

The Effectiveness of Internal Control in Amal Usaha Pendidikan Muhammadiyah

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ABSTRACT

This study analyzes the effectiveness of internal control systems in preventing fraud within Muhammadiyah Education Charities. It is grounded in the need for accountable and transparent governance in Muhammadiyah educational institutions, which play a strategic role in shaping societal character and intellect. Using a qualitative case study approach, data were collected through in-depth interviews, observations, and documentation involving LPPK auditors, school principals, treasurers, and finance staff. Thematic analysis was applied through data reduction, presentation, and conclusion drawing. The findings show that the implementation of the five COSO internal control components is not yet optimal, particularly in the control environment, risk assessment, control activities, and information and communication. Weaknesses include the absence of written SOPs, limited awareness of risk assessment, and inadequate communication systems, all of which hinder fraud prevention. This study maps internal control weaknesses in Muhammadiyah's AUM and proposes integrating Muhammadiyah's progressive Islamic ethical values with modern COSO principles to strengthen governance and integrity.

Keywords: Internal Control; fraud prevention; Amal Usaha Muhammadiyah

Efektivitas Pengendalian Internal pada Badan Usaha Pendidikan Muhammadiyah

ABSTRAK

Penelitian ini menganalisis efektivitas sistem pengendalian internal dalam mencegah kecurangan pada Amal Usaha Pendidikan Muhammadiyah. Latar belakang penelitian berangkat dari kebutuhan tata kelola yang akuntabel dan transparan pada institusi pendidikan Muhammadiyah yang memiliki peran strategis dalam membentuk karakter dan intelektualitas masyarakat. Penelitian menggunakan pendekatan kualitatif dengan metode studi kasus melalui wawancara mendalam, observasi, dan dokumentasi yang melibatkan auditor LPPK, kepala sekolah, bendahara, serta staf keuangan. Analisis data dilakukan dengan analisis tematik melalui proses reduksi, penyajian, dan penarikan kesimpulan. Hasil penelitian menunjukkan bahwa penerapan lima komponen pengendalian internal menurut kerangka COSO belum optimal, terutama pada lingkungan pengendalian, penilaian risiko, aktivitas pengendalian, serta informasi dan komunikasi. Kelemahan tersebut dipengaruhi oleh belum tersusunnya SOP tertulis, rendahnya kesadaran terhadap penilaian risiko, dan lemahnya sistem komunikasi. Penelitian ini memetakan kelemahan pengendalian internal pada AUM dan menawarkan integrasi nilai-nilai etika Islam progresif Muhammadiyah dengan prinsip COSO untuk memperkuat tata kelola dan integritas.

Kata Kunci: Pengendalian Internal; Pencegahan Fraud; Amal Usaha Muhammadiyah

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INTRODUCTION

In the era of globalisation and rapid technological development, integrity and transparency are the primary keys to building a sustainable organisation. One of the significant challenges faced by organisations is the threat of fraud. *Fraud* is a problem that can result in losses for an organisation. *Fraud* not only has an impact on financial losses, but it can also damage public trust and hinder the achievement of organizational goals. *Fraud* can be defined as a deliberate and unlawful act that aims to gain personal gain by harming other parties (Reurink, 2016). Fraudulent actions aim to obtain material and non-material benefits individually and in groups and cause other parties to suffer losses (Donelson et al., 2015; Gissel & Johnstone, 2018). Fraudulent behavior often occurs when individuals are motivated to prioritize maximizing their profits (*self-interest*) or the interests of certain parties. Self-interest behavior focuses on material aspects, so that fraudulent acts are carried out not only because of pressure and opportunity but also because of the intention and ability of the individual perpetrator of fraud (Ajzen, 1991).

