

**COSO-BASED INTERNAL CONTROL IN INDONESIAN ZAKAT INSTITUTIONS****Wiji Lestari<sup>1a</sup>, Amrizal<sup>2</sup>**<sup>1a</sup>Institut Teknologi dan Bisnis Ahmad Dahlan, Jakarta, Indonesia, e-mail:  
wiji.tari1496@gmail.com<sup>2</sup>Institut Teknologi dan Bisnis Ahmad Dahlan, Jakarta, Indonesia, e-mail:  
amrizal@itb-ad.ac.id

(Submitted by The Author: 02-08-2024)  
(Accepted by The Editorial Board: 30-11-2024)  
(Published by The Editorial Board: 30-12-2024)

**ABSTRACT**

Effective internal controls are essential for organizations, especially zakat management agencies, to ensure that operations run efficiently, financial reports are trustworthy, and compliance with regulations and policies can be met. This study aims to analyze the implementation of COSO-based internal control in philanthropic institutions, especially in the Jambi area, Indonesia. The methodology of this study uses a qualitative descriptive approach with a case study on BAZNAS in Tanjung Jabung Barat Regency, Jambi, Indonesia. Data were obtained through interviews, observations, and documentation. Interviews were conducted with various relevant parties, including BAZNAS management and staff, to gain an in-depth understanding of the implementation of COSO-based internal controls. The results of the study show that BAZNAS of Tanjung Jabung Barat Regency has implemented most of the components of COSO-based internal control, namely the control environment, risk assessment, control activities, information and communication, and monitoring. However, there are elements that have not been implemented structurally, namely the formation of an internal audit team from BAZNAS itself. In addition, increased compliance in the writing of financial statements in accordance with 109 accounting standards is also needed.

Keywords: Internal Control; COSO; BAZNAS; Zakat Institution

---

Lestari, W. & Amrizal. 2024. COSO-Based Internal Control In Indonesian Zakat Institutions. *Jurnal Syarikah : Jurnal Ekonomi Islam* 10(2): 168-184.

---

## INTRODUCTION

The portrait of the development of Islamic philanthropic institutions in Indonesia shows a significant increase. However, this increase was not accompanied by the implementation of effective internal controls. As a result, there are many challenges that hinder the achievement of the vision and mission of these institutions in spearheading the equitable distribution of justice in society. Nevertheless, the rising index shows that positive growth still lacks in terms of good governance. Without adequate internal control, efforts to achieve the distribution of social justice through Islamic philanthropy have not been fully successful. Therefore, there needs to be improvements in the supervision system, management system and policy implementation so that the noble goals of philanthropic institutions can be realized to the maximum extent (Adinugroho et al., 2024).

This shows that in addition to focusing on growth, it is important for philanthropic institutions to strengthen internal control structures and systems in order to achieve larger goals (Ahmad et al., 2015). Moreover, for Islamic philanthropic institutions such as BAZNAS, effective management management in selecting and determining professional resources is crucial. The professionalism of employee performance plays an important role in determining the progress or decline of the institution (Saad et al., 2016). Therefore, it is hoped that BAZNAS can implement structural policies optimally and achieve high values in the implementation of its duties. As an institution that manages finances, BAZNAS urgently needs trust from the public. This trust is important so that BAZNAS can be recognized as a trustworthy and reliable institution (Alfaruq et al., 2024).

The problem that is now sticking out in BAZNAS Tanjung Barat Regency is the lack of public trust in the existence of the

institution. This is shown by the movement of some people who pay zakat not through BAZNAS, but prefer to distribute it directly. Theoretically, the actions of individuals who distribute zakat directly to mustahik without involving the amil zakat institution cannot be considered a violation of Islamic religious principles, however, institutionally this is an important consideration for public trust in BAZNAS as the manager of zakat (Hakim, 2023).

From an institutional perspective, this phenomenon can be considered a disappointing condition. The results of the author's interview with the chairman of BAZNAS show that, at this time, the largest income from zakat funds is dominated by ASN salary deductions. This means that the contribution from community donors does not seem to have given significant results. As a result, the achievement of the zakat funding target has not been able to reach the maximum level (M. Said, personal communication, September 1, 2023). Explained through the results of observation, there are indications of several causes of this phenomenon. First, lack of transparency related to financial statements. This is shown by the presentation of financial statements through BAZNAS's official website and social media, which only includes information on income and expenditure for each period. The information presented in the report is very limited, and there are no details describing the financial activities carried out by BAZNAS.

In other words, this report does not provide an adequate picture of how zakat funds are managed and used as stipulated in PSAK 109 (Susilowati & Khofifa, 2020). Second, the results of the recruitment of resources for BAZNAS members who tend to have educational backgrounds or expertise that are not in line with operational needs, can be a significant obstacle to the growth of the effectiveness of the zakat institution. Mismatch between the qualifications of the executive staff and the demands of their duties and

responsibilities can lead to a decrease in productivity and efficiency. As a result, the programs run by BAZNAS may not be able to achieve the expected results. To overcome this, it is necessary to review and improve the recruitment process, so that the institution can optimize the potential of each member.

In this review, the authors highlight that previous research tends to focus more on auditing financial statements and comparing field results with COSO elements. Although these aspects are important, existing research has not specifically discussed and analyzed in depth how COSO theory can be applied to evaluate management systems comprehensively. This vacancy is the main reason for the author to conduct further research. By exploring the application of COSO theory in the context of management, the author hopes to provide new insights that are more detailed and in-depth. This study aims to fill the existing gaps, by analyzing the BAZNAS management system through the COSO framework, and providing recommendations that can improve the effectiveness and efficiency of the management of the institution.

The results of this study are expected to make not only theoretical contributions, but also practical, by providing useful guidance for BAZNAS managers and similar institutions in strengthening internal control and achieving organizational goals more effectively. Thus, this study aims to analyze how the implementation of internal control in BAZNAS Tanjung Jabung Barat Regency, Jambi, Indonesia. In facing the current problems, the author will research, and analyze the portrait of management covering all aspects from planning, organizing, implementing, supervising, to evaluation. In this process, the author will use the COSO theory as a frame of reference and guide. The COSO theory provides a model for internal control that will assist authors in developing, designing, and analyzing existing management systems (Park et al.,

2021), (Lawson et al., 2017). The main objective of this analysis is to understand how the elements in the COSO framework can be applied to evaluate and improve the current BAZNAS management system.

