

The Role of Internal Control in Reducing the Risk of Room Reservation Fraud at Adi Rama Beach Hotel

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Abstract:

Purpose:

In recent times, Adirama Beach Hotel has also experienced difficulties in maintaining the reliability, openness, and security of data related to the room reservation process that occurs at this hotel. It shows that the current system is vulnerable to fraudulent practices that are detrimental to the hotel and guests. This study aims to analyze whether the internal control of the accounting information system implemented by Adirama Beach Hotel can support all managerial activities in making more effective and efficient decisions.

Methodology:

The research method used in this study is descriptive qualitative, with a focus on explaining how the implementation of good internal control can overcome fraud in room reservation management.

Findings:

Based on the results of the internal audit conducted, there are several weaknesses in the control system implemented in this hotel, such as the lack of adequate supervision of the reservation process, as well as low audit frequency. These weaknesses allow fraud to occur, which is detrimental to the company. Therefore, to overcome this problem, it is necessary to improve supervision, regular training for employees, and the implementation of more advanced technology to support a more effective internal control system.

Implication:

With these improvements, it is expected that Adirama Beach Hotel can minimize the risk of fraud, improve accuracy in recording reservation data, and increase transparency and security of existing information. Ultimately, these improvements will support better decision-making in hotel management and help increase the company's overall profits.

INTRODUCTION

Tourism is the largest industry in the world and is recognized as the most dominant sector in increasing economic growth. In a business context, tourism is recognized as a rapidly growing and profitable sector because it involves many parties, activities, facilities, services, and tourist destinations. From a social and economic perspective, the development of the tourism industry is reflected in the increasing demand that has resulted in the service and manufacturing sectors growing, which ultimately leads to economic activity and consumption. The increase in tourism consumption, especially with the increase in the number of international visitors in certain seasons, provides great benefits for economic development in tourist destinations. Based on statistical data, the number of foreign visitors to Indonesia in 2022 reached 5.47 million, an increase of 251.28% compared to the previous year (Maghfira Napu & Nurhidayat, 2023).

Bali is the main tourist destination, with a percentage of 46.72%, much higher than Jakarta, which only reached 13.03% (BPS, 2022). The growth of tourism in Bali has also encouraged an increase in the quality of services, especially in the accommodation sector, such as hotels. Hotels, as businesses that provide lodging, food and beverage services, play an important role in meeting the needs of tourists and contributing to regional development. The hotel occupancy rate acts as an indicator that connects the number of tourists with tourism sector revenue (Bujung, 2019).

A study by Bujung (2019) confirmed that hotel occupancy rates have a significant contribution to increasing tourism sector revenue. Hotel occupancy rate data in Bali for the past five years (2019-2023) shows that despite a drastic decline in 2020 due to the COVID-19 pandemic, Bali's hotel sector has begun to show signs of recovery since 2021, with relatively high hotel occupancy rates. However, the hotel industry also faces challenges related to employee fraud practices. Research conducted at the Adirama Beach Hotel revealed manipulation of guest data and inappropriate pricing, which affected the hotel's internal control. In some cases, the hotel set a certain price for a room, but the receptionist charged a higher amount. This type of fraudulent practice is detrimental to the company and damages the existing internal control system.

Based on this, the role of internal and external auditors is very much needed. Auditors have the task of providing an opinion on the fairness of the financial statements presented by the company. In SA (Auditing Standard) 240, the auditor's objectives include identifying and assessing the risk of material misstatement in the financial statements caused by fraud, obtaining sufficient and appropriate audit evidence related to the assessed risk of material misstatement caused by fraud through the design and implementation of appropriate responses and providing responses to fraud or suspected fraud identified during the audit (Sabrina & Effendi, 2024). Therefore, the implementation of effective internal control is essential to prevent fraud.

The growth of tourism in Bali has driven an increase in the quality of services, especially in the accommodation sector, such as hotels. Hotels, as businesses that provide rooms, food, and beverages, play an important role in meeting the needs of tourists and contributing to regional development (Sunarti et al., 2020). To minimize the risk of room reservation fraud, Adirama Beach Hotel has implemented an integrated booking system, strict identity verification, and employee training. In addition, the hotel also carries out routine monitoring, access control, and comprehensive audits to detect and prevent fraud. These steps are in line with the recommendations of Albert et al. regarding the importance of night audits, evaluations, and supervision of transactions (Elisabeth & Simanjuntak, 2020).

Previous Research. Permana et al. (2019) with the article titled "Evaluation of the Design of Internal Control Systems for Hotel Service Sales (Case Study at Bandung Golf and Resort)." This article concludes that the current internal control system for hotel service sales has been implemented in carrying out business process activities, as evidenced by the implementation of SOPs and other documents used to support business processes and supervision carried out by management (Permana et al., 2020).