Muhammadiyah is one of Indonesia's most prominent Islamic organizations, founded by Kiai Ahmad Dahlan in 1912 in Yogyakarta. Muhammadiyah is an Islamic Movement that carries out the mission of da'wah and tajdid in all fields of life with the characteristics of a progressive Islamic style (Muhammadiyah, 2015). Muhammadiyah was established as a response to religious practices considered less pure than Islamic teachings and to overcome social problems in Indonesian society (Junaidi, 2022). Amal Usaha Pendidikan Muhammadiyah (AUM Pendidikan) is an institution managed by Muhammadiyah in formal and non-formal education, from the basic to higher education. AUM Education plays a strategic role in producing a generation of knowledge, noble character, and social concern. In carrying out its role, AUM focuses on academic and instills Islamic, humanitarian, and progressive values. The large number of Muhammadiyah educational institutions spread throughout Indonesia makes the management of the Education AUM complex. Hence, strengthening the governance system and internal control becomes increasingly important. As part of the da'wah and Islamic education movement, AUM-Pendidikan Muhammadiyah has a moral and social responsibility to implement the principles of good governance and accountability. One of the essential instruments in realizing this is the effectiveness of internal control (Manginte, 2024). A sound internal control system functions as a starting fortress to detect, prevent, and reduce the risk of *fraud* in managing finances, assets, human resources, and educational operations (Ampofo et al., 2024).

Internal control is a series of systematic procedures implemented by an organization to protect assets and resources, improve operational efficiency, and ensure the accuracy and completeness of accounting data (COSO, 2013). The internal control function is essential because it is a key component of organizational risk management (Hanwen Chen, 2020). This system should prioritize effective risk identification and monitoring, strengthen the role of management at every level, build a reliable information system to detect and report anomalies quickly, and provide comprehensive reporting of all operational activities (Chalmers et al., 2019). In addition, internal control can also help

organizations meet organizational goals by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (Mihret & Grant, 2017). Internal control is a multi-dimensional concept (Kabue, 2015) that not only consists of procedures or policies, but also a process that takes place continuously and is influenced by various parties in an organization (Chalmers et al., 2019). Internal controls are designed to provide reasonable confidence in achieving operational objectives, including business activities' efficiency and effectiveness, financial reporting's reliability, and compliance with applicable regulations. In addition, the entity's internal control system also protects organizational resources from the risk of losses due to abuse, waste, error, and fraud (Rashid, 2022). To run effectively, internal control must include five main components: the control environment, risk assessment, control activities, monitoring, and information and communication systems that support transparency and accountability in the organization (COSO, 2013).

Previous research revealed that strengthening internal control is a form of preventive action carried out by management to prevent fraud in the organization (Suh et al., 2019). Research (Jayanto et al., 2017) also revealed that the risk factor that causes accounting reporting fraud is a weak internal control environment. Furthermore, research (Surjandari & Martaningtyas, 2015) confirms that organizations with good internal audit functions will more easily detect fraud. Studies conducted by Harry Krishna Mulia et al. (2017) show that good morality and ethics in employees can positively impact the internal control system to prevent fraud. In addition to strengthening internal control systems, previous research (Okaro & Okafor, 2013) recommended a holistic approach in the context of fraud prevention efforts. In line with this research, prior research (Purnamasari, 2018) also revealed that religiosity and spirituality positively influence fraud prevention. The results of several studies indicate that preventing fraudulent acts cannot be carried out by relying only on the entity's internal control system. Still, a stronger and more solid foundation is needed to fortify humans as the leading actors of the internal control system and help them avoid fraudulent acts.

However, challenges in implementing internal controls are still present in practice. Factors such as limited resources, regulatory changes, and organizational cultural resistance can be obstacles. Therefore, this study must examine how effectively the internal control system implemented in the Muhammadiyah Education AUM prevents fraud. This study aims to analyze the effectiveness of internal control applied to Muhammadiyah Educational Charities in avoiding fraud. This research can help us understand the strengths, weaknesses, opportunities, and challenges in internal control within the AUM of Muhammadiyah Education. This finding benefits Muhammadiyah's internal affairs and can also be a reference for other educational institutions in building better governance and global competitiveness. However, research on internal control in Muhammadiyah Charity Business (AUM) is still limited. In fact, strengthening the internal control system is very important, considering that the LPPK audit report shows that there are still weaknesses in compliance, documentation, and financial transparency in many AUMs. To date, no comprehensive study has assessed the effectiveness of AUM internal control using standard frameworks such as the COSO Internal Control-Integrated Framework

(2013). Therefore, this study tries to fill the gap by evaluating COSO-based internal control in the context of Muhammadiyah Education AUM.

