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## Enhancing Internal Control at an Indonesian Cooperative

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ABSTRACT	INFO ARTIKEL
<p>This study examines the internal control system of Koperasi XYZ, an Indonesian saving and loan cooperative, focusing on its revenue cycle. The analysis reveals critical weaknesses, particularly a lack of segregation of duties. The findings highlight the urgent need for Koperasi XYZ to conduct a comprehensive evaluation of its internal controls to ensure transparency and accuracy in financial reporting. The study uses the COSO Internal Control-Integrated Framework to identify areas for improvement. The results suggest the need for strengthened internal controls, including better segregation of duties, enhanced risk management practices, and ongoing staff training. The recommendations emphasize the importance of a strategic approach to mitigate risk impacts and foster a more transparent and accountable cooperative environment. This study provides valuable insights for Koperasi XYZ and other cooperatives to improve operational efficiency and adapt best practices.</p> <p>© 2025 Kantor Jurnal dan Publikasi UPI</p>	<p><b>Article History:</b> <i>Submitted/Received 6 June 2025</i> <i>First Revised 10 June 2025</i> <i>Accepted 27 June 2025</i> <i>First Available online 01 August 2025</i> <i>Publication Date 07 August 2025</i></p> <hr/> <p><b>Keyword:</b> <i>Cooperative; Fraud Prevention; Internal Control; Revenue Cycle</i></p>

## 1. INTRODUCTION

A cooperative is a business entity based on cooperative principles and family values, with members consisting of individuals or cooperative legal entities, serving as a people's economic platform (Pemerintah Republik Indonesia, 1992). In the context of economic development, cooperatives play a role as institutions that empower the economy, fight against exploitative practices, and bring about changes in the economic structure, ultimately leading to increased production, income, and welfare for the community (Sianipar, 2019).

The development of savings and loan cooperatives in Indonesia has experienced rapid growth (Irawan et al., 2023), with many cooperatives spread across various regions, especially at the sub-district level. According to data from the Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UKM) in 2023, there are approximately 98,867 savings and loan cooperatives operating in Indonesia. While savings and loan cooperatives can help improve the community's economy, in practice, some cooperatives can also have negative impacts and lead to irregularities that may result in criminal acts (Dame et al., as cited in Natahamidjaja et al., 2024).

The current landscape of cooperatives in Indonesia is experiencing an increase in cases of fraud disguised as cooperatives, resulting in significant financial losses for its members. This fraudulent scheme not only threatens the financial stability of cooperative members but also erodes their trust in the cooperative system itself. Various factors contribute to this issue. According to Lenasari et al. (2023), the lack of transparency and accountability is one of the causes that opens up opportunities for management to commit fraud within the cooperative. Meanwhile, Kamila et al. (2023) note that other factors also play a role, such as inadequate investigations, dissemination of information about past cooperative failures, weaknesses in supervision and regulatory enforcement-particularly related to resources and infrastructure-and a lack of public understanding of the functions, types, and benefits of cooperatives, which leads to repeated cases of fraud under the guise of cooperatives.

The KSP Indosurya case, which caused losses to at least 23,000 individuals, exemplifies the systemic risks that are inherent in the Indonesian cooperative sector (Nethan & Prianto, 2023). Suhayati (2023) highlights a lack of transparency and accountability in the financial management of KSP Indosurya Cipta, which has led to fund misappropriation and substantial losses for members. Inadequate supervisory systems and non-compliance with good governance principles result in defaults and member rights violations. Additionally, the "Shadow Banking" activities by KSP Indosurya-such as fund collection, investments, and credit distribution-further complicate financial management (Dadi et al., 2023). Therefore, analyzing the cooperative's revenue cycle is crucial to ensure transparency and accuracy in all income and credit disbursement processes. This is essential for improving financial management, protecting member rights, and preventing harmful practices that threaten the cooperative's sustainability.

Weaknesses in internal controls often create opportunities for fraud and misstatement in financial reporting (Romney et al., 2021). Transparency and accountability generated through effective internal controls are vital to establishing a trusted environment within cooperatives.