Further research was conducted by Nurul Tsalatsa Azizah et al. in 2023 entitled "The Role of Internal Audit in Preventing Fraud in Companies." The conclusion of the article is that internal audit plays an important role in preventing corporate fraud. Through testing the internal control system, they identify weaknesses that have the potential to be exploited. Preventive measures such as risk assessment, transaction monitoring, and data verification are implemented to minimize risk.

METHODS

This study used a library study method, where the researcher used online references, one of which was searching for journals on Google Scholar.

RESULTS AND DISCUSSION

Overview of Internal Control Analysis at Adirama Beach Hotel. The internal control process at Adirama Beach Hotel has been running with a fairly good system, such as a clear division of tasks between the front office and accounting departments. However, this system can still be exploited by irresponsible individuals, which can lead to fraud. Although the existing structure and procedures are quite organized, interviews with managers, the front office, and the audit revealed several problems in terms of supervision and irregularities that occurred. Especially when the offline booking system is used or when the system is down, where the opportunity to manipulate prices or reservations increases. Hotel management highlighted that fraud often occurs because of loopholes exploited by irresponsible individuals, such as when the hotel website or online system is experiencing

problems. The front office also noted that errors can occur due to pressure during peak seasons, which makes it easier for staff to exploit existing loopholes. The audit team also found indications of errors in the purchase of stationery, which indicates the potential for transaction manipulation behind the unbalanced financial report. The following is the control system implemented at Adirama Beach Hotel:

1. Implementation of Financial Audit at Adirama Beach Hotel. Financial audits at Adirama Beach Hotel are carried out every three months, but this provides room for individuals to misuse expenses, especially in purchasing hotel inventory such as stationery. The data shows a mismatch between expenses and income, especially in August 2023, where stationery costs increased even though income decreased. After further examination by the audit team, it was found that there was a practice of misusing receipts by manipulating transactions, especially for guests who made offline reservations. It indicates the potential for collusion between staff to cheat the hotel's accounting and transaction systems.
2. Implementation of the COSO System in Internal Control. The COSO model has been implemented in the internal control of Adirama Beach Hotel, but there are still some weaknesses. The control environment in this hotel needs to prioritize the values of integrity and ethics at all levels. In addition, hotel management needs to focus more on ongoing training so that staff have the right competencies to carry out their duties according to established procedures. Employees also need to be given a deeper understanding of the importance of integrity in work and the impact of violations that can harm the organization.
3. Risk Assessment at Adirama Beach Hotel. The risk assessment conducted by Adirama Beach Hotel includes risk identification and analysis, including potential fraud risks. Fraud risks can come from within the organization (for example, employees who abuse their power or systems) or from external factors (such as changes in economic conditions or new technologies). To mitigate these risks, the hotel needs to establish clear risk tolerances and take steps to reduce existing risks, including updating control systems and continuously improving supervision.
4. Information and Communication Components in COSO. Although the information system at Adirama Beach Hotel is quite good, supervision of transactions and staff activities is still considered less strict. The limitations of the information system and the lack of staff understanding of potential fraud increase the risk of misappropriation. Adirama Beach Hotel needs to strengthen supervision and integrate better technology, such as a system that has an audit trail feature to track every transaction and detect anomalies.
5. Supervision at Adirama Beach Hotel. Supervision at Adirama Beach Hotel is still not fully effective. Without continuous supervision, opportunities for fraud remain. Management needs to ensure that routine supervision can identify violations and take corrective actions to address the problem. More sophisticated surveillance technology and the use of integrated systems will help improve the effectiveness of supervision and reduce the potential for future abuse.

CONCLUSION

The implementation of internal control through auditing at Adirama Beach Hotel has involved a number of procedures and policies to ensure the provision of accurate reservation information and prevent fraud. By differentiating the responsibilities between the front office and accounting departments, the hotel strives to create a work environment that reduces the risk of errors and fraud. In addition, a system of periodic internal monitoring and auditing is designed to verify transactions and monitor compliance with established policies. However, the current audit still faces challenges in the form of a lack of strict supervision and an insufficient frequency of audits. However, with management commitment and ongoing employee training, internal control through auditing can be more effective in providing accurate reservation information and preventing fraud.

Audit-based internal control at Adirama Beach Hotel has shown effectiveness in addressing most issues related to reservation information and fraud prevention, although there is still room for improvement. Through the audit conducted, several weaknesses in the control system have been identified, such as inadequate supervision

and suboptimal audit frequency. In addition, resistance to change and lack of training are also factors that affect the effectiveness of internal control. Nevertheless, internal audits have succeeded in detecting several cases of fraud and improving the accuracy of reservation information. With increased supervision, employee training, and the implementation of better technology, the implementation of audit-based internal control has great potential to fully address reservation information issues and prevent fraud at Adirama Beach Hotel.

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