RESEARCH METHODS

This research uses a qualitative approach with a case study method on one unit of AUM Education, namely SMP Muhammadiyah XYZ. The unit of analysis was determined because it represents the challenges of Muhammadiyah education governance at the secondary level. This research aims to understand and analyze the effectiveness of the internal control environment in detecting and preventing fraud in an organization. This approach was chosen because it allows researchers to delve deeply into the phenomena that occur, including the factors that affect the implementation of internal controls in an entity. This research is qualitative descriptive, where data is collected and analyzed to understand the effectiveness of internal control applied to Muhammadiyah Education Charity in preventing fraud. The case study approach is ideal for examining activities within a single unit of analysis and a specific contextual framework, such as an internal control system (Yin, 2018). Case studies can focus on decision-making, evaluation, or diagnosis of problems (Ellet, 2018).

The data used in this study are sourced from primary and secondary data. Primary data was obtained through *in-depth interviews* with related parties: LPPK auditors, school principals, main treasurers, and cash receipt and expenditure staff. The secondary data used in this study are school documents, reports on the results of financial audits, relevant regulations, and academic literature related to internal control and *fraud*. The research will be carried out from August to November 2024. A detailed list of the speakers involved in this study is presented in Table 1.

Table 1. Detailed List of Interviewees

Code	Position
Resource person 1	Auditor LPPK
Resource person 2	Principal
Resource person 3	Main Treasurer of the School
Resource Person 4	School Cash Receipt Staff
Resource Person 5	School Cash Expenditure Staff

Source: Research Data, 2025

The author uses this study's four data collection techniques: observation, documentation, and interviews. The observation procedure is carried out to present a realistic picture of the internal control system in the school. Documentation is a large amount of stored facts and data. The main nature of documentation data is not limited to space and time, thus allowing researchers to discover things that have happened in the past. Interviews are a tool for double-checking or verifying information obtained previously. The author of this study's interviews used a semi-structured interview technique. This interview technique is used because it is possible to ask additional questions and to get more in-depth answers. The interview is recorded, and the results are documented as interview transcripts. Interviews are conducted with key personnel, including related parties, namely internal auditors, company management, and personnel responsible for internal control. The research framework refers to the five

components of COSO's internal control: control environment, risk assessment, control activities, information & communication, and monitoring. All data from interviews and observations are categorized based on these five themes. The data analysis method used in this study is thematic analysis, which involves the stages of data reduction, data presentation, and conclusion drawing (Miles, 1994). The data obtained from the interviews and documentation were categorized based on key themes related to the effectiveness of internal controls in preventing fraud. Related to the validity of the data, this study uses triangulation techniques, both through source triangulation (comparison of data from various sources), triangulation methods (a combination of interviews, observations, and documentation), and member checking with respondents to confirm the accuracy of the research findings. With this methodology, the research is expected to provide a comprehensive understanding of the effectiveness of internal control in preventing fraud and provide valuable insights for organizations in strengthening their control systems.

RESULT AND DISCUSSION

Before discussing the findings for each component of internal control, it is important to note that the themes and data presented in tables 1-7 were derived from the thematic analysis of interview transcripts, field observations, and organizational documents. The coding process followed the analytical stages of data reduction, data display, and conclusion drawing. The emerging themes were mapped according to the five main components of the COSO Internal Control-Integrated Framework (2013), namely the control environment, risk assessment, control activities, information and communication, and monitoring. Each table illustrates the synthesized results of the thematic coding, showing how internal control mechanisms operate within the Muhammadiyah education unit. These tables thus provide a structured representation linking the empirical data with the theoretical framework, allowing the study to evaluate the effectiveness of internal control in preventing fraud based on both practical evidence and conceptual grounding.