Although cooperatives play an important role in improving the quality of life and enhancing the economic competitiveness of their members through training, education, and market access (Haryanto, as cited in Faradila, 2024), the number of registered cooperatives in Indonesia-around 560,000 with 30 million members in 2019-does not guarantee good governance. The KSP

Indosurya case also shows that an increase in the number of cooperatives does not necessarily mean an improvement in management quality. Furthermore, internal control weaknesses, combined with a lack of transparency, remain significant challenges that can harm members and erode public trust in cooperatives.

Effective internal control is crucial for cooperatives to ensure financial accuracy and prevent fraud, especially amid the continuously evolving challenges in this sector (Indarti & Apriliyani, 2021). The COSO Internal Control-Integrated Framework outlines 17 key principles that underpin effective internal control systems, providing a foundation for organizations to design, implement, and evaluate their internal controls (Lawson et al., 2017). These controls are designed as a framework to help organizations achieve their goals by ensuring the integrity of financial reporting, compliance with laws and regulations, and operational efficiency (COSO, 2013). The COSO Internal Control-Integrated Framework is also adaptable, allowing it to be applied across various types and sizes of organizations-large, medium, small, government, or nonprofit-and at different levels of operations or functions (Mcnally, 2013).

The COSO Internal Control-Integrated Framework has proven capable of evaluating internal controls across various industry sectors. Pertiwi et al. (2023) concluded that the COSO Internal Control-Integrated Framework allows for the detection of weak internal controls in the production cycle at PT HJ BI, potentially putting the company at risk. This conclusion highlights the importance of implementing robust internal controls to mitigate risks and ensure effective operations. Ellim & Harahap (2023) examined internal controls within the revenue cycle in an e-commerce business model and found discrepancies between the Standard Operating Procedures (SOP) used and online sales activities. Salsabila & Wondabio (2023) found that the absence of structured internal control policies, particularly in human resource management and hospital financial systems, worsened existing systemic weaknesses.

Additionally, research conducted by Indarti & Apriliyani (2021) and Shabri et al. (2016) serve as supplementary references for understanding internal control weaknesses in cooperatives previously studied. Indarti & Apriliyani (2021) using quantitative research approach found weaknesses in cooperatives' financial management and administrative processes, which are not yet effective and could lead to discrepancies in recording, cash management, and other financial documents. Meanwhile, Shabri et al. (2016) highlighted challenges faced by cooperatives in achieving profitability despite implementing comprehensive internal control components, based on a study using the COSO 1992 framework.

Based on previous studies, the evaluation of internal controls within the cooperative revenue cycle using the COSO Internal Control-Integrated Framework remains limited. This research aims to update the understanding of this evaluation using the same framework.

This study examines Koperasi XYZ, a savings and loan cooperative established in 2001, with assets exceeding 10 billion Rupiah and serving over 500 members as of 2024. Despite rapid growth, our analysis reveals critical weaknesses in the cooperative's revenue cycle, specifically the concentration of primary responsibilities-loan approval, disbursement, and bank deposits-in the chairperson. This lack of segregation of duties increases the risk of errors and potential fraud (Romney et al., 2021). Given the prevalence of financial mismanagement in the cooperative sector, a comprehensive evaluation of internal controls is necessary to ensure transparency and accuracy in financial reporting. Effective segregation of duties requires separating key functions, including authorization, recording, and custody. (Tirole as cited in Kobelsky, 2014) Authorization involves approving transactions, recording includes maintaining journals and ledgers, and

custody involves managing assets and handling cash transactions. Implementing these measures can help mitigate risks and improve financial management.

As the cooperative continues to grow in response to market demands and member needs, strengthening the internal control system becomes increasingly important. Generally, studies show that although awareness of internal control and risk management is increasing, effective and consistent implementation is often hindered by outdated procedures and unclear segregation of duties.

This research aims to improve the internal controls currently implemented at Koperasi XYZ, with the scope limited to Koperasi XYZ and focusing on the revenue cycle, from loan application to cash receipt with.