## MATERIALS AND METHODS

### Commitee of Sponsoring Organizations of the Treadway Commission (COSO)

The theoretical framework that is the foundation of this research is COSO (*Committee of Sponsoring Organizations of the Treadway Commission*). COSO is an organization that provides guidance on governance, risk management, and internal controls to improve organizational performance and management (Ebaya et al., 2024). In the context of this research, *COSO farmework* is used as a theoretical basis to analyze and develop an effective internal control system in BAZNAS Tanjung Jabung Barat Regency, Jambi, Indonesia.

COSO or *Committee of Sponsoring Organizations* has developed an internal control structure consisting of five crucial components, the control environment, risk assessment, control activities, information and communication, and monitoring (Farah et al., 2024). As for being able to analyze more deeply, the 5 components are supported by 17 points of discussion in it as parameters to measure the implementation of the concept.

### Internal Control Realization Model

Efforts to achieve effective internal control of the organization need to go through four critical stages, namely determining objects, identifying and assessing risks, identifying activity controls, and evaluation. Define the object, where the organization must clearly identify the area or process that is the focus of control. This step is an essential basis for ensuring that control efforts are focused on the most crucial aspects of an organization's operations. Furthermore, in risk identification and assessment, organizations need to conduct an in-depth evaluation of various risks that may arise in the context of predetermined objects.

Identifying these risks is a key step to designing an appropriate and effective control strategy. Risk assessment provides a holistic view of the potential impact of the risks faced by the organization (Douglass et al., 2022).

The next step is the identification of activity controls. Once the risks are identified, the organization needs to establish specific controls or control mechanisms to manage and mitigate those risks. This process involves developing policies, procedures, and best practices designed to ensure operations are in accordance with established standards. The final stage is the evaluation of effectiveness. Organizations need to routinely evaluate the extent to which the internal controls that have been implemented are achieving their goals. This evaluation includes an assessment of the efficiency, reliability, and relevance of the activity controls implemented. Continuous monitoring and evaluation is the foundation for improving and perfecting the internal control system in line with changes in the environment and organizational needs. By breaking down these four stages, organizations can establish and maintain effective internal controls to support the achievement of goals and optimal operational continuity (Jin, 2024).

### **Fundamental Objects**

The internal control system is an explanation of the organizational structure, coordination of methods, maintenance of company assets, checking the thoroughness and reliability of accounting data, improving efficiency and effectiveness, and encouragement to comply with management policies. Where this explanation emphasizes its main objectives, namely protecting the organization's wealth, verifying the accuracy and reliability of accounting data, increasing efficiency, and encouraging compliance with management policies, rather than listing the elements that make

up the internal control system (Purnamasari et al., 2024).

There are four basic elements in the internal control system that are used as the basis of this research theory. First, the structure of organization that clearly separates authority and responsibility. Organizational structure refers to a framework that divides functional responsibilities into organizational units that are formed to carry out the core activities of the company. Second, authorization systems and record-keeping procedures are important elements in an organization. In this context, each transaction should only be executed after obtaining approval from the official who has the authority to authorize the transaction. Therefore, in an organization, a system is needed that regulates the division of authority to authorize the execution of each transaction (Nguyen & Hoai, 2023).

Third, good habits. The division of responsibilities based on functions and authority systems as well as the recording procedures that have been implemented will not run smoothly if no steps are taken to ensure positive habits in their implementation (Li et al., 2024). And fourth, the quality of employees who are in accordance with their duties is a very vital element in the internal control system. The existence of competent and integrity employees within the company has a significant impact on reducing the need for other control elements to a minimum level, which in turn allows the company to continue to produce financially reliable financial statements (Shen et al., 2024).

### **Method**

The research approach in this study is qualitative descriptive with a case study design, which allows researchers to describe and analyze phenomena in depth, focusing on understanding context, process, and meaning. Case study designs were chosen to investigate phenomena in real-world contexts, describe the aspects involved, and understand the interaction of

phenomena with their context (Bogdan & Taylor, 1993). This approach will provide an in-depth and comprehensive overview of the implementation of COSO-based internal control in BAZNAS (Arikunto, 1989).

This research uses primary data obtained directly from interviews and field observations. The *purposive sampling technique* is used to select the informants who are considered the most authoritative and know the condition of the research object, so that the informants are not randomly selected (Bogdan & Biklen, 1992). The selected informants include the Chairman of BAZNAS Tanjung Jabung Barat Regency, the Vice Chairman, the Chief Executive, as well as staff from various departments such as Human Resources Administration and General, Financial Planning and Reporting, Distribution and Utilization, and Collection.

To obtain valid research findings, in addition to interview and observation data, secondary data is needed as support through documentation data sources. This secondary data, including passive data obtained from various sources such as documents, journals, articles, photos, and other relevant data, will be used to enrich and validate the primary data (Creswell, 2016). The documentation can be in the form of writing (daily documents, history, biographies, regulations, policies), images (photographs, illustrations, visual artworks), oral (audio recordings), and works of art (sculptures, films) (Sugiyono, 2015).

In the process of analyzing the data, the researcher applied the approach proposed by Miles and Huberman, which included steps such as data reduction, data presentation, and conclusion drawing and verification. In data reduction, the collected data is filtered and grouped to simplify the analysis process. The display data then processes the selected data into a narrative or diagram to explain the chronological flow of the event. In the conclusion drawing/verification stage, the initial

conclusion is made and tested for reliability through data validity checking techniques and data and theory triangulation methods. These steps ensure that the data analysis is carried out carefully to produce strong and credible conclusions (Miles & Huberman, 1984).

Data verification in this study uses the triangulation method, which includes triangulation of methods and triangulation of sources, aiming to obtain data validity to avoid bias (Sugiyono, 2015). Triangulation methods verify information from the same source using various methods such as interviews, observations, and documentation, where the data is considered valid if the results are consistent across two or more methods. Source triangulation validates the interview data with the results of observations, ensuring the validity of the data obtained during the study (Creswell, 2015).