Internal control is a system designed to protect the organization from potential fraud or abuse of authority that individuals can commit. This system ensures that every transaction and operational activity of the company runs according to the policies and procedures set. The internal control system, known as the internal control framework, consists of five interconnected internal control components: the control environment, risk assessment, control activities, information and communication, and monitoring (COSO, 2013).

A control environment is a set of standards, processes, and structures to implement internal controls. The elements of the control environment as expressed by the COSO *Integrated Framework* 2013 include five elements, namely integrity and ethical values, implementation of supervisory responsibilities, establishing structure, authority, and responsibility, commitment to competence, and encouraging accountability. One of the main dimensions in the control environment that functions as a fraud prevention in the Muhammadiyah Charity (AUM) environment, especially at the research site, namely at SMP Muhammadiyah XYZ, is the commitment of the leadership (top management) to

integrity and ethical values. Based on the results of interviews with key informants at Muhammadiyah XYZ Junior High School compared with the results of observations and supporting documents, such as audit reports and meeting minutes, it shows that the values of integrity and ethical values have become part of the institution within the Muhammadiyah Charity Business (AUM), which is also in line with the principles of Al-Islam and Kemuhammadiyahan, which are the basis of organizational behavior. The principles of *amanah*, *tabligh*, *fathanah*, and *istiqamah* are used as ethical parameters in assessing the integrity and commitment of leaders and employees. In official forums such as work meetings, studies, and employee development activities, values such as honesty, trust, and responsibility are normatively echoed as organizational behavior guidelines. However, in the implementation context, informants indicated that the actualization of integrity and ethical values still varies, especially for leaders. There are several limitations in efforts to strengthen the culture of integrity through policies, ethics coaching systems, and providing concrete examples from leaders of behavior that reflect high ethical values. This is in line with the statement of one of the informants (Informant 3, School Treasurer) as follows:

Directions about ethics are available on various occasions. However, for direct practice, sometimes I do not feel a strong push from the leadership, as an example or as a role model."

This condition shows that strengthening the internal control system is not enough only through a set of policies or procedural systems, but also depends on the quality of the control environment, one of which is influenced by the example and commitment of the leadership (top management) to the values of integrity and ethical values. Lack of consistency in implementing and enforcing ethics at the leadership level will hinder building an internal supervisory system based on values. Furthermore, SMP Muhammadiyah XYZ does not have a formal system that supports creating an effective control environment, such as an organizational code of ethics, integrity pact, and *whistleblowing mechanism*. This is in line with the statement of one of the informants (Informant 4, School Cash Receipt Staff) as follows:

"... There is no code of ethics here, not even the integrity pact. Especially the whistleblowing mechanism, I just found out that there is such a thing."

The absence of a formal system that supports the creation of an effective control environment has significant consequences for the weak and inadequate prevention of possible fraudulent activities that may occur within educational institutions. Table 2 outlines the codification results for the control environment obtained from informant interviews in Muhammadiyah XYZ Junior High School.

Table 2. Control Environment Codification

Control Environment	Code	Existing Internal Control
Integrity and ethical values	LP1	It has a vision, mission and organizational goals that are in line with the Muhammadiyah Organization, but the implementation but in terms of actualization of integrity values and ethical values (leadership example) is still lacking.
Implementation of supervisory responsibilities	LP2	Internal supervision and control mechanisms are very limited.
Establishment of structure, authority and responsibilities	LP3	There is a formal organizational structure and division of main duties and functions of employees but schools do not have written policies and procedures regarding the division of authority and authorization.
Commitment to competence	LP4	There is no performance appraisal system for teachers and employees.
Encourage accountability	LP5	The financial supervision and verification process is carried out by the Branch Leader, but the school does not yet have a <i>whistleblowing system</i> .