Furthermore, it is expected that this study on Koperasi XYZ can provide several benefits: (1) For Koperasi XYZ, the research findings can be used to evaluate ongoing operational activities, offering valuable insights to enhance internal operational controls; (2) For academics, this research can serve as an important reference for studying cooperative business systems and relevant considerations for future similar studies; (3) For other stakeholders, the research findings can be utilized by other cooperatives to address challenges related to revenue cycle management.

## 2. METHODOLOGY

Case study is a research methodology that is in-depth and descriptive to understand a phenomenon, organization, individual, or context in a real-life situation and bounded by time and space (Cleland et al., 2021). According to Baškarada (2014), the case study method is widely adopted by researchers in qualitative studies. The researcher selected an explanatory case study because this approach focuses on explaining why and how a phenomenon occurs (Priya, 2021).

In the analysis process, techniques such as content analysis and descriptive analysis are employed. Content analysis aims to systematically and thoroughly assess textual data by identifying patterns, themes, and relationships that emerge Humble & Mozelius (2021). Meanwhile, descriptive analysis is used to create a clear and structured overview of the phenomenon being studied, through careful data interpretation and the integration of theoretical frameworks and relevant literature (Turale, 2020).

Additionally, this research uses a descriptive case study approach focusing on Koperasi XYZ to examine specific organizational challenges through direct analysis. The methodology involves collecting data through interviews and relevant observations related to the cooperative's revenue cycle.

**Table 1. List of Interviewees**

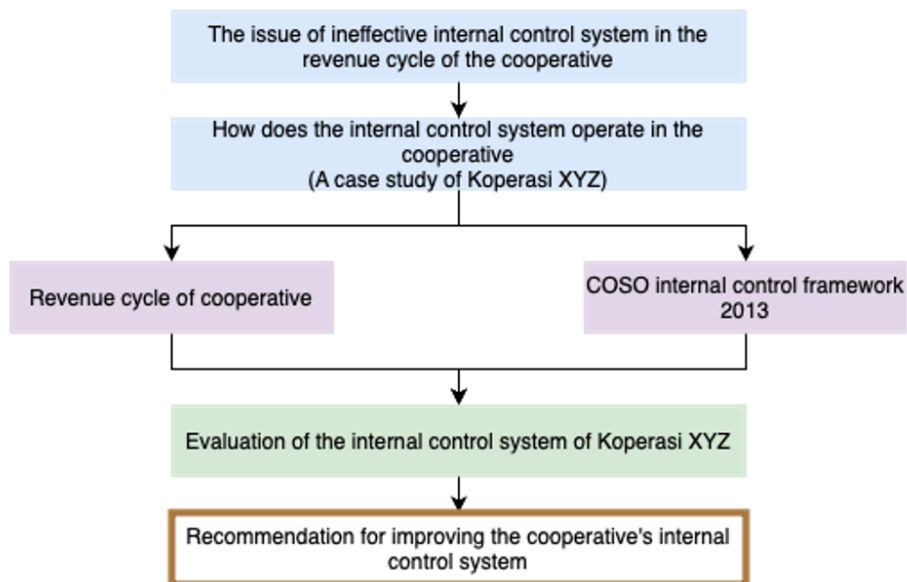
No	Position	Selection Criteria
1	Chairman of Cooperatives	Has understanding of strategic policies
2	Secretary of Cooperatives	Responsible for documentation, information management, and administrative details
3	Frontliner Staff	Plays a role in the internal operations of the cooperative

Source: Research Data (2025)

The data obtained are then categorized based on the four main processes within the revenue cycle: loan application, loan disbursement, billing, and collections. The analysis is conducted by comparing existing control practices against the risks associated with each activity, focusing on the components of the COSO Internal Control-Integrated Framework. Data collection for this study is carried out from both primary and secondary sources.

Primary data, which are directly collected by the researcher (Saunders et al., 2019), are obtained through in-depth interviews and observations. Interviews are conducted using flexible guiding questions, allowing the researcher to explore relevant issues that emerge during the data collection process (Longhurst, 2009). Observations are generally conducted with the focus on capturing detailed perspectives on Koperasi XYZ’s operational activities. Secondary data, in the form of relevant documents, are used to support and validate the research findings and ensure consistency with the existing internal control systems of the cooperative.