## RESULTS AND DISCUSSION

### Zakat Management at BAZNAS Tanjung Jabung Barat, Jambi

#### Overview of Research Objects

The National Amil Zakat Agency (BAZNAS) of West Tanjung Jabung Regency, which was originally known as the Regional Amil Zakat Agency (BAZDA), was established in the 1990s on Jalan Kihajar Dewantara, Kuala Tungkal. This name change follows Law No. 38 of 1999 concerning zakat management. In the Muslim-majority city of Kuala Tungkal, BAZNAS organizes zakat payments more efficiently

(<https://Kabtanjabbar.Baznas.Go.Id/>, 2024). The change of name from BAZDA to BAZNAS began in 2015 in accordance with Decree No. 172/BP/BAZNAS/VI/2015 by the local Regent. On June 12, 2015, the Regent of West Tanjung Jabung Regency issued an important decision regarding the establishment and management of BAZNAS, followed by the inauguration of the management of BAZNAS on June 17,

2015 which marked the beginning of BAZNAS' active role in managing and distributing zakat and infak in the region (*BAZNAS Documentation of Tanjung Jabung Barat Regency, Jambi, Indonesia, n.d.*).

BAZNAS of West Tanjung Jabung Regency runs five main programs: First, West Tanjab Smart which collaborates with schools to improve education through scholarships and educational activities (<https://Kabtanjabbar.Baznas.Go.Id/>, 2024). Second, Tanjab Barat Sehat which has the capacity to provide health assistance in collaboration with the Ministry of Social Affairs to accompany patients. Third, Tanjab Barat Sejahtera prioritizes supporting economic welfare with the help of MSMEs and anticipating the ineffective use of funds (W. Arianto, personal communication, May 2024). Fourth, West Tanjab Peduli which provides livable houses and social assistance for victims of natural disasters. And Tanjab Barat Berkah which helps houses of worship, madrasas, people with disabilities, orphans, and other social programs (A. Hadziq, personal communication, April 24, 2024).

### **Viewing BAZNAS Management in the Lens of POAC**

Overall, management at BAZNAS in Tanjung Jabung Barat Regency is carried out like other organizations. Through the stages of planning, organizing, implementing, to the evaluation stage. This pattern shows that the management in BAZNAS Tanjung Jabung Barat Regency is a strong foundation in efforts to achieve their vision and mission, as well as a solid foundation in facing the dynamics of the changing work environment (A. Hadziq, personal communication, April 24, 2024).

According to an interview with Vice Chairman I, the leadership of BAZNAS has set the main goal to make BAZNAS the main institution that prospers the people, with a detailed mission in nine points. In addition to realizing zakat in accordance with Islam, BAZNAS of Tanjung Jabung Barat Regency also aims to help the government prosper

the people, reduce social disparities, and maintain economic stability (M. Said, personal communication, September 1, 2023). Based on census data for the poor in Jambi Province, Tanjung Jabung Barat Regency has the second highest poverty rate after Jambi City, which is the main focus in planning the BAZNAS mission (<https://Tanjabbarkab.Bps.Go.Id/Indicator/23/52/1/Jumlah-Penduduk-Miskin.Html>, 2024).

The major challenge faced in setting the program plan is the imbalance between muzakki's income and the high poverty rate, with mustahik dominating. This is a significant obstacle in efforts to alleviate poverty and empower people in need. However, this challenge did not extinguish their enthusiasm to achieve the goals of the National Amil Zakat Agency (BAZNAS). Instead, they use this situation as an opportunity to establish closer collaboration with the government. This effort not only received high appreciation from the local government but also brought great hope in realizing BAZNAS' vision and mission. This collaboration shows a shared commitment to optimizing the potential of zakat as a social and economic instrument to reduce poverty and improve people's welfare. With the support of various parties, BAZNAS is optimistic that it can overcome the existing challenges and achieve their noble goals. (A. Hadziq, personal communication, April 24, 2024).

In the planning stage, they formulate a mission to prosper the people and assist the government in efforts to reduce poverty. Data shows that the poverty rate in this district is very high, so strategic and sustainable measures are needed. Despite facing challenges such as the imbalance between the number of muzakki (zakat givers) and mustahik (zakat recipients), the National Amil Zakat Agency (BAZNAS) remains committed to achieving their goals. These efforts are carried out through close collaboration with the government, one of which is by implementing a zakat deduction policy for State Civil Apparatus

(ASN). This step is expected to increase the collection of zakat and its distribution more evenly, so that more mustahik can be helped and ultimately can reduce the poverty rate in the area (M. Said, personal communication, September 1, 2023).

In the context of organizing, recruitment at BAZNAS consists of two categories: leadership and staff members. The leadership recruitment process is carried out through a position auction arranged by the government, and the announcement will be posted on the official government website. This announcement aims to provide open access to information to eligible people. The official website will contain complete information, including candidate requirements, selection stages, and implementation schedule. This aims to ensure transparency and accountability in the leadership selection process, keep the process fair and free from fraud, and increase public trust in the government in appointing competent and integrity leaders (A. Hadziq, personal communication, April 24, 2024).

The open selection in Tanjung Jabung Barat Regency is aimed at religious leaders, scholars, and professionals to become candidates for the chairman of BAZNAS. The quota for chairman candidates is three people, with the following qualifications: Indonesian citizens, Muslims, at least 40 years old, physically and spiritually healthy, not a member of a political party or involved in practical politics, have competence in zakat management, are willing to work full-time, do not have a criminal record, and do not concurrently hold positions in other zakat institutions. ASN who registers must temporarily stop from the position of civil servant. The term of office of the chairman of BAZNAS is five years, with the selection process including document assessment, ability evaluation, and interview by the Central BAZNAS. The elected chairman was inaugurated by the Regent of West Tanjung Jabung Regency. Registration and required documents can be taken at the committee secretariat

(<https://Lintastungkal.Com/Seleksi-Terbuka-Calon-Pimpinan-Baznas-Kabupaten-Tanjung-Jabung-Barat/>, 2024).