Source: Research Data, 2025

Another element of the internal control framework is risk assessment. Risk assessment identifies risks an organization faces in achieving its goals. Risk assessment also determines how a risk should be managed and controlled. Each organization has different risks. In addition, each unit in the organization also has different risks. Risk assessments carried out by organizations can be an essential step in recognizing the potential occurrence of events that hinder the achievement of organizational goals. Risk assessments can also be used to design adequate risk mitigation measures. The risk assessment process includes risk identification, analysis, and evaluation of the impact on the organization. The results of interviews with key informants at SMP Muhammadiyah XYZ show that schools do not have adequate awareness and understanding regarding the importance of systematic risk assessment, especially in the financial management and operations of educational institutions. This is in line with the statement of one of the informants (Informant 2, Principal) as follows:

"(...) So far, we have never discussed risks formally. We focus more on implementing teaching and learning activities that run smoothly. If a problem arises, we will handle it and think of a solution."

This condition shows that the school's risk management approach is still responsive, not preventive. Responsive risk management makes schools potentially vulnerable to fraud. Organizations that do not conduct a

comprehensive risk assessment will have the potential to experience structural weaknesses in their internal control systems.

The risk identification process begins with risk mapping. Risk mapping allows organizations to identify potential risks or threats that may hinder achieving organizational goals, including operational, financial, legal, and reputational objectives. Identifying possible risks carried out by the organization can be used as a basis for decision-making and steps in anticipation of these risks developing into a bigger problem and creating losses for the organization. The results of interviews with key informants at SMP Muhammadiyah XYZ show that the school does not have any mapping or risk identification documents. This is in line with the statement of one of the informants (Informant 3, School Treasurer) as follows:

"We usually follow the direction from the leadership. There has never been a written guideline explaining the risks and how to manage them, and there is none. We have never done the risk identification process."

The findings indicate that schools have never completed risk identification or mapping. In addition, schools also do not know how to prepare risk mapping documents or special policies that regulate the stages of risk identification. Evaluations related to threats that may arise from irregular reporting, government assistance funds (BOS and BOSDA) utilization, procurement of goods and services, and use of school assets have not been documented in a written procedure and policy. This state of affairs indicates that risk management mechanisms have not yet become integral to the planning and control cycle. As shown in Table 3, the themes were derived from interview coding and triangulated through document analysis and observation, illustrating the risk assessment conditions at SMP Muhammadiyah XYZ.

Table 3. Risk Assessment Codification

Risk Assessment	Code	Existing Internal Control
Define appropriate goals	PR1	There is no mechanism to determine the purpose of internal control in schools.
Risk identification and analysis	PR2	Schools do not have adequate awareness and understanding regarding the importance of systematic risk assessment, especially in the financial and operational management of educational institutions.
Assess the risk of fraud	PR3	The school has not conducted a risk assessment.
Identify and analyze significant changes	PR4	The school has not conducted identification and analysis related to environmental changes, rules, and other changes that have a significant impact on the school.

Source: Research Data, 2025

The next element of internal control is control activities, which are policies and procedures necessary to manage the risks that have been determined (COSO, 2013). Control activities are divided into three principles: selecting and developing control activities, selecting and developing general control over technology, and detailing into policies and procedures. The results of interviews with key informants at SMP Muhammadiyah XYZ show that the implementation of control activities in schools has not been running optimally and has not been well structured. This is because the school has not conducted a risk assessment, which is used as the basis for designing control activities. This is in line with the statement of one of the informants (Informant 5, School Cash Expenditure Staff) as follows:

"Actually, for SOPs or procedures, we already have several. However, it is not consistently practiced. The SOP is often only for formality documents that schools must have. Because we also do not have a deep understanding of the importance of SOPs."

