

ANALYSIS OF COSO-BASED INTERNAL CONTROL IN THE MANAGEMENT OF SCHOOL OPERATIONAL ASSISTANCE FUNDS X

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Abstract

This study aims to analyze the implementation of internal control in the management of BOS X funds based on the five components of COSO internal control. As well as providing recommendations for corrective actions for control gaps. This research takes school X as the object of research. This type of research is qualitative with a descriptive analysis approach. The data sources used are primary and secondary data with interview and documentation methods. The results of this study show that internal control in the management of BOS funds has been running in accordance with the technical guidelines for the management of BOS funds. Although there are some internal control principles that are not in accordance with the COSO components.

Keyword: Internal Control; BOS Fund Management; COSO Internal Control Components

1. Introduction

Internal control is required by an organization to ensure that various business processes run properly and organizational goals are achieved. If there is no good internal control, the progress of the organization will be hampered and not run properly. Internal control is usually defined as a process carried out by the organization to evaluate how thorough, accurate and efficient a business process is to achieve certain goals (Arinda, 2022). Internal control can be applied by all business entities or public sector organizations, such as schools.

Schools are one of the government organizations that must implement good internal control, because schools manage funds provided by the community, central government, and local government (Lumban & Atmini, 2023). As an educational institution, schools have minimum standards for facilities and infrastructure that must be met. The Ministry of Religious Affairs offers School Operational Assistance (BOS) funds to help madrasah schools fulfill their responsibilities as educational institutions. This is regulated in (Keputusan Direktur Jenderal Pendidikan Islam Nomor 13 Tahun 2024) which regulates the implementation of the BOS fund program. Based on the results of preliminary interviews with the principal of School X, there are several problems and weaknesses related to the management of BOS funds. Knowledge related to the management of BOS funds was still very limited, causing obstacles in inputting

data into the report. Based on the background of these problems, researchers are interested in conducting research on internal control in the management of BOS funds at school X.

2. Literature Review

2.1 Internal Control

According to Government Regulation of the Republic of Indonesia No. 60 of 2008, internal control includes all actions and activities carried out continuously by the leadership and all staff. In addition, according to (Putri & Meutia, 2024) internal control is a process and is an important part of management activities because it spreads throughout the company's operating activities. The process involves the board of directors, managers and personnel at various levels within an organization or company. COSO internal control describes how actions taken by the board of directors, management entities, and other members ensure the achievement of organizational objectives in the areas of operations, reporting, and compliance (Yulianty & Suraida, 2018).

From this explanation, reliable financial statements mean that they can be relied upon because they are in accordance with the existing situation and are fairly presented. In addition, budget effectiveness and efficiency means that budget management must achieve its objectives by measuring inputs and outputs to achieve the best point or at least close to the goal. Then, internal control must be able to ensure that activities or activities are in accordance with existing standards and improve compliance with applicable laws and regulations.

2.2 Purpose of Internal Control

The COSO internal control framework establishes a common definition of effective internal control for the first time. According to this definition, there are three types of objectives for risk management, namely:

- a. Operating objectives, this relates to the efficiency and effectiveness of the organization's operations including achieving operating and financial performance goals and preventing asset losses.
- b. Reporting objectives, this relates to the preparation of reliable reports, both in the form of financial and non-financial reports.
- c. Compliance objectives, one of the compliance objectives is that all organizational activities are in accordance with applicable laws and policies.

2.3 COSO Internal Control Components

According to COSO, the components of internal control are:

- a. The control environment, according to Boynton in the book (R. H. Lubis & Dewi, 2020) the control environment is the basis of other internal control components that provide discipline and structure.
- b. Risk assessment, risk assessment is an iterative and dynamic process for finding and analyzing risks to achieving entity objectives and forming the basis for risk management (Rustendi, 2018).
- c. Control activities, control activities are actions taken through procedures and policies that enable management guidelines to achieve objectives by reducing risks. The principles of

control activities are the implementation of policies and procedures, developing control activities (Tjungadi & Rahadian, 2020)

