that the company always has the liquidity required to fund its daily operations.

To keep these controls functioning sharply, the internal audit function acts as a critical evaluator. Faiteh and Aasri (2022) emphasize that internal auditing goes beyond mere compliance checking; it actively adds value to the organization. By continuously reviewing and testing internal and cash controls, internal auditors identify systemic weaknesses before they turn into costly financial crises. This proactive oversight strengthens the control environment, reassures stakeholders, and directly enhances the company's long-term sustainability.

Existing literature highlights the importance of internal audit frameworks in improving organizational efficiency and safeguarding assets. For instance, studies have provided models for effective internal audits in various sectors, indicating a need for a comprehensive understanding of how these practices apply specifically to cash management (Shuwaili et al., 2024; Wan Ali et al.,2025). However, gaps remain in applied research directly focusing on the interplay between internal audits and cash management in specific organizational contexts, particularly at a food and beverage distribution company. This study aims to address these gaps by providing insights tailored to the company's unique operational challenges.

Moreover, existing studies often lack a deep examination of the practical implementation of internal audit functions across various industries and how these functions can adapt to evolving company needs. There is also limited research on the impact of internal audits on specific financial controls and the effectiveness of these audits in diverse organizational contexts. Thus, a significant gap remains in understanding how internal audits can be optimized for cash control

and other specific operational areas within companies. Future research should aim to explore tailored internal audit practices that can enhance cash management and other critical processes, providing more comprehensive insights into their effectiveness in various organizational settings.

The formulation of the research problem examines several key aspects related to internal audits and cash control at a food and beverage distribution company. First, it seeks to understand the nature of the internal audit processes implemented within the company. Second, it investigates the effectiveness of internal controls concerning cash receipts. Lastly, it aims to quantify the impact of internal audits on these cash control measures.

METHOD

The research method employed in this study is a descriptive quantitative approach, aimed at providing an objective overview of the situation being investigated through the collection and analysis of numerical data. The research object consists of employees from a food and beverage distribution company, with a total population of thirty individuals. Data collection occurs through two primary methods: field research and library research. Field research includes interviews to gather information from respondents, observations to examine real conditions, and the distribution of questionnaires designed to collect relevant data about the variables under study. The questionnaires utilize a five-point Likert scale to gauge respondents' opinions.

Library research involves gathering data from literature related to the research topic to support analysis and contextual understanding. To ensure data quality, the study conducts validity and reliability tests on the questionnaires to confirm that the collected data is accurate and consistent.

The data analysis technique applied is quantitative analysis, utilizing Statistical Product and Service Solutions (SPSS) software, which facilitates statistical data analysis. In this research, the results are analyzed using path analysis to understand the relationships between variables, with independent variables (X) influencing dependent variables (Y). The independent variables encompass aspects of internal audit, while the dependent variables relate to cash receipt internal control. This approach aims to provide deeper insights into how internal audits affect cash control within the company.

The data analysis methods used in this research are descriptive and verificative analysis. Descriptive analysis focuses on summarizing and interpreting the data to provide an overview of the research variables, while verificative analysis tests the relationships and effects among these variables.

For hypothesis testing, it is essential to determine whether there is a significant influence between the variables previously described. The hypothesis to be tested centers on assessing the presence or absence of this effect. The null hypothesis (Ho) will be either accepted or rejected based on the calculation results, while the alternative hypothesis (Ha) serves as the counterpart.

If the null hypothesis (Ho) is accepted, it indicates that there is no significant relationship, thereby leading to the rejection of the alternative hypothesis (Ha). Conversely, if Ho is rejected, it supports the alternative hypothesis (Ha), showing that a significant effect exists among the variables in question. This structured approach ensures a rigorous examination of the relationships within the data.

Simple regression analysis will also be employed to further explore the relationships between these variables, providing deeper insights into the effects and interactions within the data. This method allows for the assessment of complex variable relationships, aiding in a nuanced understanding of the factors at play in the research context.

RESULTS and DISCUSSION

To assess the impact of internal audits on cash receipt internal controls at a food and beverage distribution company, data was collected through the distribution of 30 questionnaires to employees. The results from these questionnaires underwent validity and reliability testing, which confirmed that the data met the established criteria and was suitable for further analysis. Using these instruments, the quality of the data was deemed adequate due to successful tests for both validity and reliability. Validity ensures that the questionnaire accurately measures what it intends to assess, while reliability guarantees that the results can be consistently reproduced. These steps are essential in affirming the credibility of the data collected and ensure that the subsequent analyses will yield meaningful and relevant insights into the relationship between internal audits and cash control mechanisms within the company.