The same thing was also emphasized by Informant 1 (LPPK Auditor), who stated that the knowledge possessed by schools related to the importance of risk management is very minimal due to the limited human resources in schools who understand the importance of risk management in the management of educational institutions. In addition, other factors that result in weak internal control in schools are the lack of technical training on internal control and risk management, and the lack of policies from the Pimpinan Cabang Muhammadiyah (PCM) and Pimpinan Daerah Muhammadiyah (PDM) levels that are operational and applicable. Control activities in schools still show control activities that tend to be reactive and administrative, not as a result of a comprehensively designed risk management process. The absence of adequate risk identification and mapping processes affects the lack of development of relevant and practical control activities.

The analysis indicates that control activities at SMP Muhammadiyah XYZ have not yet been fully developed according to risk identification and mitigation principles. To enhance the effectiveness of these controls, it is important to reinforce policies based on risk management and conduct regular monitoring and internal audits to ensure adherence to established procedures. By implementing these measures, the school is expected to improve accountability, reduce the risk of fraud, and foster a more robust and professional financial governance system rooted in the progressive Islamic values that underpin the Muhammadiyah movement. Evaluating internal controls is a fundamental process in organizational governance, as it provides a systematic approach to identifying control weaknesses and ensuring the effectiveness of risk management strategies (Spira & Page, 2003). Through regular and rigorous assessment, organizations can uphold the integrity of financial reporting, enhance accountability, and foster a culture of compliance. As shown in Table 4, the themes were derived from interview coding and triangulated through document analysis and observation, illustrating the condition of control activities at Muhammadiyah XYZ Junior High School.

Table 4. Codification of Control Activities

Control Activities	Code	Existing Internal Control
Selecting and developing control activities	AP1	Schools have not yet conducted the selection and development of control activities.
Choosing and developing common control over technology	AP2	The school has not yet selected and developed control activities for the technology used.
Detail into policies and procedures	AP3	The school has several SOPs but is not followed by consistency in their implementation.

Source: Research Data, 2025

The next element of internal control is information and communication. In the framework of internal control, according to (COSO, 2013), the elements of information and communication play an essential role in ensuring that relevant information is delivered in a timely and accurate manner to all parties in need in the organization. This serves to support the implementation of control and decision-making functions. Good information must be complete, reliable, and easily accessible. Meanwhile, good communication must occur vertically and horizontally in the organizational structure. The results of interviews with key informants at SMP Muhammadiyah XYZ show that the application of information and communication in schools still faces several limitations, both from the system and from the organizational culture (Informant 3, School Treasurer).

"The actual information is there, but sometimes it is not always conveyed thoroughly to everyone in the school. Sometimes only the leadership knows, or only the finance department."

These findings indicate that the flow of information at SMP Muhammadiyah XYZ tends to be centralized and not yet open, so it has the potential to cause a gap in understanding between parties related to policies, procedures, and essential issues in internal control. In some cases, strategic decisions related to finance are not immediately communicated in writing and comprehensively to all teachers and employees at SMP Muhammadiyah XYZ, resulting in inconsistencies in implementation. In addition, internal communication within the school is not well documented, which causes a weak feedback mechanism from employees to the school policies. Suggestions, criticisms, and reports of irregularities are often not formally channeled. So, the opportunity for early detection of the risk of fraud is minimal. On the external side, disclosing information to stakeholders such as parents, students, the community, and branch leaders is quite good. This can be seen from using social media as a means of communication, but it still does not have a standard communication policy. As shown in Table 5, the themes were derived from interview coding and triangulated through document analysis and observation, illustrating the information and communication conditions at SMP Muhammadiyah XYZ.

Table 5. Information and Communication Codification

Information and Communication	Code	Existing Internal Control
Internal communication	IK1	The flow of information and communication that occurs in schools tends to be centralized, not open and undocumented.
External communications	IK2	The school routinely communicates information related to school, finances to the Branch Head.