- d. Information and communication is the identification, collection, and exchange of information within a timeframe that allows people to fulfill their duties (R. H. Lubis & Dewi, 2020)
- e. Monitoring, assessing the performance of internal control gradually. This is done by the company to ensure that each element of the five components of internal control operates properly. The principles of monitoring include conducting continuous or separate evaluations, evaluating weaknesses (Sukrisno, 2018)

2.4 BOS Fund

According to the (Keputusan Direktur Jenderal Pendidikan Islam Nomor 13 Tahun 2024), BOS funds for madrasahs are a central government program to provide funding for personnel and non-personnel operating costs for madrasahs sourced from central government allocation funds. BOS funds aim to support school operational costs and improve accessibility and quality of learning for students. The management of BOS funds is based on the principles of flexibility, effectiveness, efficiency, accountability and transparency.

2.5 Contingency Theory

According to (S. M. Lubis et al., 2022) contingency theory is a leader suitability theory which means adjusting the leader to the right situation. This theory is used in the study of design, achievement, organizational behavior, and is related to strategy setting. In contingency theory, internal control provides motivation for organizational members to act and make decisions consistently in accordance with organizational goals.

3. Material and Method

This research uses qualitative research with a descriptive analysis approach. According to (Saparuddin et al., 2022) qualitative research emphasizes observation of phenomena and is more directed at the substance of the meaning of these phenomena. The analysis and sharpness of qualitative research greatly affects the strength of the words and sentences used. The type of research used in this research is a case study. Case study research uses a specific unit of analysis that is considered unique by the researcher and can provide a better understanding of the research topic (Purwohedi, 2022).

3.1 Design Study

The primary data sources in this study were the school principal, school treasurer, and school committee who acted as one of the BOS fund management teams at school X. The secondary data sources were documents related to BOS funds. Meanwhile, the secondary data sources in this study were documents related to the BOS funds. In this study, the sampling technique used was purposive sampling technique. This method is often referred to as judgmental sampling. Purposive sampling is sampling taken by researchers using a number of criteria based on certain considerations (Purwohedi, 2022). The purposive sampling method was chosen because the target respondent's criteria were in accordance with the phenomenon to be studied.

3.2 Data Analysis

The theory of qualitative data analysis proposed by Miles and Huberman is the basis of the data analysis method used in this study. In the book (Sugiyono, 2021) qualitative data analysis is carried out interactively and continuously until completion according to Miles and Huberman (1984). Activities in data analysis, namely data reduction, data display, and conclusion drawing / verification.

4. Result

The result of this data is the data collection process taken through interviews and documentation. The interview mechanism involved the researcher asking several questions to each interviewee according to their ability. To test the validity of the data, the interview results have been compared using the source triangulation technique. The resulting data has been validated and truly shows the phenomenon under study, not just the researcher's opinion.

Internal control in the management of BOS funds at school X has run well in accordance with the regulations given. The existence of internal control can help School X in managing BOS funds effectively, efficiently, transparently, and accountably. Based on the five components and seventeen principles, it can also evaluate the existing problems and weaknesses.

5. Discussion

The following discussion is the result of an analysis based on data that has been taken through interviews and documentation. The analysis is carried out by providing a detailed explanation of internal control based on the five components based on the COSO framework which is used as a benchmark and comparing field facts according to the research results with the theory. So that. Can produce recommendations for corrective action.

5.1 Analysis of the Implementation of Internal Control in the Management of BOS Funds

a. Control Environment

The BOS X team upheld the high value of integrity as outlined in the vision and mission of managing BOS funds. During the implementation, the BOS X team complied with all instructions in accordance with the applicable technicalities. Starting from the process of applying for BOS funds, planning the funds by making RKAM, then on to the management process through the predetermined tools, and the process of reporting BOS funds that have been submitted to the Ministry of Religious Affairs through the website bos.kemenag.go.id and reported to the Directorate General of Islamic Education of the Ministry of Religious Affairs. In ensuring that the management and reporting of BOS funds are conducted in accordance with applicable regulations, the management and reporting must be conducted independently.