On March 5, 2024, the inauguration and inauguration of the chairman and vice chairman of BAZNAS of Tanjung Jabung Barat Regency was held at the Regent's Official House. This event was attended by a number of regional officials and other invited guests. The elected chairman and vice chairman inaugurated by the Regent of Tanjung Jabung Barat for the 2021-2026 period are Ahmad Hadziq, S.HI (Chairman), H. M. Said HS, SE (Vice Chairman I), H. M. Yusuf, S.Pd (Vice Chairman II), M. Jamil Gumri, S.Ag (Vice Chairman III), and Drs. Habli Zainal, M.Ud (Vice Chairman IV) ([https://Kabtanjabbar.Baznas.Go.Id/News>Show/Pelantikan\\_Pengukuhan\\_Pimpinan\\_BAZNAS\\_Tanjab\\_Barat/5739](https://Kabtanjabbar.Baznas.Go.Id/News>Show/Pelantikan_Pengukuhan_Pimpinan_BAZNAS_Tanjab_Barat/5739), 2024).

If the recruitment of leaders is determined by the local government, the recruitment of member staff is entirely determined by BAZNAS internally, from the announcement of vacancies to the selection and election. According to vice chairman I, BAZNAS opens opportunities openly for the general public to become member staff, and in 2022 there are 100 applicants. However, only 5 people were accepted based on the need for resources at that time (M. Said, personal communication, September 1, 2023).

In the implementation process, BAZNAS Tanjung Jabung Barat emphasized the important role of leadership in giving appreciation to staff to encourage optimal performance. Based on interviews, one of the strategies to increase morale is to increase the receipt of zakat, which is directly proportional to the incentives received by the amil (A. S. Saputra, personal communication, April 24, 2024). However, there are no special awards such as bonuses or plaques, so the main incentive is more on receiving zakat which can increase intrinsic motivation (Akbar, personal communication, April 24, 2024). This work environment is also unique with a close relationship between leadership

and staff, without a rigid hierarchy, creating an inclusive and collaborative atmosphere (Shen et al., 2024).

Evaluation is carried out by BAZNAS leaders and staff through weekly work meetings and other meetings if necessary to correct errors. These evaluations aim to monitor and improve the performance of the organization on a regular basis, identify areas for improvement, provide feedback, and take corrective action (A. Hadziq, personal communication, April 24, 2024). Consistency in evaluation allows organizations to stay responsive to change, ensure every team member is on track, and provide clear direction and feedback. Thus, weekly evaluations are an important instrument to maintain the relevance, efficiency, and effectiveness of the organization in facing challenges and achieving goals (Ahmad et al., 2015).

### **COSO Internal Control at BAZNAS Tanjung Jabung Barat**

Based on the COSO framework, the researcher will analyze internal control activities in BAZNAS West Tanjung Jabung Regency. This research includes the identification and evaluation of control measures, monitoring processes, risk evaluation, and policy compliance. The researcher will also highlight the reliability and effectiveness of BAZNAS's internal control system in reducing risks and responding to environmental changes that affect the management of zakat funds. This analysis is expected to provide a comprehensive understanding of the implementation of BAZNAS' internal control system.

#### **1. Control Environment**

The control environment consists of eight main elements that are very important in determining the effectiveness of an organization's internal control system. These elements include factors such as integrity and ethical values upheld by management, a commitment to high competence, and an approach to understanding and managing risks that may arise. In addition, other aspects of the

control environment include a clear organizational structure, appropriate assignment of authority and responsibility, and internal policies of the institution (Appiah-Kubi et al., 2024).

#### **2. Integrity and Ethics**

According to the chairman of BAZNAS Tanjung Jabung Barat Regency, the integrity that is upheld in the organization is reflected in the ability of each member to take full responsibility for their duties and responsibilities. The Chairman stated that one of the forms of this integrity is the full responsibility of each member to their respective job desks. This confirms BAZNAS' commitment to maintaining quality and professionalism in carrying out their activities (A. Hadziq, personal communication, April 24, 2024).

BAZNAS of Tanjung Jabung Barat Regency emphasizes high integrity and accountability in organizational operations. Each staff member is responsible for their performance and actions, creating a quality and professional work environment. This ensures that BAZNAS can carry out its mission effectively and reliably in managing zakat funds (M. Said, personal communication, September 1, 2023). Observations show that their professionalism and responsibility are reflected in their quick response to emergency situations as well as their activeness in sharing activities on social media, working with other organizations to provide assistance.

The Chairman of BAZNAS emphasized the importance of ethics, especially honesty and politeness, as the main foundation in organizational activities, especially in the financial aspect. Honesty is practiced in real terms by staff, such as when they refuse to add the amount of money value in a transaction as a test of integrity. This attitude shows a strong commitment to the principles of ethics and honesty (A. Hadziq, personal communication, April 24, 2024). The actions of the staff prove that honesty is not just rhetoric, but is implemented in every

interaction and decision, so that BAZNAS consistently practices ethical principles in daily operations (Ahmad et al., 2015).

### **3. Commitment and Participation**

BAZNAS Kabupaten Tanjung Jabung West emphasizes the importance of commitment to staff competencies from the recruitment stage, ensuring that candidates have the right skills as well as a desire to continue learning. Staff are given stimulation and motivation to improve their abilities to avoid the risk of ineffective performance (M. Said, personal communication, September 1, 2023). Although religiosity and high social spirit are the main criteria for recruitment, honesty and integrity are also actively implemented in every operational aspect, making these principles the basis for organizational operations (Setyawati et al., 2024).

The process of forming an audit committee at BAZNAS in Tanjung Jabung Barat Regency involves a team from the Inspectorate, MUI, and the Ministry of Religion, separate from the BAZNAS leadership. The main purpose is to provide independent and objective supervision of the management of zakat, infaq, and alms funds. The committee is expected to increase oversight and provide an in-depth view of the organization's financial performance and compliance (W. Arianto, personal communication, April 27, 2024). The existence of the audit committee also aims to provide confidence to donors and other parties that BAZNAS carries out fund management in a transparent and accountable manner, thereby strengthening the integrity and trust in the institution (Zhang et al., 2024).