Source: Research Data, 2025

The next element of internal control is evaluation and supervision. According to COSO (2013), supervision is divided into two principles in the internal control framework: conducting continuous and separate evaluations and evaluating and communicating weaknesses. The primary purpose of oversight is to ensure that each component of internal control is running as it should and to ensure that identified weaknesses are addressed. Deficiencies can be communicated promptly and appropriately acted upon. The results of interviews with key informants at Muhammadiyah XYZ Junior High School show that the implementation of supervision evaluation in schools is still not fully structured and effectively implemented. The implementation of supervision of employee performance at SMP Muhammadiyah XYZ tends to be carried out in a limited manner. Teacher and employee performance assessments have not yet become part of the official indicators in the Key Performance Indicator (KPI) system, so reporting and monitoring are carried out informally and are not documented systematically. This was admitted by one of the informants from SMP Muhammadiyah XYZ (Informant 1, Principal):

"So far, there has been no performance assessment that is a KPI indicator, so yes, monitoring is still limited to ordinary observations from superiors to subordinates."

In addition, no mechanism for sudden checks or peer review can function as an additional control in the internal supervision system. Assessment of the performance of teachers and employees tends to be carried out unilaterally by the principal without involving colleagues. On the other hand, Muhammadiyah XYZ Junior High School has never conducted internal audit activities, so internal supervision has not been fully institutionalized. The audit depends more on external audits by the Financial Audit and Supervisory Institute (LPPK) of the Muhammadiyah Regional Executive (PDM). However, the audit has a relatively infrequent frequency, about once every four years, and is usually carried out when there is a principal change or the end of the term of office. This is as expressed by one of the informants (Informant 3, School Treasurer):

"Audits from LPPK are usually carried out if there is a principal change, approximately once every four years. During that time, there were no other examinations."

These findings show that the internal supervision system at SMP Muhammadiyah XYZ has not run optimally in terms of frequency and

implementation structure. Reliance on external audits in the absence of strengthening internal audits or routine evaluation mechanisms is a risk that leads to weak early detection of control weaknesses. This condition indicates a weak internal supervision structure that has the potential to open loopholes for inefficiencies or even potential fraud that is not detected early. Table 6 illustrates the condition of supervision at Muhammadiyah XYZ Junior High School.

Table 6. Supervision Codification

Supervision	Code	Existing Internal Control
Continuous and separate evaluation	M1	The evaluation carried out is still reactive and not based on a preventive and periodic monitoring system.
Evaluation and Communication of Control Weaknesses	M2	The school has a habit of discussing audit results through exit meetings involving auditors from LPPK PDM, school principals, and the leadership. However, the implementation of the evaluation of the findings has not been documented in a formal form such as a systematic follow-up report.

Source: Research Data, 2025

Based on the assessment and codification of the elements of internal control in Muhammadiyah XYZ Junior High School, it shows that the school's existing internal control system still needs strengthening, both structurally and procedurally. Regular and planned evaluations are essential for maintaining system reliability, especially in financial management and AUM operations, which are vulnerable to fraud risks if not strictly supervised. As an effort to improve the internal control conditions that occurred at Muhammadiyah XYZ Junior High School, the results are presented in Table 7.

The effectiveness of internal control at Muhammadiyah XYZ Junior High School can be evaluated based on the information obtained from interviews, direct observation, and document review. Table 7 assesses the adequacy and effectiveness of internal control in Muhammadiyah XYZ Junior High School.

Table 7. Recommendations

Elements of Internal Control	Recommendations
Control Environment (LP1, LP2, LP3, LP4, LP5)	<ul style="list-style-type: none"> • Strengthening the example and ethical commitment of school leaders. • Preparation of formal policies and procedures. • Implementation of a performance appraisal system. • Improvement of financial supervision and verification mechanisms. • Implementation of the whistleblowing system.
Risk Assessment (PR 1, PR2, PR3, PR4)	<ul style="list-style-type: none"> • Socialization and risk management training for all school managers (AUM). • Integration of the risk identification process into the annual planning cycle (RKAS). • Appointment of a risk or internal oversight team in special duty.
Control Activities (AP1, AP2, AP3)	<ul style="list-style-type: none"> • Strengthening risk-based control policies. • There are SOPs and written policies regarding the procedure for authorizing and granting access rights to employee teachers. • Periodic internal monitoring and audits to ensure compliance with established procedures.
Information and Communication (IK1, IK2)	<ul style="list-style-type: none"> • Good internal communication documentation through minutes, official circulars, and digital archives. • There is a regular communication forum between school leaders, teachers and employees. • There is open communication that encourages collective engagement and accountability. • Systematic and transparent external communication to stakeholders.
Supervision (M1, M2)	<ul style="list-style-type: none"> • The school develops an internal supervision policy that includes periodic and structured evaluations. • An internal audit team or independent supervisor was formed both from within the school and from PCM and PDM to support the ongoing monitoring process. • Standard operating procedures (SOPs) are prepared to handle audit findings and document their follow-up.