The qualitative data analysis process includes four key steps: immersing oneself in the data, reducing it into themes and codes, visually displaying the findings, and compiling a written report (Mezmir, 2020). The complete research framework can be seen in Figure 1 below.



**Figure 1. Research Model**

### 3. RESULT AND DISCUSSION

The revenue cycle at Koperasi XYZ comprises several interconnected steps aimed at efficiently managing member loans and funds. The process begins with loan applications, where members submit verbal requests to the cooperative staff. These applications are then evaluated by the Chairman based on the member’s capability, collateral value, and loan history. This evaluation is crucial to ensure that loans are granted to members who are capable of repayment, taking into account their past loan behavior and collateral security. Once a loan is approved, disbursement occurs either at the cooperative office or through a bank transfer directly to the member’s account. The Chairman oversees the disbursement process, while staff record the transaction in various ledgers, including the Member’s Ledger and the Cooperative’s Cash Book, to maintain accurate financial records.

The billing process involves sending notices to members who are overdue for more than two months. This is done through letters and phone calls, adopting a familial and friendly approach to encourage timely payments. The goal is to maintain good relationships while ensuring members fulfill their payment obligations. During cash collection, payments are documented using deposit slips and updated across multiple ledgers maintained by different staff members. Cash is stored securely in a safe and periodically deposited into the bank. Regular audits and reconciliations are conducted to verify the accuracy of the transactions and maintain the integrity of the cooperative's financial system. This comprehensive approach ensures that all payments are properly recorded, secure, and transparent.

The analysis results of the revenue cycle at Koperasi XYZ reveal several weaknesses within the process. These weaknesses can pose various threats, which are summarized in Table 2 below.

**Table 2. Threat Analysis of the Revenue Cycle at Koperasi XYZ**

Level	Threat
<i>Loan Application</i>	
<ul style="list-style-type: none"> <li>Members submit loan applications verbally to the cooperative management.</li> <li>The chairman evaluates capabilities, collateral, and loan history.</li> <li>Inadequate documentation during the loan evaluation process.</li> </ul>	<ul style="list-style-type: none"> <li>Incomplete or inaccurate information regarding loan applications is conveyed.</li> <li>The loan evaluation process may be subjective and inconsistent.</li> <li>Risk of non-performing loans due to insufficiently thorough evaluation.</li> </ul>
<i>Loan Disbursement</i>	
<ul style="list-style-type: none"> <li>Money handover is directly handled by the cooperative chairman.</li> </ul>	<ul style="list-style-type: none"> <li>Errors in the amount of funds disbursed.</li> <li>Disbursement of funds to unauthorized parties.</li> <li>Lack of control over the loan money handover process.</li> <li>Risk of theft or embezzlement of funds during disbursement.</li> </ul>
<i>Collection</i>	
<ul style="list-style-type: none"> <li>Collection efforts are made for members overdue more than 2 months.</li> <li>Collection letters are sent to members' residences, and follow-up is conducted via phone calls.</li> <li>A familial approach is prioritized in collection efforts.</li> </ul>	<ul style="list-style-type: none"> <li>The collection system is not functioning well.</li> <li>Lack of a system to track payments.</li> <li>Increased risk of uncollectible accounts receivable.</li> <li>Potential conflicts arising from the familial approach.</li> </ul>
<i>Cash Collection</i>	
<ul style="list-style-type: none"> <li>Recording of deposit receipts is handled by frontliner staff.</li> <li>Payments via transfer are made directly to the chairman's account.</li> <li>Five documents are updated by four different staff members.</li> </ul>	<ul style="list-style-type: none"> <li>Errors in recording payments by staff.</li> <li>Lack of coordination among different staff members in the recording process.</li> <li>Risk of data manipulation or embezzlement of funds.</li> </ul>

- There are no standard procedures for depositing money into the bank.
  - Data reconciliation between the system, cash, and bank balances is performed every six months.
  - Internal audits are conducted by the internal supervisory team.
  - Ineffective or untimely reconciliation processes.
  - Lack of independence of the internal supervisory team.
  - Theft or loss of cash before being deposited into the bank.
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Source: Research Data (2025)

The internal control at Koperasi XYZ is analyzed using the COSO Internal Control-Integrated Framework, which consists of five main components: control environment, risk assessment, control activities, information and communication, and monitoring activities, divided into 17 principles.

