

## The Analysis of Internal Control Implementation of Zakat Institutions

**Dita Andraeny and Devi Narulitasari**  
IAIN Surakarta

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### ABSTRACT

*The implementation of internal control system is very important not only in profit oriented firms but also in non profit organizations including zakat institution. Internal control system ensures the reliability of financial reporting system, protects organization's assets from assets missappropriation, and also minimizes the occurrence of fraud. This study aims to evaluate the implementation of internal control of zakat institutions in Surakarta. The objects of this research are LAZ Dompot Peduli Umat Daarut Tauhiid (DPU DT) Solo, LAZISMU Solo, and BAZNAS Solo. The objects of this study are based on convenience sampling. This research is a qualitative descriptive research with multiple case study approach. The result of this study indicates that in general, all zakat institutions observed have implemented the internal control system in terms of control environment, risk assessment, control activities, information and communication and supervisory activities. However, there is still weakness in internal control that related to the aspect of segregation of tasks that has not been done completely. In addition, those three zakat institutions did not have a flow chart document for the conducted transaction and one of them has not implemented yet about the authorization system and printed serial number documents.*

*Keywords: internal control system, zakat institutions, multiple case study*  
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### INTRODUCTION

Indonesia is a country with majority moslem population in the world, so that it has a great potential amount of zakat funds. Several institutions have conducted the survey about potency and realization of zakat fundraising in Indonesia, but all of them found that the realization of zakat was much lower than its potential amount. A study conducted by Public Research and Advocacy Centre in 2007 found that zakat potency was about Rp 9,09 trillion, but the realization was only Rp 450 billion. Then, in 2011, BAZNAS and Bogor Agricultural Institute (IPB) released the data that the potency of zakat fundraising was Rp 217 trillion but the realization was Rp 1,7 trillion. In 2015, BAZNAS also stated that the potency of zakat in Indonesia which was about Rp 286 trillion, was realized Rp

3,7 trillion or about only 1,3 % from its potential amount (Huda and Sawarjuwono, 2013; BAZNAS, 2017).

One of the factors that causes the low level of zakat realization is the lack of public trust towards zakat management institution (Mubarok and Fanani, 2014; Gufroni, et al., 2014; and BAZNAS, 2017). One of the efforts that able to increase public trust is the implementation of internal control system in zakat institutions so that, zakat funds collected can be accounted properly (Novatiani and Feriansyah 2012). Kristin and Umi (2011) concluded that zakat management organizations should create transparency and accountability of financial statements as a form of their responsibility to the community and to increase the trust of muzzaki. Each zakat management organization is required to be a trustable

institution (Minarti, 2010). This should become an evaluation for zakat institutions to improve their performance. Improving the performance of zakat management institutions can be realized by creating good governance management through the implementation of internal control system (Kamaruddin and Ramli, 2016).

The implementation of good internal control system can help organizations to ensure the reliability of the financial reporting system, safeguard assets from misappropriation, ensure that the financial statements have been prepared on time and the most important is to prevent errors and fraud (Palmer and Randall, 2002 in Masrek, et al., 2014). The weak internal control practices is not only open up opportunities for irregularities, fraud and corruption, but also it is indicated that organizational management ignores the efforts to protect assets owned. Therefore, each organization including zakat institutions should implement the internal control system properly.

Fadillah (2011) in Wardayati and Imaroh (2015) states that if the implementation of internal control system is conducted optimally in zakat institutions, so that it is able to improve the implementation of good governance practices. The management of zakat institutions should realize that a good internal control system is one of the real forms of management accountability for donors, policy makers, society and other related parties (Triyuwono and Roekhuddin, 2000 in Hamidi and Suwardi, 2013).

However, in the reality, based on the results of several studies, the internal control implementation in zakat management organizations still needs an improvement. The research done by Nikmatuniayah (2014) shows that there are weaknesses in the internal control practices of zakat institutions studied, especially related to control activities that are not optimal. Wardayati and Imaroh (2015) also concluded that there are several weaknesses in the internal control of

zakat funds management activities in a zakat institution in Jember.

In addition, the study conducted by Paristu (2014) indicates that although zakat institutions have implemented the elements of internal control which include the control environment, risk assessment, control activities, information and communication as well as supervision, but there is another aspect that needs more attention. In this context, zakat institution should increase the number of internal audit personnel and also should improve the internal communication practices in order to create a strong internal control system.