Table 1. Validity and Reliability Result

Item	Internal Control (X)	Internal Control Cash Receives (Y)
Itm.1	0,695	0,351
Itm.2	0,763	0,392
Itm.3	0,695	0,442
Itm.4	0,649	0,415
Itm.5	0,520	0,580
Itm.6	0,599	0,706
Itm.7	0,649	0,513
Itm.8	0,327	0,544
Itm.9	0,363	0,344
Itm.10	0,649	0,445
Itm.11	0,385	0,347
Itm.12	0,345	0,301
Itm.13	0,599	0,441
Itm.14	0,605	0,521
Itm.15	0,695	0,785
Reliability	0,889	0,843

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Based on the validity table, the statements in the internal audit instrument consist of 15 items. All items were tested and met the required criteria, each scoring greater than 0.3. This indicates that every item is valid and accurately reflects the intended construct.

For reliability, the results from the calculation of the 15 items showed coefficients of 0.889 and 0.843. These values are significantly higher than the threshold of 0.7, meaning that the overall questionnaire measuring internal audit quality is deemed reliable. An instrument is regarded as reliable when its coefficient is positive and exceeds 0.7, confirming consistency in the responses. These findings ensure that the data collected from the questionnaires is both valid and reliable, reinforcing the trustworthiness of the research outcomes. The results from the data quality tests show that the Internal Audit variable (X1) scores range from 0.327 to 0.763, while the Internal Control Cash Receives variable (Y) scores range from 0.301 to 0.785. Since these scores exceed the minimum threshold of 0.300, we can confirm that both variables meet the validity criteria.

For reliability testing, we found that the coefficient for Internal Audit is 0.889, and for Internal Control Cash Receives, it is 0.843. Because both values are greater than 0.700, we classify all variables as reliable. In summary, the instruments used for each variable in this research are reliable and effective. This finding indicates that if we use these instruments repeatedly, they will consistently yield similar results, demonstrating a high level of stability.

The analysis of the data indicates a strong positive relationship between internal audits (X) and internal control over cash receipts (Y), with a correlation coefficient of 0.870. This high value suggests that as the effectiveness of the internal audit increases, so does the effectiveness of the internal controls related to cash receipts. This finding underscores the importance of conducting thorough internal audits, as they play a significant role in enhancing the overall integrity and reliability of cash management practices within the organization. The positive correlation also implies that improvements in audit processes could lead to better internal control outcomes, ultimately contributing to the company's operational efficiency and risk management.

Tamble. 2 Simple Linear Regression and Determination Results

Result		Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	9,654	3,272	2,951	0,006
	AUDIT_INTERNAL	0,768	0,082	9,319	0
Determination		R		R Square	
		0,870		0,756	

The coefficients derived from the regression equation provide important insights into the relationship between the independent variable (X), which is internal audit, and the dependent variable (Y), representing internal control over cash receipts. The constant value of 9.654

indicates that when the independent variable is held constant at zero, the average level of internal control over cash receipts is predicted to be 9.654. Additionally, the linear regression coefficient for internal audit is 0.768. This suggests that for every one-unit increase in the internal audit score, there will be a corresponding increase of 0.768 in the effectiveness of internal controls over cash receipts. The positive nature of this coefficient reinforces the idea that improved internal auditing leads directly to enhanced internal control measures. This demonstrates a proportional relationship where more rigorous audits strengthen the company's control systems, ultimately contributing to better cash management practices. Based on the determination coefficient table, the R square value obtained is 0.756. This indicates that internal audit has a significant effect on internal control over cash receipts, accounting for 75.6% of the variance in the dependent variable. The remaining 24.4% can be attributed to other factors not investigated in this study, such as company policies, accounting information systems, and the performance of internal auditors.

The analysis of the impact of internal audits on cash receipt internal controls at a food and beverage distribution company reveals a significant relationship. The correlation coefficient obtained is 0.870, indicating a strong influence of internal audits on the internal controls for cash receipts. Furthermore, the coefficient of determination is 75.6%, suggesting that internal audits explain over three-quarters of the variance in cash control effectiveness. The remaining 24.4% could be affected by other factors not examined in this study, such as inadequate human resources, unimplemented procedures, and insufficient follow-up evaluations.