### **4. Organizational and Managerial Structure**

The organizational structure of BAZNAS Tanjung Jabung Barat consists of a board of commissioners with five chairmen and chief executives who lead divisions, such as collection, distribution, utilization, financial planning, and administration (W. Arianto, personal communication, April 27,

2024). The researcher assessed this structure as necessary and highlighted the existence of an external audit team as a smart move for transparency and accountability, demonstrating that the formation of the BAZNAS organization has been effective in supporting their goals and activities (Almazrouei et al., 2024).

The management style applied at BAZNAS emphasizes the values of brotherhood, tolerance, and obedience to rules. This creates an inclusive and harmonious work environment, where team members feel like part of a big family that supports each other's honesty (A. Hadziq, personal communication, April 24, 2024). Tolerance of different views allows for harmonious cooperation, while adherence to rules ensures the continuity and stability of the organization's operations, providing a sense of security and comfort to team members (Lyu et al., 2023).

### **5. Responsibilities and Policies**

During recruitment and interviews, BAZNAS is careful in assigning authority and responsibilities to staff based on their experience, skills, and readiness. Placement in an organizational division is taken into account by factors such as having a vehicle and driver's license for the field division, as well as readiness for the task. This approach ensures proper placement for maximum contribution. Although there is a mismatch between educational and work backgrounds, seriousness and readiness to learn is considered important, so hiring staff with different backgrounds is still accepted with honesty (A. Hadziq, personal communication, April 24, 2024).

BAZNAS Tanjung Jabung Barat Regency maintains a working relationship with the brotherhood system while respecting authority and upholding ethics and Islamic values. The fraternal system supports teamwork, while respect for authority ensures operational order and consistency (W. Arianto, personal communication, April 27, 2024).

Commitment to ethics and Islamic values provides a moral foundation for decisions and actions, creating a harmonious and fair work environment (Li et al., 2024).

## 6. Control Risks

Control risks are carried out by strengthening the zakat target target. According to the results of the interview, the objectives of the vision and mission of the institution are determined during the change of leadership. If the new leadership has a new target in the distribution of zakat, the strategy will be changed after in-depth consideration. The current elected chairman plans to allocate more zakat for productive zakat. With the increase in the target, the number of muzakki must also increase. A number of muzakki, including the China Metro Company and PT Sawit, have been identified for socialization to encourage zakat payments through BAZNAS as part of efforts to control the achievement of BAZNAS goals and objectives (A. Hadziq, personal communication, April 24, 2024).

BAZNAS focuses on identifying and targeting entities or individuals with great potential to pay zakat to increase participation through socialization and communication efforts. This proactive approach aims to increase zakat income by reaching out to potential stakeholders directly. BAZNAS of Tanjung Jabung Barat Regency shows its commitment to managing zakat funds efficiently and effectively according to organizational goals. With a strategy tailored to the needs of potential muzakki, BAZNAS hopes to increase public awareness and participation in zakat through their official channels. This effective socialization effort is important to optimize the function and role of BAZNAS as a credible and accountable national zakat management institution (W. Arianto, personal communication, April 27, 2024).

Risk control is carried out by holding regular meetings every week as part of their strategy to identify and evaluate potential risks. These meetings serve as an

important platform for team members to collaborate and share information about changes in the environment, policies, or internal processes that may affect BAZNAS operations. During the meeting, team members can proactively identify and evaluate potential risks that exist or may arise in the future (A. Hadziq, personal communication, April 24, 2024).

These regular meetings help BAZNAS increase collective awareness of potential threats and uncertainties, allowing management and teams to take preventive or corrective actions in managing risks. Open and collaborative discussions allow for the development of more effective risk management strategies, as well as ensuring steps are taken to reduce the impact of risks. By scheduling these meetings regularly, BAZNAS shows its commitment to maintaining awareness of risks and readiness to deal with them proactively and efficiently (W. Arianto, personal communication, April 27, 2024).

Analyzing the possibility of fraud is also carried out by BAZNAS to minimize potential risks so that public trust is not compromised. It was stated that a field analysis of each proposal was needed to assess potential fraud, including requests for funds for mosque or madrasah repairs submitted to BAZNAS. The analysis process is also carried out in determining prospective zakat recipients, especially if they are considered productive, to reduce the risk of loss considering the amount of funds that will be distributed (A. Hadziq, personal communication, April 24, 2024).

Based on interviews with BAZNAS chairmen, significant changes were identified through meetings, monitoring reports, staff performance, operational processes, and other aspects to identify high-impact or high-risk activities. Relations with external parties such as the government, muzakki, mustahik, and religious organizations are also maintained to understand changes in their policies and needs. The chairman also actively monitors public responses on social media, including

complaints about the monthly deduction of ASN zakat, which is ideally paid annually, to maintain the reputation of BAZNAS (A. Hadziq, personal communication, April 24, 2024).

In 2024, with the change of the chairman of BAZNAS, there will be a change in focus on improving the internal performance system. BAZNAS has been more active in publishing financial statements on social media over the past three years, even though it is not in accordance with the PSAK 109 standard. This report is in the form of a diagram that shows the allocation of zakat funds for various programs. However, since 2024, BAZNAS has only posted activities such as the distribution of basic necessities and assistance for mosques on social media (M. Said, personal communication, September 1, 2023).

## 7. Control Activities

According to the interview, the decision control at BAZNAS is adjusted to the situation and its impact. In urgent conditions such as fires, the chief executive can make decisions without the approval of superiors. However, for decisions with the potential for large losses, the approval of the chairman and deliberation with related parties is required. This approach ensures a balance between operational efficiency and long-term protection of the organization and its beneficiaries (A. S. Saputra, personal communication, September 1, 2023).

In supporting control activities, BAZNAS uses the SiMBA (BAZNAS Information Management System) application to strengthen credible financial reporting. SiMBA allows for accountable and transparent management of zakat, as well as linking financial statements directly with BAZNAS RI. BAZNAS has four divisions: collection, financial planning and reporting, distribution and utilization, and human and general human resource administration, all of which have access to the SiMBA. This system facilitates coordination and communication between

divisions and the head office, so that information can be received and processed faster and more efficiently. With SiMBA, each division can report activities and funds in real-time, increasing transparency and accountability in the management of zakat, infaq, and alms funds. It also allows the central BAZNAS to monitor the activities of each division continuously, ensure compliance with standards and regulations, and improve public service and trust in BAZNAS (A. Hadziq, personal communication, April 24, 2024).