Furthermore, Andriana, et al., (2015) evaluates the internal control practices in a zakat institution in Magetan and the results indicate that in general, internal control system of that zakat institution has been well implemented. However, it still needed improvement in one of the elements of internal control, namely control activities especially related to the recording procedure that is the use of valid and complete documents and transaction records. The other study done by Kamaruddin and Ramli (2015) that investigates five main aspects that become indicators of measuring internal control in an Islamic non-profit organization in Malaysia. Five aspects of internal control studied are segregation of duties, authorization of transactions, documentation and records, physical control of assets and external supervision of organizational performance (independent checks). The conclusion of the study shows that internal control of the organization has been practiced properly.

This study attempts to analyze the implementation of internal control system of zakat institutions in Surakarta based on five components of COSO internal control framework. Those five elements are control environment, risk assessment, control activities, information and communication, and also supervision activities.

## LITERATURE REVIEW

COSO (2013) defines internal control as “a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding achievement of objectives to operations, reporting, and compliance”. Internal control in non-profit institutions can be interpreted as a process designed to provide confidence that the organization is running in accordance with the goal of maximizing service that has been achieved (Tugiman, 2003). In context of zakat institutions, internal control is designed and implemented by the management of Zakat Management Organizations, namely BAZ and LAZ to provide reasonable assurance that financial reporting is carried out reliably, organizational activities are carried out effectively and efficiently, and the organization complies with applicable laws and regulations (Messier et. al., 2014: 192 in Wardayati and Imaroh, 2015).

Internal control objectives are divided into 3 categories, namely: (1) The operating objectives, serve to ensure the effectiveness and efficiency of the organization's operations, and ensure that operational and financial performance targets are managed and that asset security is carried out properly; (2) Reporting objective, aims to ensure that financial and non-financial reporting both internal and external purposes have met the established standards such as

reliable, timely, transparent, and other provisions set by the regulator and compilers of organizational standards or policies; (3) Compliance objective, is to ensure that the organization has carried out its operations in accordance with established procedures and does not violate the provisions which exists. Internal control components include control environment, risk assessment, control activities, information and communication, and supervision activities (COSO, 2013).

## METHODOLOGY

This research is a qualitative research with a multiple case study approach. The samples of this study are BAZNAS Solo, LAZ Dompot Peduli Ummat Daarut Tauhiid (DPU DT) and LAZISMU Solo. This research is done in September, 2017. Data collection methods are interviews, observation and documentation. The research instrument in the form of a questionnaire was used as an interview guide. The indicators used as interview guidelines adopt the research instruments used by Hamidi and Suwardi (2013) and Wardiwiyono (2012) by adjusting to the principles of internal control according to COSO (2013). Indicators of internal control measurement can be seen in table 1 below.

**Table 1.** The Measurement of Internal Control of Zakat Institutions

| <b>Internal Control Dimension</b> | <b>Indicator</b>  |
|-----------------------------------|---|
| Control Environment               | a. The level of integrity and ethical values<br>b. Organizational structure<br>c. The level of assignment of authority and responsibility<br>d. Internal auditor<br>e. Commitment to competence |
| Risk Assessment                   | a. Clarity of organizational goals<br>b. Identification of potential risks  |
| Control Activities                | a. The level of separation of tasks<br>b. Transaction authorization procedures<br>c. Documents with printed serial numbers<br>d. Physical control of records and assets                         |
| Information and Communication     | a. Flowchart  |

|                        |   |
|------------------------|---|
|                        | b. Accounting System Procedures<br>c. The level of use of information and communication |
| Supervision Activities | a. Routine Inspection<br>b. Incidental Inspection<br>c. External Auditor                |

Source: adopted from Hamidi dan Suwardi (2013); Wardiwiyono (2012); COSO (2013)

## RESULT AND DISCUSSION

### 1. Evaluation of Internal Control in the Control Environment Aspect

#### *a. Integrity and Ethical Value*

In terms of integrity and ethical values, all zakat institutions analyzed have implemented ethical behaviour standards in carrying out their operational activities. The socialization of organizational ethics values is generally carried out during the coordination activities of management and when employees upgrading.

Ethical values that become a reference for work at LAZISMU as stated by the Branch Manager of LAZISMU Solo, including "Friendly and Fast, On time, Right Targeted and Donated". Managers and employees are required to fulfill the regulations contained in the standard operational procedures (SOP), including work discipline. In addition, integrity and responsibility are ethical values which are the main consideration in the recruitment of employees.

