Implementation of Effective Internal Control in Higher Education

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Abstract: The purpose of this research is to produce an internal control model that can be implemented in order to prevent the fraud that occurs in many universities. So, with the proposed model can realize good university governance. The direction of this research is to identify, analyze and design an applicable internal control model. This research uses Research and Development approach which describes facts in the field exploratively. This research is not designed to test the hypothesis, but to describe the data, facts and trends that occur, then analyzed and recommended the model assessed in accordance with the needs in the field. The proposed control model refers to internal controls based on modified COSO (Committees of Sponsoring Organizations of Tradway Commission) to be implemented in a higher education environment. The results of this study indicate that the internal control model adapted from COSO has been implemented in state universities of PTN-Bh both from the structures, resources, and programs implemented. This research has implications on the choice of universities to apply the results of this study on the pattern of internal control.

1 INTRODUCTION

Government alignments in the education sector are reflected in the location of the education budget of 20% of the total state budget. It is a very encouraging thing for education. The amount of funds provided shows that the government is very concerned with the development and improvement of human resource quality for the progress of the nation. Quality human resources will create competitive advantage, so that human resources of Indonesia are expected to compete with other nations, especially now that the implementation of MEA (Asean Economic Community) started on January 1, 2016. With the enactment of MEA, the products of goods and services from ASEAN countries plus China, South Korea and Japan will be freer to enter Indonesia. Surely this thing we cannot avoid but must be faced (Rahayu and Suhayati, 2015).

Referring to the vision of the national education system as a strong and authoritative social institution suggests that the management and administration of education both organized by the government or society should be synergies in all the pathways and levels of education. The vision of the national education system is intended to empower all Indonesian citizens to develop into qualified human beings so as to be able and proactively to respond to the challenges of the ever-changing era (General Explanation, PP No. 17 of 2010).

Many expert state about the implementation of internal control still ineffective in its implementation, such as: internal control evaluation and disclosure have significant influence on operating decisions within the firms (Yan, 2015). Employee benefit plans require strong internal controls to operate effectively and efficiently (Carlo, 2015). The policy initiative was administered and carried out by a small team of fraud control officials, including the author of this article, in the Department. The policy context represents a large, devolved and fragmented governance and accountability system. This case highlights the complexity of the policy initiative, the contextual constraints that challenged the implementation, and the pragmatic approach taken by the Department. While there are no easy solutions for fraud and corruption control or proven models to follow, this case presents helpful lessons for the professionals working in large and devolved education systems. (Bandaranayake, 2014.)

A substantial allocation of funds from the APBN is one of those allocated to the Ministry of
Technology Research and Higher Education. Large funds must be in line with the ministry program that must be able to answer the challenges faced by learners so that it can compete with other countries. In practice it is not easy, at the level of higher education the complexity of financial management has a higher level compared with other educational levels. Of course, the dynamics that occur should be addressed wisely, the development of units in higher education (universities) in addition to developing and advancing the university, but on the other hand will bring new complexities in its management. In line with the increasingly complex university management, risk points including fraud risk will be more and more. Inadequate internal control will open up the width of these points. For that it is necessary to design an effective control model in order to suppress fraud so as to achieve university governance (Fattah and Sumarto, 2013).

Sofianingsih (2012) in his research concluded that after understanding the types of fraud, auditors need to understand precisely the structure of good internal control in order to make efforts to prevent and detect cheating. According to COSO, the internal control structure consists of five components, namely control environment, risk assessment, control activities and control activities. If the internal control structure is already in place and running well, opportunities for undetected cheating will be much reduced.

For a university that has a rational complexity must create a pattern of control that can prevent the occurrence of fraud, so that the ideals to achieve Good University Governance can be achieved.

2 LITERATURE REVIEW

According to the Committee of Sponsoring Organization (COSO), internal control is a system, structure or process implemented by board of commissioners, management and employees within a company that aims to provide adequate assurance that the objectives of such control are achieved, including the effectiveness and efficiency of operations, financial reporting reliability, and compliance with laws and regulations can be achieved. The definition of internal control according to Arens (2007) is as follows: "An understanding of internal control, especially those controls to the reliability of financial reporting, are important to the auditor's purposes". Put Romney and Steinbart (2009) defines internal control as follows:

Internal Control is an organizational plan and business method used to maintain assets, provide accurate and reliable information that encourages and improves the efficiency of the organization's road, and promotes compliance with established policies.