School X's BOS team has carried out its duties in accordance with its responsibilities. The School Decree on School Operational Assistance Management Team X in 2023 stipulates the duties and responsibilities of the BOS team. School X has not been able to assign competent individuals, as seen from the school treasurer who does not have a study background in finance or economics. Nevertheless, the school treasurer or the BOS fund team is always willing to learn and try to correct mistakes.

b. Risk Assessment

In setting objectives, there are four objectives of BOS fund management that are regulated in chapter 1 of the introduction of the Decree of the Director General of Islamic Education No. 13 of 2024. In identifying and analyzing internal and external risks, the principal always checks for possible recording errors and incomplete documents. If there are findings, the principal will immediately confirm them with the BOS treasurer. In addition, the principal also re-checked all expenditure documents up to the recap of receipts for the use of BOS funds to avoid fraud.

In school X, there was a change of principal, which resulted in differences of opinion on how the school operated and how to achieve its vision and mission. Despite the change, the management of BOS funds was still carried out in accordance with the technical guidelines. In addition, there were frequent changes related to the technical guidelines or the applications used. Therefore, it was sometimes a challenge for the BOS team to adjust to the changes that occurred. However, the management of BOS funds remained accountable and transparent.

c. Control Activities

In selecting and developing internal control activities that contribute to the achievement of risk event targets to an acceptable level, the BOS team at School X will always pay attention in determining the planning of BOS funds. This is reviewed based on the priorities needed by the school so that the funds are used appropriately and achieve the target. In carrying out its activities, the BOS team at school X has also used the e-RKAM application that has been stipulated in the technical guidelines. The application is used for planning, using, and reporting BOS funds.

The evaluation and aspects considered in COSO internal control are efforts to reduce or prevent the possibility of various frauds and violations of the principles of established procedures. The effort made or improved by School X in the procedures and internal controls used to manage BOS funds is to follow the regulations set by the Ministry of Religious Affairs. In addition, the school also made a decree that was appropriate and relevant to the technical guidelines for the management of BOS funds, which contained the duties and responsibilities of the BOS team at School X.

d. Information and Communication

In information and communication organizations can use and provide relevant information. The accountability report contains the planning and use of school X's BOS funds. This report will provide important information to assess and evaluate the use of these funds. In communicating information to internal parties, the principal and treasurer provided reports on the use of BOS funds to teachers and the school committee. The BOS team at school X conveyed this through a working meeting before the new academic year and at the end of the school year. The report on the use of BOS funds was also delivered to them. In addition, the BOS team of school X also delivered the BOS fund report through the WhastsApp Group application.

In communicating information to external parties, the principal and treasurer provided reports on the use of BOS funds to the Financial Supervisory Agency and the community

or student guardians. The applicable regulation of the Minister of Islamic Education on the management of BOS funds regulates the delivery of this information in the form of an accountability report. The report is submitted by posting it on the school notice board. In addition, information related to the school's use of BOS funds was also conveyed by the school making banners to make it more transparent.

e. Monitoring

After looking at the technical guidelines, the management and reporting of BOS funds at school X had been carried out appropriately. One form of school accountability and supervision is by having a policy on the implementation of duties and responsibilities that is stipulated in the school decree. In addition, the supervision can provide an evaluation of the management of BOS funds. During the annual school meeting, the BOS team at School X evaluated the procedures and management of BOS funds. The meeting was supposed to discuss various shortcomings and weaknesses in the implementation of the management of BOS funds. However, in practice, the evaluation only discussed the realization and allocation of BOS funds for the next period. However, the duties and authorities were still carried out in accordance with the applicable regulations.

5.2 Analysis of Corrective Actions for Control Gaps in Internal Control of BOS Fund Management

The control gaps at school X stem from weak internal controls. To reduce the occurrence of losses, the existing control gaps must be corrected. The following recommendations for improvements can be made by school X.

- a. School X has not been able to retain competent individuals because they have not matched their abilities or backgrounds. This is related to the treasurer who did not have a study background in finance or economics. Although the BOS team at school X Putri is still safe in managing the BOS funds. However, retaining competent individuals is necessary. Therefore, School X must set standards or criteria in order to have competent individuals.
- b. School X can also create softskill or hardskill training to promote good work behavior. Another program that can be used is to add more aspects of honesty and responsibility in performance appraisal. Monthly rewards to individuals who behave well can be a way to encourage all individuals to be good, honest and responsible individuals.
- c. School X needs to update the application used. Although the management of BOS funds already uses an application that has been determined by the government. However, a better application is needed to integrate between the foundation and the school. So that the foundation is more flexible in supervising and can minimize fraud and irregularities in the use of BOS funds..
- d. The management of BOS funds in school X has been running well, but school X needs to identify the potential risks that will be faced in managing BOS funds. For example, by making a mapping related to delays in the implementation of activities, inappropriate quality of goods or services, loss or damage to assets, delays in the submission of reports..
- e. School X needs to conduct at least four working meetings with the school committee. This is done so that the committees can monitor more deeply the management of the BOS

funds. In addition, these meetings can reveal more about the obstacles and weaknesses in the management of BOS funds.