Meanwhile, at LAZ DPU DT Solo the values of ethics applied are the values adopted from the typical culture of Daarut Tauhiid pesantren including 5 S (Senyum, Sapa, Salam, Sopan, Santun), BRTT (Bersih, Rapi, Tertib, Teratur) and internalize the character of BAKU/Baik dan Kuat (Good and Strong) including brave, tough, disciplined, sincere, and honest. These values have been clearly applied by the employees of LAZ DPU DT Solo. Meanwhile, the BRTT value (Clean, Neat, Orderly, Regular) is implemented through cleaning and

tidying up the office every Friday and maintaining the office still clean and neat after working. LAZ DPU DT Solo also applied daily worship targets or can be called Amal Yaumi for all employees such as the Al-Quran recitations, congregational prayers, rawatib prayer, dhuha and tahajud prayers. Those activities are done regularly so that the motivation to work is always intended as an act of worship. Therefore, it is hoped that each person has a high responsibility and integrity in carrying out the duties as an ummah funds manager. The socialization of these values is not only done when upgrading by the central management who come to Solo branch office every month, but also by teleconference with the central management of head office.

The ethical value of the BAZNAS Solo has also been implemented by the management including honest, trustworthy, accountable and transparent. The implementation of ethical and behavioural standards in an organization can prevent the occurrence of irregularities or fraud. If these values are applied firmly and implemented properly, it can be strong control for zakat institutions employees not to do things that harm the organization and other parties.

#### *b. Organizational Structure*

The three zakat management organizations have a clear organizational structure, which shows from the division of tasks and authority clearly and there is no concurrent positions or double job of each

employee. Fundraising division is separate from the finance division that has recording function, so that there is an internal control effort of the organization to prevent fraudulent acts, especially asset missappropriation.

There are differences in the composition of the organizational structure of the three zakat management organizations. In LAZISMU Solo, the organizational structure also including Trustees, Supervisory Board, and Sharia Board, while at LAZ DPU DT Solo, the similar position is only at LAZ DPU DT head office. In addition, in LAZISMU organizational structure there are also the board that has a supervisory role like a commissioner in a company. Thus, the employees of this zakat institution are responsible to that board. Meanwhile, in BAZNAS Solo there is no position of Trustee, Supervisory Board and Sharia Board in its organizational structure, but there is a management structure that conduct the organization's operational activities consisting of the chairman, deputy chairman and staff.

### *c. The Level of Assignment of Authority and Responsibility*

In terms of organizational structure, although the function of each division in zakat institutions is clear, but the results of the interviews show that in implementation, the field of work that is the task of a division can be done by other divisions. For example, in the three zakat management organizations studied (LAZ DPU DT Unit Solo, LAZISMU Solo and BAZNAS Solo) the function of collecting zakat, infaq, shadaqah and waqf (ZISWAF) funds is not only carried out by fundraising employees, but also by employees in the distribution of funds division, even the financial and administration function.

At LAZ DPU DT Solo, each employees is given a target of funds that must be collected and the realization is evaluated every month by the branch manager. This is done because of the limited number of employees, including fundraisers who were generally only one or two people. The positive impact from this policy is that there is the increasing of the amount of Ziswaf funds raised. But, on the other hand, if the internal control implemented in fund raising activities is weak, the more people who are authorized to raise funds, the more opportunities for fraud occurred.

At DPU DT, the possibility of misuse of authority in fund raising has been anticipated by internal control through the use of receipts of funds with printed serial numbered and giving notification to muzzaki or donors if Ziswaf funds have been recorded into the computer system. In addition, there is a confirmation mechanism by the muzzaki or donors if Ziswaf funds through zakat pick-up service has been paid. The confirmation can be sent by SMS or online confirmation through LAZ DPU DT website. Meanwhile, to ensure that the funds are really submitted to LAZ DPU DT, donors can check whether the donation has been recorded in the organization's bookkeeping system or not by entering the donors' ID in the form of hand phone numbers into the DPU DT website.

