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INTERNAL CONTROL ANALYSIS IN THE MANAGEMENT OF VILLAGE FUNDS IN SRIAMUR VILLAGE, BEKASI DISTRICT

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Abstract:
The purpose of this research is to analyze the implementation of the internal control system (SPI) based on COSO and SPIP (PP No. 60/2008) in the management of village funds in Sriamur Village, Bekasi Regency. Using a descriptive qualitative approach with primary data from interviews and observations. The results show that the implementation of SPI is quite effective and in accordance with COSO and SPIP. However, there are several aspects that have not been fully achieved, so the implementation of the Internal Control System is not optimal.

Keywords: Internal Control, Village Fund, COSO, SPIP

BACKGROUND

In the era of globalization and increasingly fierce business competition, organizations are required to manage resources effectively and efficiently in order to survive and thrive. One of the main pillars in supporting the achievement of organizational goals is the presence of a reliable internal control system. The internal control system is a very important part of the organization, because with the help of the internal control system, the organization can achieve the expected goals.

Without adequate internal controls, organizations will face various risks, such as deviations, fraud, asset loss, and failure to achieve strategic goals. These risks can lead to financial and reputational losses with long-term impacts. Therefore, internal control is not only important for large companies but also highly relevant for small organizations, government agencies, and non-profit organizations.

The practices carried out by the government currently still involve many cases of corruption. Corruption cases from various sectors such as the village sector, government, utilities, banking, education, and various other sectors. In every province, there are still many corruption cases occurring, here is the data on the number of cases in West Java Province from 2020 to 2023.

Years	Case	Value of State Losses	Ranking
2020	10	Rp6,9 billion	4
2021	40	Rp162.941.784.973	2
2022	33	Rp197.946.272.982	2
2023	36	Rp116.767.270.479	7

Table 1.1 Handling of Corruption Cases in West Java 2020 – 2023

Based on the table, it can be seen that the province of West Java from 2020 to 2023 still ranks among the top 10 with the highest number of corruption case prosecutions. The sector with the highest number of corruption cases is the village sector. Therefore, local governments are required to manage village funds properly and in accordance with the established regulations and standards.

Law Number 6 of 2014 concerning villages serves as a guideline for the central government and local governments in managing village funds. Village funds in the state budget (APBN) are set at 10% gradually from and outside the Regional Transfer Fund. Each village has the potential to receive different amounts of village funds, as it must consider the village's conditions.

Years	Total Villages	Budget	Realization	Percentage (%)
2021	74.961	72.000.000.000.000	71.853.710.011.029	99,80
2022	74.960	68.000.000.000.000	67.906.138.390.431	99,86
2023	75.259	70.000.000.000.000	69.856768.617.317	99,80

Table 1.2 Village Funds Provided by the Central Government Thru the State Revenue and Expenditure Budget

Based on the data above, it can be seen that the number of villages does not determine the amount of village funds to be budgeted by the central government. Thus, with the provision of substantial village funds, the central government requests village governments to manage the village funds properly and in accordance with Law Number 6 of 2014. The Minister of Home Affairs Regulation Number 113 of 2014 on Village Financial Management explains the ideal management of village funds. The management of village funds is an important task that must be carried out by the village government. Effective village fund management can have an impact in many areas. Community income will increase due to development projects, which can create new jobs and boost local economic activity.

Research findings reveal that although village funds are intended to improve community welfare, many village heads are still embroiled in corruption cases. Based on data from the Indonesian Corruption Watch (ICW), the following graph is shown.

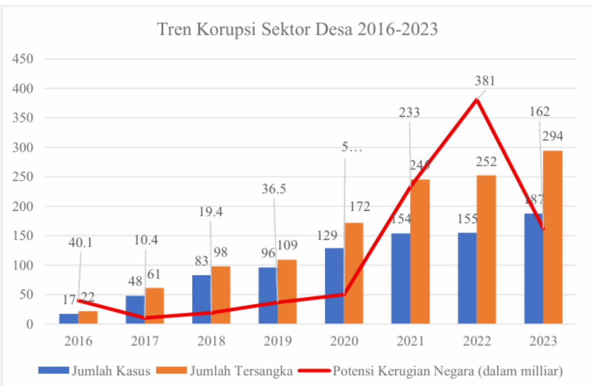

Figure 1. 1 Village Sector Corruption Trend 2016 - 2023

Based on the image above, the number of cases and suspects in village fund corruption continues to rise. In 2022, there were 155 corruption cases, consisting of 133 cases related to village funds and 22 cases related to village income. However, in 2023, corruption cases related to the village sector still increased by 12%. There were 187 corruption cases with state losses amounting to Rp.162 billion.