The effectiveness of control is also strengthened by the issuance of binding procedures (Zhao et al., 2024). According to the chief executive, the new policy will be established if the solution to internal problems proves significant in improving the performance of the organization. This process involves an in-depth analysis and comprehensive evaluation of the potential impact of each proposed change. Only solutions that improve operational efficiency, transparency, and accountability will be implemented. This approach ensures that steps are taken proactively in preventing future problems and are aligned with BAZNAS' vision and mission. The new policy aims to achieve the organization's long-term goals with a focus on measurable results and a tangible contribution to sustainability and operational excellence (Saad et al., 2016).

In 2022, BAZNAS implemented a new recruitment system to ensure prospective members met the organization's criteria. The selection process includes file collection, administrative selection, and in-depth interviews to avoid admitting members based on personal connections. This policy aims to improve professionalism, service quality, and public trust in the integrity of BAZNAS. The recruitment process involves collecting documents, evaluations, and interviews to assess the candidate's qualifications and suitability for the required position (W. Arianto, personal communication, April 27, 2024).

The interview process for prospective BAZNAS members emphasizes more on fiqh knowledge about zakat, with the hope that candidates have adequate expertise in this field to carry out their duties effectively. However, the researcher argues that in addition to zakat knowledge, IT and accounting expertise is also important, especially for the financial planning and reporting division, so that candidates can work efficiently and avoid operational problems. A comprehensive assessment of various skills and competencies is required in the selection process (M. Said, personal communication, September 1, 2023).

### **8. Communication and Information**

BAZNAS has implemented various information systems to disseminate information to the public. One of their main platforms is the official website accessible on <https://kabtanjabbar.baznas.go.id/>. This site serves as an information center that displays content regarding BAZNAS activities, programs, financial reports, and the latest news (<https://Kabtanjabbar.Baznas.Go.Id/>, 2024). With the official website, BAZNAS can reach a wider audience and provide information that is transparent and easily accessible to the public (W. Arianto, personal communication, April 27, 2024).

The BAZNAS website makes it easier for donors and the public to get the latest information and participate in its programs. In addition to the website, BAZNAS also uses Facebook and Instagram to expand information, share content, and interact directly with the public. Social media helps BAZNAS reach out to younger generations, increase public participation, and build active communities (M. Said, personal communication, September 1, 2023).

Communication is also carried out in structural internalization. According to the chairman of BAZNAS, internal communication at BAZNAS is carried out with a horizontal and vertical approach. Horizontal communication involves

interaction and cooperation between colleagues at the same hierarchical level, allowing for a direct and open exchange of ideas and information, and encouraging collective cooperation and problem-solving (A. Hadziq, personal communication, April 24, 2024).

Horizontal communication in BAZNAS allows all team members to contribute and engage in decision-making, increasing innovation and efficiency. Vertical communication ensures a smooth flow of information between management and staff, supports the understanding of vision and mission, and allows leaders to stay informed and responsive to challenges on the ground (W. Arianto, personal communication, April 27, 2024). At BAZNAS, vertical communication often occurs in meetings or emergency situations, but it often faces problems because the chairman's directives are often not accepted or properly implemented by members. External communication is carried out by the commissioner in meetings with related parties, such as socialization with the Regent, visits to prospective muzakki, and cooperation with local governments through weekly socialization to remote areas (Ta'an et al., 2024), (Oshita et al., 2024).

### **9. Monitoring**

Continuous evaluation at BAZNAS is carried out every week, involving meetings of all sections and special meetings of the board of commissioners. This process includes a review of reports, data analysis, and performance assessments, with staff entitled to submit complaints to be followed up. These evaluations ensure operational effectiveness and the achievement of organizational goals. In addition, BAZNAS also conducts in-depth evaluations on a quarterly or annual basis to assess long-term achievements and identify new challenges and opportunities. The results of the evaluation conducted separately are used to design new strategies, improve policies, and plan corrective measures to improve

organizational performance. With this evaluation, BAZNAS can adjust and innovate, so that every initiative and program implemented has a positive effect on the community (A. Hadziq, personal communication, April 24, 2024).

Monitoring is also carried out by communicating all weaknesses that occur in internalization. According to interviews with the chairman and chief executive, the weakness of internal control in BAZNAS lies in the management of member resources that have not met the criteria expected by the commissioners. The chief executive mentioned that this problem appears, for example, in the discipline of members when following orders, where staff are often less serious in carrying out their duties. As a result, this causes the mission completion process to take longer (W. Arianto, personal communication, April 27, 2024).

The gap between the ideals of commissioners and staff performance is caused by inadequate incentives, which affects the morale of members. The Chairman of BAZNAS observed that members who are not calm tend to be not optimal in their work. Meeting the material needs of staff will increase their morale and focus. To overcome this problem, BAZNAS needs to maximize efforts so that the fundraising target of 13 billion is achieved, which will increase the share of amil, considering that they do not receive salaries or other benefits (A. Hadziq, personal communication, April 24, 2024).

The weakness of BAZNAS's internal control is the absence of an internal audit team from within the organization. Currently, audits are only carried out by external parties such as the inspectorate and the Ministry of Religious Affairs. According to COSO theory and management, an independent internal audit team is important for objective evaluation and compliance (Park et al., 2021). However, internal audits can add subjectivity and conflicts of interest, while external audits are more objective and

neutral. So, while the internal audit team is important in theory, external audits still provide significant added value in maintaining the integrity and transparency of BAZNAS.

BAZNAS's current practice involves the board of commissioners in the implementation of internal audits, who are in charge of controlling and evaluating reports before submitting them to external auditors. After the external audit, the results of the evaluation are submitted to the regional head. Although BAZNAS does not have a dedicated internal audit team, supervision and evaluation are still carried out by the commissioners to ensure that financial and operational statements meet standards before external audits and reporting to local authorities (W. Arianto, personal communication, April 27, 2024).