### *d. Commitment to Competence*

The three zakat organizations studied have a commitment to competence. At LAZISMU, recruitment of new employees is carried out based on several criteria namely honesty, responsibility, adequate competence, and experience (preferably LAZISMU volunteers). LAZ DPU DT also has certain criteria of the employees that are honest,

trustworthy, willing to work hard, and have adequate knowledge about operational activities of zakat institution. The selection phases carried out namely written tests, psychological tests and interview tests. Meanwhile, in BAZNAS Solo, there is no gradual selection mechanism, only interview selection. Recruitment is mainly based on recommendations. Prospective employees recruited are people who are considered to have good behaviour and personality, trust and whether they agree to be paid with a minimum regional standard salary. One of the informant interviewed states that the applicants who do not demand certain amount salaries are considered to have high integrity in work.

The efforts to improve employee competence are conducted with the culture of knowledge sharing. At BAZNAS Solo, there is reciprocity between leaders and staff. The leaders transfer knowledge related to the working mechanism of BAZNAS so that the staffs have a good understanding before doing work. On the contrary, the staffs who are on average younger give new knowledge to the leaders, especially related to the use of information technology for the development of BAZNAS.

Meanwhile, at LAZISMU Solo, knowledge sharing is carried out through regular morning briefing that is attended by the Supervisory Board. Incidental events are carried out by inviting external parties to train the employees of LAZISMU so the knowledge of employees can be increased. According to the LAZISMU Solo branch manager, this is done in order to improve services to donors and other relevant parties. In addition, the LAZISMU head office also provides certain training to upgrade employees in a certain position. For example, to create success in the

implementation a computerized accounting system, LAZISMU has held accounting software training.

At LAZ DPU DT Solo, the mechanism for improving employee competence has been established by the head office by conducting upgrading every three months. This upgrading activity is held at the head office in Bandung. Employees who have participated in the upgrading include head of unit, finance division and front office. In addition, every month there are head office employees who come to fill upgrading for all employees at LAZ DPU DT Solo. Knowledge transfer of DPU DT is done by holding a teleconference between the head office employee and branch office staff.

Basically, internal control related to the aspect of commitment to competence is good enough. However, there are still weaknesses in recruiting employees, especially in finance division position. The educational background of finance division of three zakat institutions are not from the accounting or finance department program. It can be influence the capability in performing their duties. The financial statements that is prepared and made by employee who have an accounting or financial background will be more useful for users of financial statements (Tausikal, 2007). Therefore, in the future zakat management organizations should be able to recruit employees based on competency considerations and educational qualifications that are in line with the positions needed. Thus, this is expected to improve employee performance in each field of work.

#### *e. Internal Auditor*

Based on the analysis, from three zakat institutions, there is only one institution that has had an internal audit, that is LAZISMU. The role of

internal audit is carried out by a Supervisory Board which consists of two people from internal Muhammadiyah and economic practitioners. At LAZ DPU DT there is no internal audit function, but at the central level has an internal auditor function, namely the existence of a Supervisory Board. This supervisory board is in charge of overseeing all branch offices and offices of LAZ DPU DT units throughout Indonesia, which currently 23 offices. In BAZNAS Solo, there is also no internal auditor position in the organizational structure. Whereas the existence of the Internal Audit Unit have been regulated in the National Zakat Agency Regulation Number 03/2014 concerning the Organization and Work Procedure of Provincial BAZNAS and Regency / City BAZNAS, especially in articles 31, 32, 47, 48 and 49. In the future, BAZNAS Solo is expected to have internal auditors in order to fulfil the aspects of compliance with applicable regulations. This can have a positive impact on improving the managerial performance of the organization.

## 2. Evaluation of Internal Control in Risk Assessment Aspects

### *a. Clarity of Organization's Objectives*

The three zakat management organizations studied have clear organizational objectives. This is reflected in the vision, mission and goals of the organization, as well as clear rules regarding the flow of each activity carried out. At LAZISMU there are SOPs that regulate the duties and authority of each position and overall organizational workflow. Thus, every activity carried out by employees and volunteers have been clearly regulated. This is as explained by the LAZISMU Solo branch manager.

"So we have a SOP related to how to start working (08: 00-16: 00), like what we have to do when we first enter or such as how to serve mustahik or muzakki, what is it like, all the rules are already exist."

BAZNAS Solo also has a clear objective and workflow. The objectives to be achieved by BAZNAS are to empower mustahik so that they can become muzakki. To achieve this goal, BAZNAS employees are trying to make the public, especially the State Civil Apparatus (ASN) in the Surakarta City Government are more motivated in paying zakat, infaq and shadaqah (ZIS). It is expected that ASN who are the main target of collecting BAZNAS funds, are willing to pay zakat or infaq regularly every month. Thus, the amount of ZIS funds collected can increase and can be used for empowering the poor. At LAZ DPU DT, the vision, mission and goals of the organization are the same as the head office. In addition, in carrying out its operational activities, employees follow work procedures that have been established from the head office.