Source: Research Data, 2025

Table 8. Sufficiency Analysis

Internal Control Components	Code	Sufficiency Analysis	Description
Control Environment	LP1	Inadequate	Need improvement
	LP2	Inadequate	Need improvement
	LP3	Inadequate	Need improvement
	LP4	Inadequate	Need improvement
	LP5	Inadequate	Need improvement
Risk Assessment	PR1	Inadequate	Need improvement
	PR2	Inadequate	Need improvement
	PR3	Inadequate	Need improvement
	PR4	Inadequate	Need improvement
Control Activities	AP1	Inadequate	Need improvement
	AP2	Inadequate	Need improvement
Information and Communication	IK1	Inadequate	Need improvement
	IK2	Inadequate	Need improvement
Supervision	M1	Inadequate	Need improvement
	M2	Adequate	No repair needed

Source: Research Data, 2025

The analysis of the internal control system at Muhammadiyah XYZ Junior High School may still be inadequate. Almost all elements of internal control, ranging from the control environment, risk assessment, control activities, information and communication, to supervision, show inadequate levels and require improvement. Only one indicator of supervision is considered adequate. This condition indicates that comprehensive and structured enhancements are needed to strengthen the effectiveness of internal control and encourage the creation of more accountable and transparent governance.

CONCLUSION

This study concludes that Muhammadiyah XYZ Junior High School's internal control system is still ineffective in preventing fraud. This can be seen from the weak implementation of the five components of COSO: control environment, risk assessment, control activities, information and communication, and monitoring. The absence of written SOPs, weak risk evaluation structures, and the lack of systematic internal supervision mechanisms cause control to be unable to function optimally in preventing irregularities, both from financial and operational aspects. These findings indicate the need for a more measurable, documented, risk-based governance system reformulation. The contributions of this research are enriching the accounting literature and Islamic education governance by applying the COSO framework in the context of Muhammadiyah's AUM; providing recommendations for system improvement, including preparing SOPs, strengthening risk management, implementing the whistleblowing system, and establishing an internal audit unit; integrating the modern framework of internal control (COSO) with Muhammadiyah's progressive Islamic values (integrity, trust, accountability) as the basis for fraud prevention in educational institutions.

This study acknowledges several limitations that should be considered for future research. First, using a single case study design focusing on one Muhammadiyah educational unit is not a methodological weakness but a deliberate strategy to gain an in-depth and contextual understanding of how internal control systems function as a mechanism to prevent fraud. The single-case approach allows for a richer exploration of organizational, ethical, and institutional dynamics that quantitative surveys may not capture. Nevertheless, the findings of this study are not intended for statistical generalization, but rather as a conceptual foundation that can be further examined across other contexts and units. Second, this research mainly reflects the internal perspective of the organization, particularly management and finance officers. Therefore, future research should include broader stakeholders such as educational boards, parents, and independent auditors to provide a more holistic view. Employing a multi-case study or mixed-methods design will enhance the robustness of the findings and allow comparative insights across different Muhammadiyah educational units. Subsequent studies may also incorporate quantitative assessment tools based on the COSO or ISO 31000 frameworks to obtain a more comprehensive empirical understanding of internal control effectiveness within Islamic educational contexts.

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