Agoses Sukrisno (2012), internal control is a process undertaken by board of commissioners, management and other personnel entities designed to provide reasonable assurance about the achievement of three classes of objectives, such as reliability of financial statements, effectiveness and efficiency of operations, and compliance with law and regulations.

If divided into several concepts then:

1. Control is a process in the form of a series of actions are pervasive and an integral part of the organization. Internal control is a process to achieve organizational goals
2. Control is exercised by internal controls not only composed of policy guidelines and forms, but run by people from every level of the organization, which covers the board of commissioners, management and other personnel.
3. Internal can be expected to provide reasonable assurance, not absolute confidence, for entity management and commissioners.
4. Control is directed to reach interrelated goals: reporting, finance, betting and operations.

According to Arens and Loebbecke (2009) Management in designing the structure of internal control has the following interests:

1. Reliability of Financial Statements
   Company management is responsible for preparing financial statements for investors, creditors and other users. Management has legal and professional obligations to ensure that information has been prepared in accordance with reporting standards, i.e. generally accepted accounting principles.
2. Encourage operational effectiveness and efficiency
   Control in an organization is a tool to prevent unnecessary activities and waste in all aspects of the business, and to reduce the use of ineffective and efficient resources.
3. Obedience to laws and regulations.
   Good internal control not only provides a complete set of rules and sanctions. But good internal control, will be able to encourage every personal to be able to comply with rules that have been established and closely related
to the accounting example is the Tax Law and Limited Liability Company Law. Arens (2007) defined audits as collecting and evaluating evidence of information to determine and report the degree of conformity between the information and the predefined criteria. Audits should be conducted by a competent and independent person. Meanwhile, according to Sukrisno Agoes, (2012) audit is an examination conducted critically and systematically, by an independent party, to the financial statements that have been prepared by the management, along with the bookkeeping records and supporting evidence, in order to be able to give opinions about the fairness of the report.

Based on the above two definitions, it can be concluded that the audit is the process of collecting and evaluating evidence critically and systematically with the aim to determine the degree of conformity between the information available with the provisions that have been established and provide opinions on the fairness of financial statements.

Definition of fraud according to The Institute of Internal Auditor (2009) is: Any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Fraud are perpetrated by parties and organization to obtain money, property, or services to avoid payment or loss of services or to secure personal or business advantage. According to Albrecht et al. (2011), Fraud is a generic term, and embraces all the multifarious means which human ingenuity can devise, which is the resort to by one individual, to get an advantage over another by false representations. No definite and invariable rule can be laid down as a general proposition in defining Fraud, as it includes surprise, trickery, cunning and unfair ways by which another is cheated. The only boundaries defining it are those which limit human knavery.

Referring to the above definition, it can be interpreted that Fraud is an unfair way that benefits individuals or organizations regardless of the adverse effects of individual / organizational benefits on others. So, this deception is morally destructive: Deception means different things to different people in different situations. For example, cheating can be considered a fraud. It is good to be reminded of the possibility of cheating to avoid the "it-cannot happen here" syndrome "(Singleton and Aaron, 2010).

3 METHODOLOGIES

The research method that writer uses in general use descriptive-analytic method, that is problem which is discussed by exposing, interpreting, writing object that is researched by through activity collecting data and arranging data, processing data then analyzed and taken general conclusion from problem discussed.

The use of this qualitative approach is based on the concept of natural setting, grounded theory, descriptive, more important than the outcome process, temporary design, and research results are negotiated and agreed upon (Bogdan and Biklen 1982; Lincoln and Guba, 1985).

Therefore, in order to provide flexibility to adapt to the things that are dual, and more sensitive to the existence of the sharpening of values encountered, the method of Evaluation and control Internally Analysis with post-control techniques Internally analysis (McMillan and Schumacher, 2001), or in terminology research and development is often referred to as research methods qualitative and future oriented Internally control. Data collected from the sample of research which amounted to 6 state universities. Techniques performed using questionnaires and interviews to internal supervisory unit members at each college.