### *b. Potential Risk Identification*

Efforts to identify potential risks are carried out by implementing a standard operational procedure (SOP) and other rules that must be obeyed. Potential errors in fund raising are anticipated with receipts made in triplicate (for donors, fundraising and financial departments). In LAZ DPU DT and LAZISMU, receipts of funds are printed in order to anticipate the risk of fraud, especially assets theft. DPU DT uses an integrated accounting recording system so that each transaction is reported immediately to the head office. This system also facilitates the cross check between records that were first input by the recipient of the fund, namely the front office with a record of the finance

department. The use of this integrated accounting recording system in addition to reduce the risk of error recording, and also avoid fraud in fund raising activities.

In BAZNAS, the risk of fraud is anticipated by providing an understanding of what must be done before carrying out the task. At LAZISMU, donations with a large amount must be taken at least 2 employees. Meanwhile, disbursement of funds that exceeds 2 million rupiahs must be approved by the Governing Body. Efforts to avoid misuse of authority and improper distribution of funds are carried out by distributing large amounts of funds, which must be decided by a minimum of 3 people out of a total of five existing leaders.

In order to avoid the distribution of zakat funds that are not right on target, coordination between organizations is done by joining the Whatsapp group "Ibnu Sabil" to be able to identify individuals who claim as Ibnu Sabil (travelers) and ask for zakat funds to BAZNAS or LAZ. Therefore, if there are people who come to the zakat organization and claim that they have no money, zakat organization employees do not easily give money to that person. The procedure is to take their photo and the photo is shared on the WhatsApp group "Ibnu Sabil" to ascertain whether the person has received alms from other zakat organizations or not, or even that person is only pretending to be Ibnu Sabil.

### 3. Evaluation of Internal Control in Aspects of Control Activities

#### *a. Task Separation Level*

If it is viewed from the organizational structure of the three zakat organizations studied, it has shown a clear separation of duties. Likewise in the organization's SOP,

each position has its main duties and functions (called by "tupoksi"). However, in the implementation there are still some weaknesses related to the level of separation of these tasks. For example, in the three zakat management organizations, the fundraising function is carried out not only by employees of the fundraising division, but all employees in the organization are obliged to participate in collecting Ziswaf funds. In one side, this can have a positive impact on the achievement of fundraising targets, but on the other hand this can make employees outside the fundraising division become less focused on their own work, because they are also required to collect Ziswaf funds. In addition, if an employee who is not fundraising team, also participates in the duties and functions of the fund raising, then it is likely that the employee is not competent because it is not a field of work so that it can cause human error, for example in recording or calculating donations obtained. Wardayati and Imaroh (2015) stated that the separation of duties was carried out to prevent the occurrence of errors, intentionally or unintentionally (human error) in recording and authorizing transactions, as well as in storing assets, especially cash. Therefore, each employee should focus on their respective fields of work according to their organizational structure and job description. In addition, other weaknesses related to internal control in aspects of the level of segregation of duties are the absence of separation of duties between the secretariat and accounting / finance departments as well as the case at LAZ DPU DT Solo and LAZISMU Solo. If an employee handles two secretarial and financial functions at once, the costs incurred by the secretariat are recorded by the same person, thus opening up opportunities for fraud.



Therefore, the administrative and secretarial fields should be separated from the finance department so that the role of internal control is more effective.

#### *b. Transaction Authorization*

Transaction authorization is an approval mechanism from the leader or authorized party related to a transaction or decision making. To figure out authorization mechanism in the zakat management organization, it can be seen from the presence or absence of the signatures or initials of the leaders listed in a particular document or forms. Based on the observations and documentation carried out, it was found that LAZISMU and DPU DT Solo have had a transaction authorization mechanism. Meanwhile, in the BAZNAS Solo there is no similar mechanism. This is possible because BAZNAS has only been operating for approximately 9 months so that the internal control system related to the transaction authorization is likely not to be the focus of work. However, in the future it is better for BAZNAS Solo to implement an authorization system in its operational activities so that it can reduce the risk of recording errors and fraud. Nikmatuniayah (2014) asserted that if the distribution of zakat to mustahik is carried out without authorization from the authorities (leaders), then it can cause the distribution of zakat to be not on target.