According to Halim & Taryani (2023), it was found that village fund management often lacks transparency and accountability, thereby opening up opportunities for budget misuse. Moreover, community participation in monitoring the use of village funds is still low, making it easier for deviations to occur. There are still many issues related to village fund management, so a strict control and supervision system is needed to prevent deviations, misappropriations, and to regulate the management of village funds.

The Internal Control System (ICS) becomes the main key to addressing the issue, adapted from the COSO framework which includes five components: control environment, risk assessment, control activities, information-communication, and monitoring. In Indonesia, SPI is regulated under SPIP (PP No. 60/2008) to ensure operational effectiveness, reliability of financial reporting, and compliance with regulations such as Law No. 6/2014 on Villages and Permendagri No. 113/2014.

Previous research such as Handiyono & Lutfi (2020) found that many villages have not implemented all COSO components, particularly risk assessment and information-communication. Meanwhile, Pitaloka et al. (2020) reported an effectiveness of 81.8% in other villages, indicating potential improvements thru strengthening human resources and supervision.

In Sriamur Village, Bekasi Regency, village fund management faces specific challenges such as a lack of competent human resources, suboptimal internal supervision, and minimal transparency of information to the public. Initial interviews revealed difficulties in planning, reporting, and socializing regulations.

This research aims to analyze the implementation of SPI in depth, identifying supporting factors (such as task separation and Kemendagri training) as well as hindering factors (informal evaluations and limited access to information). Additionally, improvement efforts were formulated to enhance the effectiveness of village fund management.

Theoretically, this research contributes to the development of public sector accounting, particularly in the context of applying the COSO and SPIP frameworks in village governance. Practically, the research findings provide concrete recommendations for the Sriamur Village Government to enhance the effectiveness of SPI, policy inputs for the Bekasi Regency Government in overseeing village funds, and references for other researchers.

THEORETICAL FRAMEWORK

Internal Control System

The internal control system is a collection of two or more components that interact with each other to form a unity and achieve the organization's common goals, as defined by Lestari

(2020). Internal control is a continuous process carried out by management and all employes to provide adequate assurance regarding the achievement of organizational goals, including operational effectiveness, reliability of financial reporting, asset safeguarding, and compliance with regulations. Historically, this concept was introduced in the 1940s in the United States by public accountants with a focus on asset security and fraud prevention thru task segregation and manual supervision; it was then formalized by the AICPA (1949) as a policy to maintain the wealth and accuracy of accounting data.

Significant developments occurred thru the establishment of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the early 1990s in response to major fraud scandals in the 1970s and 1980s, resulting in the 1992 framework revised in 2013. According to COSO (2013), internal control is a process influenced by the board of directors, management, and personnel to provide reasonable assurance over three main objectives: the effectiveness and efficiency of operations (including financial performance and asset protection), the reliability of financial reporting (accurate, complete, trustworthy), and compliance with laws, regulations, and internal policies. In Indonesia, the Government Internal Control System (SPIP) in PP No. 60 of 2008 adopts COSO as an integral and continuous process by leaders and employes to achieve similar objectives in state financial management.

The COSO framework consists of five main components with relative weights: control environment (20%), risk assessment (15%), control activities (40%), information and communication (10%), and monitoring (15%).

Source: (Lubis & Dewi, 2020)

1. **Control Environment**

   The control environment is the foundation of the internal control system that reflects the organizational culture, ethical values, integrity, and personnel competence, as well as a clear organizational structure. The five main principles include: (1) consistent ethical and integrity standards (regulated by Permendes PDTT No. 18/2016 on the Code of Ethics for Civil Servants of the Ministry of Villages); (2) oversight by the board/audit committee (in villages by the Village Consultative Body and the district government); (3) an organizational structure with clear division of responsibilities; (4) HR policies for recruitment and competency training; (5) a management style that emphasizes risk responsibility with evaluation and sanctions. In Sriamur Village, ethics and structure have been implemented, but human resources are limited and the evaluation/sanction system is not yet formal.

2. **Risk Assessment**

   Risk assessment involves the identification, analysis, and evaluation of risks that hinder organizational goals, and is dynamic and continuous. Four COSO principles: (1) establish specific objectives for accurate risk identification; (2) identify and analyze risks including explicit fraud; (3) assess the likelihood and impact of risks; (4) anticipate significant changes affecting controls. At the village level, this means annual program risk analysis, fund misappropriation, and adaptation to new regulations.

3. **Control Activities**

   Control activities are policies, procedures, and actions for risk mitigation, ensuring that management directives are implemented. Main elements: (1) development of risk controls (separation of duties between the treasurer and village head); (2) information technology controls (limited access to Siskeudes/Sitanti with a password); (3) standard operating procedures. Sriamur Village has implemented task separation and a non-cash digital system.