4 RESULTS AND DISCUSSION

4.1 Effectiveness of Internal Control System

This study aims to obtain an overview of the effectiveness of the internal control system in the university consisting of three dimensions: 1) financial statement reliability, 2) efficiency and effectiveness of operations, and 3) obedience to the law and regulations, with five criteria of answers that are fully implemented / very good, mostly implemented / well, some is implemented / good enough, some small is done / not good, and not implemented / not good.

1. The overall financial statement reliability scores 175% with 2 indicators which if averaged are on the percentage score of 87.5% and include very good criteria. That is, based on the results of answers from respondents indicate that the financial statement information presented by the college has a very good quality because the presentation is
reasonable in all material things, then the financial statements have been in accordance with the principles generally accepted and accompanied by already have evidence adequate.

2. Efficiency and effectiveness of the overall operation got a score of 169.17% with 2 indicators which if averaged are on the percentage score of 84.58% and includes very good criteria. That is, based on the answers from the respondents shows that the efficiency and effectiveness of operations at universities have been implemented very well related to the implementation of internal control system, budget cost, accuracy of financial statement information, and resource management.

3. Dimension of obedience to law and regulation as a whole got score 156.67% with 2 indicator which if averaged is in percentage score 78.33% and including good category. That is, based on the results of answers from respondents indicate that universities have been obedient to the laws and regulations that apply properly.

4.3 Good University Governance

The purpose of this research is to get a picture of good university governance at university which consists of five dimensions, namely: 1) transparency, 2) independence, 3) accountability, 4) accountability, and 5) fairness, with five criteria of answers that are fully / good, mostly implemented / good, some is implemented / good enough, a small part is implemented / not good, and not implemented / not good.

1. Transparent dimension as a whole gets score 174.1% with 2 indicator which if averaged is on score percentage 87.05% and belongs very good category. That is, based on answers from respondents indicates that universities have disseminated the whole process of public service, university leaders have revealed all information related to vision and mission of college very well. Then the college leadership has submitted all the decisions he made. Related to the financial statements and annual reports, the leadership of the college has delivered the whole to the interested parties in a timely manner.

2. Dimension of independence as a whole got score 84.17% with 1 indicator and including very good category. That is, based on the results of answers from respondents indicate that the management of universities has been implemented very well independently and in accordance with the rules and legislation. Then the college leadership in making the decision is not fully influenced by others because it has a very good independence.

3. The overall accountability dimension scored 77.5% with 1 indicator and included either category. That is, based on the results of answers from respondents indicate that college leaders have prepared a job description well for each section. Then the employees / lecturers who work in universities are always doing good work in accordance with job description where job description is designed largely in accordance with the functions and tasks of
each. Each section in the college, has a good ability or expertise in accordance with the field of work.

4. The overall accountability dimension scored 88.67% with 1 indicator and was categorized as excellent. That is, based on the answers from the respondents indicated that the high leadership leaders have done the job very well in accordance with the rules that apply, always manage the universities that are fully in accordance with the established policy, always fully accountable for the job very well in accordance with the rules applicable and submit it to interested parties and timely in reporting the responsibility.

5. The overall fairness dimension scored 81.67% with 1 indicator and included either category. That is, based on the answers from the respondents indicates that the leadership of the college provides equal opportunities and rights with both parties who have an interest in issuing opinions and protect the party well in carrying out operational activities.

5 CONCLUSIONS

Internal Control in Higher Education who become respondents have been implemented but not yet optimal. The lack of optimal internal control is caused not all universities have been able to maximize. And there are universities that have not implemented internal supervision, because the new structure is formed.

Prevention of fraud indirectly has been implemented but the position has not been optimal, especially in the reporting system of fraud. Universities have not created adequate channels and have not been able to create systems that can guarantee the information giver.

Good University governance has been done well, although in fact there is still something to be optimized related to transparency and accountability.

REFERENCES