In implementing the first principle-commitment to integrity and ethical values-Koperasi XYZ relies on honesty and trust as its primary foundation for operations. The chairman of Koperasi XYZ stated, "Very important. Honesty is what we prioritize the most..." However, this foundation is poorly supported by well-documented systems, such as a written code of ethics, making the implementation of ethical values heavily dependent on individual character and commitment.

Regarding the second principle-independence of the board of directors from management-Koperasi XYZ has appointed community members from professional backgrounds as Supervisory Board members, with the hope that they "can ensure adequate expertise and independence in providing effective oversight...". The existence of the Supervisory Board is a positive step, but its effectiveness in providing independent oversight needs further evaluation, particularly concerning access to information and the ability to provide constructive challenges to management decisions.

For the third principle-management and organizational structure-the organizational structure of Koperasi XYZ is clearly described. However, interview results with the cooperative's chairman, "...Usually internal matters are handled together when something is inappropriate, and I am informed," indicate a centralized reporting and decision-making flow primarily controlled by the chairman. This potentially reduces objectivity, transparency, and accountability, as well as limiting participation and contributions from other members.

In terms of the fourth principle-commitment to competent employees-Koperasi XYZ provides opportunities for employees to participate in training and development programs sponsored by the government. The chairman mentioned, "There are often training programs from the District Office, Provincial Office, or Ministry, such as technical guidance programs for cooperative management, where our managers usually get trained." Commitment to developing employee competencies should be continuously improved through structured internal training and objective performance evaluations.

Regarding the fifth principle-accountability-Koperasi XYZ still relies on traditional understanding and longstanding habits. The chairman stated, "All current employees have been with the cooperative since it was established. So, everyone understands their tasks and responsibilities." To enhance accountability, Koperasi XYZ needs to develop measurable and objective KPI systems and clearly document operational processes and procedures.

**Table 3. Evaluation and Recommendations for Improving the Internal Control of the Control Environment Component at Koperasi XYZ**

COSO Principle	Internal Control at Koperasi XYZ	Recommendation for Improving Internal Control
1. Commitment to Integrity and Ethical Values	<ul style="list-style-type: none"> <li>The implementation of the principle of familial relationships and maintaining trust between management and members of the cooperative.</li> <li>Emphasizing honesty and integrity values from the moment an individual join as a management member of the cooperative, as guided by the cooperative chairman.</li> </ul>	Improve process standardization and member assessments and establish SOPs for all activities to ensure the cooperative's evaluations are objective and consistent.
2. Independence of the Board of Directors from Management	Appointing independent professionals from the community as the cooperative's supervisory board.	-
3. Management and Organizational Structure	<ul style="list-style-type: none"> <li>The organizational structure is clear.</li> <li>All strategic decisions are centralized in the cooperative chairman.</li> </ul>	Enhancing transparency and accountability through decentralization of tasks and responsibilities.
4. Commitment to Competent Employees	<ul style="list-style-type: none"> <li>Recruitment is based on required skills.</li> <li>Employees are given opportunities to participate in training and competency development.</li> </ul>	-
5. Accountability	Operational activities within Koperasi XYZ's revenue cycle are carried out based on long-standing habits and routines.	Enhancing an effective employee evaluation system to facilitate objective performance measurement.

Source: Research Data (2025)

In the sixth principle-clear specification of objectives-Koperasi XYZ demonstrates this through its formulation of the cooperative's Vision and Mission. These objectives serve as organizational guidelines, and annual targets are set through internal discussions among management based on historical revenue data. However, the clarity of these objectives needs to be improved by establishing more specific and measurable targets to enable more effective performance evaluation and risk management.