4. **Information and Communication**

   This component ensures that relevant information is processed, produced, and communicated in a timely manner for decision-making. Three principles: (1) the use of relevant information for control; (2) internal communication among village officials; (3) external communication with the community and stakeholders. In Sriamur Village, internal recording via Siskeudes is good, but public access (announcement boards/website) is still minimal.

5. **Monitoring**

   Monitoring evaluates the effectiveness of controls continuously (ongoing) and separately (separate evaluations), with communication of deficiencies for improvement. In the village, this is done thru internal audits by the BPD, the district inspectorate, and periodic reviews; Sriamur Village requires more formal monthly audits.

Village Fund

Village Funds are part of the State Revenue and Expenditure Budget (APBN) allocated to villages thru the Regional Revenue and Expenditure Budget (APBD) of regencies/cities, with the main priorities being infrastructure development and community empowerment in villages in accordance with Law Number 6 of 2014 on Villages. A minimum allocation of 10% is gradually provided from the Regional Transfer Fund (DTD), adjusted to the conditions of the village such as area size, population, poverty, and geographical difficulties, resulting in varying amounts per village. The realization of the central government's budget is very high, reaching 99.80% in 2021 (Rp71.85 trillion out of a budget of Rp72 trillion), 99.86% in 2022

(Rp67.9 trillion), and 99.80% in 2023 (Rp69.85 trillion), demonstrating a commitment to optimizing distribution.

The management of village funds is regulated by Permendagri Number 113 of 2014 with six complementary main principles, namely participatory thru active community involvement in village deliberations (musdes) to formulate the Village Medium-Term Development Plan (RPJMDes) and the Village Annual Work Plan (RKPDes) so that programs meet local needs, are effective and efficient thru a self-management pattern that prioritizes local labor and raw materials to create jobs and improve the village economy, orderly and disciplined budgeting with neat recording by the treasurer fully documented to facilitate audits and targeted use according to the Village Budget (APBDes), transparent thru public access to information regarding policies, processes, and management results for the village government and residents, and accountable with the submission of the final period accountability report to the regent/mayor thru the musdes forum that is audited openly.

The impact of optimal village fund management includes increased community income thru development projects that create local jobs and economic activities, better access to basic services such as education, health, and public infrastructure, as well as empowerment programs that encourage financial independence for the community while reducing dependence on external aid and socio-economic disparities between regions with support for vulnerable groups.

However, village fund management remains prone to corruption with a sharp increase in cases from 48 in 2016 to 187 in 2023, accompanied by 294 suspects and state losses of Rp162 billion according to ICW data. This is caused by a lack of transparency, low accountability, minimal community participation in supervision, and the limited competence of village officials, necessitating a strict Internal Control System to prevent deviations, misappropriations, and budget misuse.

METHOD

The research was conducted in Sriamur Village, Bekasi Regency, West Java, chosen because it represents a rural village with routine village fund management but faces challenges in SPI implementation. This location is strategically close to the provincial capital with significant village fund allocations, yet still relies on the APBDes for infrastructure and MSME empowerment. The research took place from October 2025 to March 2026, covering a 4-month field observation period to capture the full village budget cycle.

The research uses a descriptive qualitative approach with a single case analysis to delve into the implementation of the Internal Control System (SPI) based on COSO and SPIP (PP No. 60/2008) in village fund management. This design is suitable for exploring contextual phenomena at the micro level (village), producing in-depth narratives about effectiveness, supporting/impeding factors, and improvement efforts. The interpretive paradigm is applied to understand the informants' perceptions of SPI, with triangulation of data sources and methods for validity.

Primary data were obtained from in-depth interviews with 8 key informants selected thru purposive sampling: the Village Head, Village Secretary, Village Treasurer, BPD Chairperson, BPD Members, and 3 finance/development staff. The informant criteria include direct involvement in the village fund management cycle (planning-authorization-implementation-reporting) for at least 2 years. Secondary data in the form of APBDes documents for 2023-2025, Siskeudes/Sitanti realization reports, transaction SPP, musdes minutes, and findings from the district inspectorate audit.

Primary data collection thru semi-structured interviews (duration 45-60 minutes/informant) with open-ended question guidelines related to the 5 components of COSO, recorded and transcribed verbatim. Participatory observation was conducted during the village development planning meeting, SPP verification, and Siskeudes input to validate the informants' claims. Documentation includes process photos, recordings of the village deliberation meeting (musdes), and Siskeudes digital archives for triangulation.

The validity of the data is maintained thru triangulation of sources (multi-informants), methods (interviews-observations-documents), and theory (COSO/SPIP matrix). Member check is conducted by confirming findings with the main informant for clarification. Audit trails thru daily research logs and raw transcripts ensure process transparency. Credibility is enhanced thru prolonged engagement (4 months in the field) and peer debriefing with supervising lecturers.