6. Conclusion, Implication, and Recommendation

6.1 Conclusion

- a. Conclusion on the Implementation of Internal Control in the Management of BOS Funds
 - 1) Control environment: of the 5 principles of internal control in this component, 4 principles are appropriate. There is one principle that is not yet appropriate, namely, weaknesses in the selection of competent individuals, especially in the position of treasurer who does not have a financial background.
 - 2) Risk assessment: in this component there are 4 principles of internal control. Of these 4 principles, School X is in accordance with the COSO component. This can be seen from the principal and committee reporting effective fund management and the principal actively checking documents to prevent fraud. The change of principal caused differences in views, but the management of funds remained in accordance with applicable regulations.
 - 3) Control activities: in this component there are 3 principles of internal control. Of these 3 principles, School X is in accordance with the COSO component. Seen from the BOS team, School X focuses on planning BOS funds based on school priorities so that the use of funds is well targeted. They use the e-RKAM application according to the technical guidelines and try to improve procedures and internal controls by following the Ministry of Religious Affairs regulations and school decrees.
 - 4) Information and communication: in this component there are 3 principles of internal control. Of these 3 principles, School X is in accordance with the COSO component. Judging from the team providing relevant information through a detailed LPJ report containing the planning and use of BOS funds and submitted to the committee, teachers, student guardians and other supervisors.
 - 5) Monitoring: of the 2 principles of internal control in this component, 1 principle was appropriate. There was one principle that was not yet appropriate, namely, the BOS team conducted an annual evaluation of the management of funds but the meeting focused more on the realization and allocation of funds in the future rather than discussing existing weaknesses. Nevertheless, they still carried out their duties in accordance with the applicable regulations..

- b. Conclusion Result of Corrective Action Analysis of Control Gaps in Internal Control in the Management of BOS Funds

The conclusion of the corrective action analysis is that school X needs to address the gaps in internal control by setting standards for competent individuals. Monthly awards can encourage good behavior and responsibility, updating the accounting application is needed to improve integration between the foundation and the school, which will help oversee the use of BOS funds and minimize fraud. In addition, it is necessary to make a mapping related to potential risks, and it is necessary to conduct at least 4 working meetings with the committee in order to supervise in more depth.

6.2 Implication

a. Theoretical Implication

This research is expected to serve as a reference or comparison material, as well as provide valuable input for future researchers who will take the same topic. By providing empirical data and in-depth analysis, this research contributes to an increased understanding of the study area under study. In addition, this research also provides reinforcement to the COSO-based internal control framework by adding new insights that can assist in the development of more effective internal control policies and practices. This is expected to encourage better implementation of the COSO framework in various organizations, thereby increasing the reliability of internal control and supporting the achievement of overall organizational goals.

b. Practical Implications

This research is expected to assist School X in evaluating COSO-based internal control in the management of BOS funds. The findings are related to the lack of competent individuals, which still causes errors in inputting reports. Therefore, training is needed in order to improve the quality of work. Then in communicating related to the accountability report, 4 working meetings are needed in monitoring the use of BOS funds with the committees. So that the committee can assess and monitor further. In addition, in monitoring activities, it is necessary to conduct evaluations related to shortcomings in order to be more effective and efficient in managing BOS funds.

6.3 Recommendation

The results of the above research have made some suggestions for future researchers. The following are the recommendations given, namely:

- a. Can expand the cycle or process studied, such as by conducting research in various schools so as to explore aspects of internal control that have not been discussed by previous research.
- b. Clarify the interpretation of research results such as triangulating data using different data sources along with stakeholders to get different views.

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