The seventh principle-risk identification and analysis-is reflected in Koperasi XYZ's awareness of potential default risks in the loan application process. Nonetheless, the approach used still relies on personal relationships and trust, without an effective risk prevention system for default cases. As expressed, "...There is no such system (default risk prevention system), because, as

mentioned, the borrowers are generally known to us." This indicates a need for developing a more proactive and structured risk management system.

The implementation of the eighth principle-consideration of potential fraud-is considered weak at Koperasi XYZ. The basis of kinship and mutual trust leads to several processes being carried out without additional validation. Collateral assessment is only based on documentation, and fund transfers are made directly to the cooperative with limited confirmation. This creates loopholes that could be exploited for fraudulent actions.

Regarding the ninth principle-identification and assessment of changes-this has not been systematically implemented at Koperasi XYZ. Operational activities are carried out based on existing processes without a formal system to monitor developments in the business environment, technology, or regulations. This causes the cooperative to be more reactive to changes and less prepared to face new risks or opportunities.

**Table 4. Evaluation and Recommendations for Improving the Internal Control of the Risk Assessment Component at Koperasi XYZ**

COSO Principle	Internal Control at Koperasi XYZ	Recommendation for Improving Internal Control
6. Clear Objective Specification	<ul style="list-style-type: none"> <li>The goals of Koperasi XYZ are established through internal management discussions based on historical data.</li> <li>These objectives are also announced and ratified in a year-end meeting attended by all members.</li> </ul>	-
7. Risk Identification and Analysis	Competent management capable of understanding risks in each area.	Conduct regular risk identification and analysis by recording potential risks in each key process, creating a list of main risks, and reviewing and updating risk data and mitigation strategies.
8. Consideration of Potential Fraud	<ul style="list-style-type: none"> <li>Internal control at Koperasi XYZ is based on the principles of family and mutual trust between members and management.</li> <li>Cash payments are prioritized and made directly to the cooperative.</li> </ul>	System improvements include regularly conducting physical surveys to assess collateral and filling vacant surveyor positions, as well as enhancing the control structure to make oversight more effective. The transfer system and collection processes are supported by official and automated procedures, while payment management is carried out using dual functions to minimize the risk of misuse.

9. Identification and Evaluation of Significant Changes Impacting Internal Control Systems	Flexibility of procedures to adapt to changes.	Conduct periodic identification and assessment of environmental changes that could significantly impact the system. The results of these assessments should be used to adjust and update control mechanisms to remain effective in facing these changes.
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Source: Research Data (2025)

The implementation of the tenth principle-selection and development of control activities-in Koperasi XYZ is carried out through document screening and centralization of loan evaluation decisions in the hands of the Chairman of the Cooperative. However, in practice, it often relies on direct instructions from the Chairman, as conveyed by the cooperative secretary: "There are no specific rules, just policies, and instructions come directly from Mr. Chairman." This indicates that control activities have not yet been fully standardized and depend heavily on individual policies.

Regarding the eleventh principle-general control over technology-this has not been widely applied in Koperasi XYZ. Many processes are still performed manually, including loan application, disbursement, and collection. This limitation hampers the efficiency and effectiveness of controls and increases the risk of errors and data manipulation.

For the twelfth principle-implementation of policies and procedures-Koperasi XYZ has policies related to loan applications, collections, and cash receipts. However, the application of these policies is not always consistent, and record-keeping is sometimes incomplete. Based on statements from front-line staff, important decisions regarding loan approval and debt write-offs are made based on the policy of the cooperative's leadership without written guidelines, indicating a lack of specific Standard Operating Procedures (SOPs).