## CONCLUSIONS AND IMPLICATIONS

Based on the results of this study, this study produces two main conclusions:

1. Regarding the management of BAZNAS of Tanjung Jabung Barat Regency. The researcher found that aspects of management, such as planning, organizing, implementing, and evaluating, have been well implemented, although they have not reached optimal levels. This is evident from the lack of significance in optimizing performance resources and the existence of subjectivity in recruitment, although not dominant. Efforts to align capabilities with performance needs continue to be carried out.
2. Regarding the implementation of COSO-based internal control, the researcher concludes that in general, COSO elements have been applied in the context of internalization in the social institutions studied. However, there are several elements that have not been fully realized structurally, such as the formation of an internal audit team at BAZNAS. In addition, there needs to be

an increase in compliance in the preparation of financial statements in accordance with accounting standard 109.

3. The researcher recommends that the research subjects improve the performance of members to achieve work quality according to the direction of the institutional authority. The researcher emphasizes the need to improve the competence and efficiency of members through relevant training and continuous guidance. With these steps, it is hoped that members will be more effective in carrying out their duties, so that the organization can achieve its goals better and provide optimal service to the community. Furthermore, the researcher suggests to future researchers who are interested in different topics from this subject to explore more deeply and research various other aspects of the subject. It is hoped that this research can produce new findings that contribute to the development of science. By focusing on different topics, this research is expected to provide new and innovative perspectives, enrich existing literature, and provide practical insights for the management of similar organizations.

## REFERENCES

- Adinugroho, M. 1, Azmi, N. F. binti 2, Zuhdi, U. 3, Hakiki, S. 4, Abdullah, A. R. 5, 'Ilmi, Z. U. N. U. S., & Business, U. M. K. (2024). Analysis of Zakat Management Efficiency Levels in Two Asean Countries (studies in Indonesia and Malaysia). *Revista de Gestão Social e Ambiental; São Paulo*, 18(5), 1-18.  
<https://doi.org/10.24857/rgsa.v18n5-044>
- Ahmad, R. A. R., Othman, A. M. A., & Salleh, M. S. (2015). Assessing the Satisfaction Level of Zakat Recipients Towards Zakat Management. *Procedia Economics and Finance*, 31, 140-151.  
[https://doi.org/10.1016/S2212-5671\(15\)01141-7](https://doi.org/10.1016/S2212-5671(15)01141-7)
- Akbar. (2024, April 24). *Wawancara dengan Staf Bidang Pendistribusian dan Pendayagunaan di Kantor BAZNAS Tanjung Jabung Barat* [Personal communication].
- Alfaruq, I., Arifah, S. N., & Siti NurFachriyah, A. (2024). Ecosystem Strategy for the Growth and Development of Islamic Philanthropic Institutions Alfaruq, Imam; Arifah, Siti Nur; Fachriyah, Afifah. *Global Business and Management Research*, suppl. Special Issue: South East Asia International Islamic Philanthropy Conference; Boca Raton Vol. 16, Iss. 2s, (2024): 1148-1162. *Global Business and Management Research, Suppl. Special Issue: South East Asia International Islamic Philanthropy Conference*, 16(2), 1148-1162.
- Almazrouei, F., Elias Sarker, A., Zervopoulos, P., & Yousaf, S. (2024). Organizational structure, agility, and public value-driven innovation performance in the UAE public services. *Heliyon*, 10(13), e33261.  
<https://doi.org/10.1016/j.heliyon.2024.e33261>
- Appiah-Kubi, E., Boateng, R. N., Dogbe, C. S. K., & Kumah, S. P. (2024). Organisational sustainability and SMEs performance: The role of control environment. *Journal of Cleaner Production*, 452, 142026.  
<https://doi.org/10.1016/j.jclepro.2024.142026>
- Arianto, W. (2024, Mei). *Wawancara Online dengan Ketua Pelaksana BAZNAS Tanjung Jabung Barat via Whatshapp* [Personal communication].
- Arianto, W. (2024, April 27). *Wawancara Online dengan Ketua Pelaksana BAZNAS Tanjung Jabung Barat via*

- Whatsapp* [Personal communication].
- Bogdan, R., & Biklen. (1992). *Quantitative Reseach and Introduction to Theory and Method*. Allyn & Bacon.
- Creswell, J. W. (2015). *Qualitative Inquiry & Research Design: Choosing Among Five Approaches*, terjm. Ahmad Lintang Lazuardi. Pustaka Belajar.
- Creswell, J. W. (2016). *Research Design: Qualitative, Quantitative and Mixed Methods Approaches*, terj. Achmad Fawaid dan Rianayati Kusmini Pancasari (Fourth). Pustaka Belajar.
- Dokumentasi BAZNAS Kabupaten Tanjung Jabung Barat, Jambi, Indonesia*. (n.d.).
- Douglass, A., Fariás Martínez, G. M., & Holmes, A. F. (2022). Bringing COSO to life: Engaging students with real world examples of internal controls using digital storytelling. *Journal of Accounting Education*, 58, 100767. <https://doi.org/10.1016/j.jaccedu.2022.100767>
- Ebaya, A., Qin, X., & Elsayed, M. (2024). Female board members, financial constraints, and internal control quality: New insights following COSO's 2013 framework. *Economics Letters*, 234, 111446. <https://doi.org/10.1016/j.econlet.2023.111446>
- Farah, N., Islam, M. S., Tadesse, A., & McCumber, W. (2024). Impact of audit committee social capital on the adoption of COSO 2013. *Advances in Accounting*, 64, 100685. <https://doi.org/10.1016/j.adiac.2023.100685>
- Hadziq, A. (2024, April 24). *Wawancara dengan Ketua BAZNAS Tanjung Jabung Barat Periode 2023-2026 di Kantor BAZNAS Tanjung Jabung Barat* [Personal communication].
- Hakim, M. L. (2023). Islamic Law and Society in Indonesia: Corporate Zakat Norms and Practices in Islamic Banks, by Alfitri. *Journal of the Humanities and Social Sciences of Southeast Asia*, 179(1), 115–118. <https://doi.org/10.1163/22134379-17901001>
- <https://kabtanjabbar.baznas.go.id/>. (2024, April 1). <https://Kabtanjabbar.Baznas.Go.Id/>. [https://kabtanjabbar.baznas.go.id/news-show/Pelantikan\\_Pengukuhan\\_Pimpinan\\_BAZNAS\\_Tanjab\\_Barat/5739](https://kabtanjabbar.baznas.go.id/news-show/Pelantikan_Pengukuhan_Pimpinan_BAZNAS_Tanjab_Barat/5739). (2024, April 26). <https://lintastungkal.com/seleksi-terbuka-calon-pimpinan-baznas-kabupaten-tanjung-jabung-barat/>. (2024, April 25). <https://tanjabarkab.bps.go.id/indicator/23/52/1/jumlah-penduduk-miskin.html>. (2024, April 3).
- Jin, Y. (2024). Management risk appetite, internal control and corporate financialization. *Finance Research Letters*, 63, 105393. <https://doi.org/10.1016/j.frl.2024.105393>
- Lawson, B. P., Muriel, L., & Sanders, P. R. (2017). A survey on firms' implementation of COSO's 2013 Internal Control-Integrated Framework. *Research in Accounting Regulation*, 29(1), 30–43. <https://doi.org/10.1016/j.racreg.2017.04.004>
- Li, W., Huang, Y., Zhou, H., & Liu, X. (2024). CEO power, internal control quality, and entrepreneurial innovation spirit in family enterprises. *International Review of Financial Analysis*, 95, 103364. <https://doi.org/10.1016/j.irfa.2024.103364>
- Lyu, H.-N., Fu, C., Chai, X., Gong, Z., Zhang, J., Wang, J., Wang, J., Dai, L., & Xu, C. (2023). Systematic thermal analysis of the *Arabidopsis* proteome: Thermal tolerance, organization, and evolution. *Cell Systems*, 14(10), 883-