This finding is further supported by previous research, notably a study by Tiara Rachmawati, which reported a similar impact of internal audits on cash internal controls, evidenced by an Rsquare value of 0.747 or 74.7%. The presence of effective internal audits and cash control measures provides management with essential tools to ensure proper operational functioning, fostering organizational advancement.

However, the study identifies several issues at a food and beverage distribution company that hinder the optimal functioning of both internal audits and controls. These issues include the internal audit not following up on findings, a lack of evaluation of oversight processes, and inadequacies in human resources concerning established procedures. Such shortcomings contribute to incidents of errors and fraud within the organization.

Herliana and Kuntadi (2023) demonstrate that internal audit, alongside continuous monitoring and effective communication, exerts a powerful, positive influence on overall internal control performance. Their findings confirm that when internal auditors actively evaluate operational procedures, they directly elevate the strength and responsiveness of the control environment.

This systematic oversight mirrors findings in specific cash cycles. For instance, Fauziah et al. (2023) investigated the cash disbursement cycle within the poultry industry and proved that rigorous internal auditing directly enhances internal controls over cash outflows. By establishing this clear cause-and-effect relationship on the disbursement side, their study strongly validates your premise: if an internal audit successfully secures cash disbursements, it will logically exert a similarly powerful, protective influence over cash receipts. Choi (2022) reveals that high-quality internal accounting control systems significantly increase the market value of a firm's cash holdings. In environments with weak controls, investors often discount the value of cash due to fear of mismanagement or theft. By implication, when your internal audit team secures the cash receipt pipeline, they reassure stakeholders that the incoming cash is safe, transparent, and highly valuable to the firm. Furthermore, this discipline extends deep into day-to-day operations. Imdieke et al. (2023) discovered that the mere presence of an internal control audit actively boosts a firm's operational efficiency. Their research shows that regular audit interventions streamline workflows and eliminate wasteful practices. Consequently, a strong internal audit function ensures that the cash receipt process operates not only securely but also with maximum speed and minimal friction.

Chen et al. (2025) utilize the COSO framework to show that robust internal controls drastically improve accounts receivable management, reducing defaults and accelerating collection times. Because efficient receivable management directly dictates the volume and timing of incoming cash, their study underscores how tightly controlled financial processes optimize the entire cash inflows cycle. Supporting this systemic view, Putri et al. (2024) highlight the role of supporting infrastructure in the banking sector. They found that implementing a well-structured Accounting Information System (AIS) for credit provisions significantly strengthens internal control outcomes. When applied to your research, this emphasizes that an internal audit function does not work in isolation; instead, it actively evaluates both the automated systems and human protocols to ensure that every recorded cash receipt is accurate, authorized, and completely traceable.

This research highlights that the role of internal audits is crucial for effective governance. Internal auditors assess risks, ensure compliance, and perform comprehensive financial and operational audits, thereby contributing to the management's ability to control risks and oversee operations effectively.

CONCLUSION

In conclusion, the internal audit at a food and beverage distribution company is categorized as "sufficiently good," indicated by various responses from staff. Some aspects of the

internal audit, such as the examination of the reliability of financial information and the planning of audit activities, still require enhancement. Similarly, internal controls over cash receipts are also deemed "sufficiently good," with some responses reflecting a lack of agreement regarding the effectiveness of communication about these controls. The research shows that internal audits significantly influence cash receipt internal controls, highlighted by a strong correlation. However, there are factors, such as human resources and the implementation of procedures, that contribute to the remaining variance. Despite the overall positive assessment, there are limitations within the study that must be acknowledged. The research primarily relies on self-reported data from employees, which may introduce bias. Furthermore, it does not explore external factors that may also impact the effectiveness of audits and controls.

A food and beverage distribution company should consider hiring professionals with strong expertise in internal auditing and provide ongoing training to enhance their skills. Establishing clear communication and collaboration between auditors and management will ensure that audit findings are effectively addressed. Additionally, systematic monitoring and evaluation of cash receipt activities should be conducted to prevent potential errors or fraud. Raising awareness among employees regarding risk identification and analysis is crucial to strengthening internal control systems. Enhanced socialization efforts about the significance of internal audits and associated improvements will further align practices with the company's objectives, ultimately driving better performance.

CONFLICTS OF INTEREST

The authors declare no conflict of interest. The funders had no role in the design of the study; in the collection, analyses, or interpretation of data; in the writing of the manuscript, or in the decision to publish the results.

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