**Table 5. Evaluation and Recommendations for Improving the Internal Control of the Control Activities Component at Koperasi XYZ**

COSO Principle	Internal Control at Koperasi XYZ	Recommendation for Improving Internal Control
10. Control Activity Selection and Development	<ul style="list-style-type: none"> <li>• Document screening as a prerequisite for loan applications</li> <li>• Centralized loan approval decision-making</li> <li>• Cash and transfer payment management</li> </ul>	Regularly identify and assess key weaknesses, particularly in the credit evaluation process, which should be based on objective and quantifiable criteria. Enhance oversight by engaging multiple stakeholders and reducing reliance on the cooperative chairperson. Moreover, the control system should shift from a reactive to a proactive approach through periodic evaluations and the implementation of transparent

11. General Control over Technology	Utilization of spreadsheet-based systems (Excel)	<p>and participatory monitoring mechanisms at all levels. Strengthen transaction management procedures, including storage and segregation of duties, by empowering members and independent oversight to mitigate the risk of financial mismanagement and inefficiency.</p> <p>Leveraging modern information technology and digital systems to enhance data management, streamline loan processing, and bolster data security. Furthermore, robust security measures, including regular data backups and strict access controls, should be implemented to mitigate the risks of unauthorized access and data breaches, thereby ensuring a more efficient and secure control environment.</p>
12. Implementation of Policies and Procedures	<ul style="list-style-type: none"> <li>• Activities are guided by established practices.</li> <li>• Strategic decision-making is centralized with the cooperative chairperson.</li> </ul>	Enforce strict adherence to Standard Operating Procedures (SOPs), conduct regular procedure updates, and develop specific and structured SOPs to ensure process consistency, strengthen controls, and mitigate the risk of inconsistencies, errors, and non-compliance.

Source: Research Data (2025)

Regarding the thirteenth principle-obtaining and utilizing appropriate and high-quality information-Koperasi XYZ primarily focuses on internal member data and operational information. In the loan application process, the information collected is limited to collateral value and the member's financial history derived from internal data. The Chairman of Koperasi XYZ also stated, "No, we don't, we use our own cooperative loan rates, and we don't perform BI checks on loan applications because the community members are mainly local residents, so the management knows them. So, we usually don't check." This indicates a minimal process of verification using external data to support more accurate and comprehensive decision-making.

In implementing the fourteenth principle-internal communication-Koperasi XYZ relies on WhatsApp groups as an effective and efficient communication medium among managers. However, the lack of formal and systematic documentation of decisions made within the

WhatsApp groups can hinder audit trails and the availability of information for all management members.

For the fifteenth principle-external communication-Koperasi XYZ uses the chairman's WhatsApp status, social media, and bulletin boards at the office. This method is considered sufficiently effective, although its effectiveness varies and may not reach all members. For example, the chairman of Koperasi XYZ explained, "For members, we usually use the chairman's WhatsApp status or social media like Facebook and Instagram. For members without access to these social media platforms, we inform them through a bulletin board outside the cooperative office." This method is deemed effective because most members come from areas near the cooperative.

**Table 6. Evaluation and Recommendations for Improving the Internal Control of the Information and Communication Component at Koperasi XYZ**

COSO Principle	Internal Control at Koperasi XYZ	Recommendation for Improving Internal Control
13. Acquisition and Utilization of Relevant and Quality Information	<ul style="list-style-type: none"> <li>Regular documentation of members' financial transactions</li> <li>Collection and utilization of internal data for informed decision-making</li> </ul>	The control system at Koperasi XYZ is limited in its use of external data, which necessitates improvement to enhance analytical effectiveness and decision-making accuracy. While information is sourced from reliable providers, further analysis of transactional data and information management is required to optimize its utility and support more informed decision-making.
14. Internal Communication	Leveraging WhatsApp Group as a efficient means of communication	-
15. External Communication	Engaging with external stakeholders through multiple channels, including the cooperative chairman's WhatsApp status, social media platforms, and office bulletin boards.	-

Source: Research Data (2025)

The implementation of the sixteenth principle-selection, development, and implementation of continuous and/or separate evaluations-is realized at Koperasi XYZ through internal audits conducted every six months by the internal oversight team. After the audits are completed, the reports and evaluation results are discussed within the management's internal meetings. The chairman of Koperasi XYZ also stated, "There is a semiannual internal audit... carried out by the oversight team, covering bookkeeping systems, SOP compliance, and financial aspects." However, these audits are considered to lack independence and objectivity.