- 894.e4.  
<https://doi.org/10.1016/j.cels.2023.08.003>
- Miles, A. M., & Huberman, A. M. (1984). *Qualitative Data Analysis a Source Book of New Methods*. Sage Publications.
- Nguyen, N. P., & Hoai, T. T. (2023). Internal controls driven by mindfulness toward enhanced ethical behaviors: Empirical evidence from Vietnam. *Heliyon*, 9(7), 18002. <https://doi.org/10.1016/j.heliyon.2023.e18002>
- Oshita, J. Y., MacLean, C. D., Couture, A. E., & Morris, M. A. (2024). How Health Care Organizations Are Implementing Disability Accommodations for Effective Communication: A Qualitative Study. *The Joint Commission Journal on Quality and Patient Safety*. <https://doi.org/10.1016/j.jcjq.2024.05.003>
- Park, K., Qin, J., Seidel, T., & Zhou, J. (2021). Determinants and consequences of noncompliance with the 2013 COSO framework. *Journal of Accounting and Public Policy*, 40(6), 106899. <https://doi.org/10.1016/j.jaccpubpol.2021.106899>
- Purnamasari, R., Hasanudin, A. I., Zulfikar, R., & Yazid, H. (2024). Do internal control and information systems drive sustainable rural development in Indonesia? *Journal of Open Innovation: Technology, Market, and Complexity*, 10(1), 100242. <https://doi.org/10.1016/j.joitmc.2024.100242>
- Saad, R. A. J., Wahab, M. S. A., & Samsudin, Mohd. A. M. (2016). Factors Influencing Business Zakah Compliance Behavior among Moslem Businessmen in Malaysia: A Research Model. *Procedia - Social and Behavioral Sciences*, 219, 654–659. <https://doi.org/10.1016/j.sbspro.2016.05.047>
- Said, M. (2023, September 1). *Wawancara dengan Ketua BAZNAS Tanjung Jabung Barat Periode 2021-2023 di Kantor BAZNAS Tanjung Jabung Barat* [Personal communication].
- Saputra, A. S. (2023, September 1). *Wawancara dengan Staf Bidang Pengumpulan di Kantor BAZNAS Tanjung Jabung Barat* [Personal communication].
- Saputra, A. S. (2024, April 24). *Wawancara dengan Staf Bidang Pengumpulan di Kantor BAZNAS Tanjung Jabung Barat* [Personal communication].
- Setyawati, A., Sugangga, R., Sulistyowati, R., Narmaditya, B. S., Maula, F. I., Wibowo, N. A., & Prasetya, Y. (2024). Locus of control, environment, and small-medium business performance in pilgrimage tourism: The mediating role of product innovation. *Heliyon*, 10(9), e29891. <https://doi.org/10.1016/j.heliyon.2024.e29891>
- Shen, H., Cheng, X., Sun, Q., Wang, X., & Zhao, J. (2024). Does internal control affect firms' use of derivatives? Evidence from China. *Pacific-Basin Finance Journal*, 85, 102381. <https://doi.org/10.1016/j.pacfin.2024.102381>
- Sugiyono. (2015). *Metode Penelitian Kualitatif, Kuantitatif, dan R & D*. Alfabeta.
- Susilowati, L., & Khofifa, F. (2020). Kesesuaian Akuntansi Zakat, Infak dan Sedekah Dengan PSAK 109 BAZNAS Kabupaten Tulungagung. *JAS (Jurnal Akuntansi Syariah)*, 4(2), Article 2. <https://doi.org/10.46367/jas.v4i2.246>
- Ta'an, W. F., Allama, F., & Williams, B. (2024). The role of organizational culture and communication skills in

- predicting the quality of nursing care. *Applied Nursing Research*, 75, 151769. <https://doi.org/10.1016/j.apnr.2024.151769>
- Zhang, L., Li, M., Xie, Z., & Cao, F. (2024). Psychological ownership: Incremental validity in predicting academics' creativity-generating teaching styles beyond organizational commitment. *Thinking Skills and Creativity*, 52, 101526. <https://doi.org/10.1016/j.tsc.2024.101526>
- Zhao, X., Lai, X., Huang, S., Li, Y., Dai, X., Wang, H., He, Y., & Wang, Y. (2024). Long-term protective effects of physical activity and self-control on problematic smartphone use in adolescents: A longitudinal mediation analysis. *Mental Health and Physical Activity*, 26, 100585. <https://doi.org/10.1016/j.mhpa.2024.100585>