The analysis follows the flow of data reduction, data presentation, and conclusion drawing (effectiveness interpretation, factors, recommendations). The effectiveness assessment uses the total score formula from the average principle multiplied by the weight of the control environment components (20%), risk assessment (15%), control activities (40%), information and communication (10%), and monitoring (15%). The discussion compares the results with previous studies such as Handiyono & Lutfi (2020) and Pitaloka et al. (2020).

RESULT AND DISCUSSION

This research observes the management of village funds in Sriamur Village, Bekasi Regency, for the 2023-2025 fiscal year thru interviews with the Village Head, Village Secretary, Village Treasurer, BPD Chairman, and related staff directly involved in the planning, implementation, and reporting processes of village funds. Village funds are received regularly with an almost 100% realization from the APBN budget and are used for infrastructure such as roads and posyandu as well as community empowerment programs, but the village deliberation process for planning still has limited community participation. The village government has implemented the Village Financial System (Siskeudes) and the Non-Cash Transaction System (Sitanti), but the understanding of the Government Internal Control

System (SPIP) and the COSO components is still low, with primary oversight from the Village Consultative Body (BPD) and the district inspectorate on an annual basis.

The implementation of SPI in Sriamur Village shows quite effective results with a percentage of 60%. The implementation of the Internal Control System in Sriamur Village was analyzed based on the five COSO components adapted in SPIP PP No. 60 of 2008 with qualitative assessments from interviews, observations, and documents.

The implementation carried out by the village of Sriamur in the control environment component is 13.1% out of 20%. The control environment has been well implemented thru the application of the code of ethics in accordance with Permendes PDTT No. 18 of 2016, a clear organizational structure and task division, as well as BPD supervision during village deliberations. However, there are limitations in competent human resources and the absence of an evaluation system and formal sanctions.

The implementation carried out by Sriamur Village in the risk assessment component is 6.8% out of 15%. The implementation has been carried out adequately with the identification of fraud risks and the establishment of annual program objectives, but it has not been optimal in anticipating regulatory changes and external environments.

The implementation carried out by Sriamur Village in the control activities component is 25% of 40%. It has been implemented with the separation of duties between the treasurer and the village head, the use of Siskeudes for recording, and Sitanti for non-cash transactions with tiered SPP verification.

The implementation carried out by Sriamur Village in the information and communication component is 9% of 10%. Internal communication among village officials runs well thru Siskeudes, but external communication with the community is still lacking because there is no announcement board or village website providing access to public information.

The implementation carried out by Sriamur Village in the monitoring component is 5.8% out of 15%. The implementation is conducted thru annual county inspectorate audits and BPD supervision, but there is no periodic internal audit or formal evaluation of control effectiveness yet.

Supporting factors include the separation of duties between the treasurer who records and the village head who authorizes, training from the Ministry of Villages and the PMD Office on Siskeudes and Sitanti, as well as active supervision by the BPD during village deliberations. Meanwhile, the inhibiting factors include the limited number of competent human resources with only 12 village officials and a low understanding of SPIP, minimal transparency because financial reports have not been routinely published to the public, and performance evaluations that are still informal without strict sanctions.

There are supporting factors in the implementation of internal control, namely the separation of duties between the treasurer who records and the village head who authorizes, training from the Ministry of Villages and the PMD Office on Siskeudes and Sitanti, as well as active supervision by the Village Consultative Body (BPD) during village deliberations. Additionally, there are inhibiting factors such as the limited number of competent human resources and low understanding of SPIP, minimal transparency because financial reports have not been routinely published to the public, and performance evaluations that are still informal without strict sanctions.

Recommended Measures: Regular training on SPIP and COSO organized by the District Community Empowerment and Village Office, opening public access to information thru village announcement boards or village websites related to APBDes and Siskeudes reports, as well as conducting monthly internal audits by the BPD team and village secretary.

CONCLUSION

Based on the data and discussion outlined above, the following conclusions can be drawn:

1. The internal control system in the management of village funds implemented by Sriamur Village, Bekasi Regency, is quite effective with an assessment percentage of 60%.

2. Factors supporting the implementation of internal control in Sriamur Village include the execution of duties, core functions, and responsibilities of the village apparatus. Good coordination with the Village Consultative Body (BPD) in reaching joint decisions. Additionally, community participation in attending village deliberations. The inhibiting factors are the lack of knowledge and competence among village officials. The lack of training organized by the village. And the lack of documentation system being implemented.

3. Efforts to improve the effectiveness of internal control are recommended thru periodic intensive SPIP training for all village officials. Implementation of village apparatus recruitment standards. Strengthening the role of the Village Consultative Body (BPD) as an independent supervisor with a monthly checklist and the preparation of Standard Operating Procedures (SOP) for village-level internal control.

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