The seventeenth principle-evaluation and communication of internal control deficiencies-is carried out by Koperasi XYZ through recording the evaluation results and improvement suggestions in the Meeting Minutes Book. The improvement systems proposed by the oversight team are then reviewed in subsequent audits. Nonetheless, follow-up on the suggested improvements and recommendations has not been optimal and has not fully ensured continuous implementation.

**Table 6. Evaluation and Recommendations for Improving the Internal Control of the Monitoring Activities at Koperasi XYZ**

<b>COSO Principle</b>	<b>Internal Control at Koperasi XYZ</b>	<b>Recommendation for Improving Internal Control</b>
16. Selection, Development, and Implementation of Ongoing and/or Discrete Evaluations	<ul style="list-style-type: none"> <li>• Semi-annual internal audits</li> <li>• External audits conducted as appointed by the Ministry of Cooperatives and Small and Medium Enterprises</li> </ul>	Conduct a thorough assessment of weaknesses related to the lack of independence and objectivity in internal evaluations, as well as resource constraints for comprehensive external audits. Strengthen human resources with relevant expertise and implement more robust internal evaluation mechanisms to enhance control effectiveness and support optimal cooperative sustainability.
17. Evaluation and Communication of Internal Control Weaknesses	<ul style="list-style-type: none"> <li>• Documentation of evaluation findings and recommendations for improvement in the Meeting Minutes Book</li> <li>• Review of system enhancements proposed by the audit team in subsequent audit periods</li> </ul>	Establish a systematic monitoring and evaluation framework to ensure timely implementation of recommendations, mitigate risks and control deficiencies, and drive continuous improvement in internal control effectiveness.

Source: Research Data (2025)

Based on the analysis of the 17 principles of the COSO Internal Control-Integrated Framework, it is concluded that to address weaknesses in internal control, Koperasi XYZ should establish comprehensive SOPs for all activities and conduct regular external audits to assess the effectiveness of the board’s oversight. This will strengthen internal controls, enhance transparency, and build members’ trust in financial management. Decentralizing tasks and roles is also crucial to improve objectivity, transparency, and accountability. By distributing decision-making responsibilities-such as cash management and loan approval-to multiple individuals or teams, the cooperative can reduce risks associated with centralized controls.

Implementing a financial system involving multiple members in the recording and audit processes can further improve governance. Forming special teams, such as a loan disbursement team and an independent loan analysis team, can increase operational efficiency and minimize

risks of errors and fraud. By adopting these measures, Koperasi XYZ can enhance overall governance, reduce dependence on individual authorities, and ensure more effective internal controls.

#### 4. CONCLUSION

The findings from this research highlight the critical need for Indonesian cooperatives, particularly Koperasi XYZ, to prioritize the strengthening of their internal control systems. The observed lack of robust controls and over-reliance on individual decision-making expose cooperatives to significant risks of fraud, errors, and inefficiencies, which can ultimately erode member trust and threaten financial stability. To foster a more transparent and accountable cooperative environment, it is recommended that Koperasi XYZ, and similar cooperatives, implement comprehensive Standard Operating Procedures (SOPs) for all key activities, decentralize decision-making responsibilities, and conduct regular internal and external audits. Furthermore, investing in technology to automate processes and enhance data management is crucial. The research highlights that a shift towards a proactive risk management approach, coupled with continuous employee training and development, is essential to mitigate potential risks and improve operational efficiency. By adopting these measures, cooperatives can enhance their governance, strengthen member trust, and ensure the long-term sustainability of their operations, ultimately contributing to the economic well-being of their members.

This study has several limitations, including a sample that consists of only one small-scale cooperative and focuses solely on one cycle, the revenue cycle. These limitations may restrict the generalizability of the research findings. Therefore, future research is expected to conduct a cost-benefit analysis of internal control recommendations on the revenue cycle to ensure that the recommendations are not only effective but also affordable and aligned with the cooperative's financial capacity. Furthermore, future research can also conduct an analysis of internal control across all cooperative activity cycles to gain a more comprehensive understanding of the effectiveness and efficiency of internal control. By doing so, future research can make a more significant contribution to improving the internal control system of cooperatives.

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