#### *c. Printed Document Number*

DPU DT Solo and LAZISMU Solo have used printed serial numbered documents, especially receipts of funds received from donors. Meanwhile, in BAZNAS Solo, the documents of transaction have not yet been printed in the serial number in both receipt and distribution of receipts. This result is similar with Nikmatuniayah's research

(2014) that found there are weaknesses in terms of the weak separation of duties, authorization holders, job rotation, printed serial numbered documents, and internal supervision. The printed serial number serves to facilitate the recording of transactions, avoid recording errors, and minimize fraud, especially cash theft. If one of the serial number documents is lost, it can be an indication of negligence in the activity of securing transaction evidence or even an indication of fraud committed by the employee involved in the transaction.

#### *d. Physical Control of Records and Assets*

In general, the three zakat management organizations studied have carried out internal controls in terms of physical control over organizational transaction records and the existence of security activities for organizational assets. These control activities are reflected in the finance department recalculating the money received from the front office or fundraising section, storing receipts and distribution of zakat funds, as well as providing special cabinet for storing cash and important documents whose key is only held by authorized employee, for example the finance department. However, related to the cash storage activities, the zakat organization should have a special safe deposit box to store cash and not just keep it in a document cabinet or ordinary drawer. This is expected to avoid the assets theft.

### 4. Evaluation of Internal Control in Information and Communication Aspects

#### *a. Flowchart*

All zakat organizations studied have had procedures or flow of transactions both in the collection and

distribution of funds in their SOP organizations. However, the flowchart does not exist yet. This finding is in line with the results of Nikmatuniayah's research (2014) which states that there is zakat institution that have no flow charts for financial transactions carried out.

#### *b. Accounting System Procedures*

In the zakat organizations studied, there is no written accounting system procedure, but an outline of the activity flow related to the receipt and distribution of funds is already described in the standard operating procedures. At LAZ DPU DT Solo the recording of financial transactions has been done well because it has used an integrated accounting system to the head office. LAZISMU Solo has also implemented a computerized accounting recording system, although it still uses an excel program. However, based on the administration and finance division, LAZISMU Solo already has accounting software that will be formally implemented in 2018 at all LAZISMU Branch Offices. Meanwhile, in BAZNAS Solo financial records are still done manually even though the recording procedure is clear. Thus, the ZIS funds received are recorded in the ledger on the basis of receipt of funds, then the employee input the transactions into the computer. This shows that there are weaknesses in internal control that is implemented because manual recording results in time and cost inefficiencies so that in the future this needs improvement.

#### *c. Level of the Use of Information and Communication*

Information and communication patterns have been carried out on the three zakat management organizations studied. For example, there is certain mechanism of

disposition of a letter or proposal for submission of funds. Disposition is carried out from one section to another which is structurally higher, so that the proposal arrives at the hands of the leader and the leader cross checks with the program / fund distribution section to ascertain whether the proposal for assistance requests is included in the organization's priority program or not. This procedure shows that in the zakat organization there is a standardized communication process and indicates that the leader is not the only decision maker, but there is a flow of information transfer that is used as the basis for making the right decision. In addition, the zakat organizations studied have procedures for transferring or sharing information both within the internal organizations and external organizations. At LAZ DPU DT Solo, the communication forum was conducted not only among employees within Solo unit office, but also a massive communication process carried out with LAZ DPU DT headquarters. For example, there is a communication procedure for Solo unit office with the head office in the form of briefing before carrying out a work program as described in the excerpt of the interview with the Secretariat and Finance division employee:

"If there are certain moments such as Qurban event, we have previously upgraded. For example teleconference, how to make report related Qurban event. That's for the program"

#### 5. Evaluation of Internal Control in the Aspect of Supervision Activities

The indicator of supervision activities consist of routine inspection, incidental inspection and external audit. Related to this, LAZISMU and DPU DT has been regularly monitored. In LAZISMU, routine supervision is carried out once a week attended by the executive board and also the

employees. The employees are asked to report all activities that are conducted in a week. In context of incidental inspection, in LAZISMU this activity is performed incidentally by the Supervisory Board. In addition, in LAZISMU external audit is carried out by the Public Accountant Office (KAP) Wartono and colleagues. Meanwhile, in BAZNAS and LAZ DPU DT, the external audit mechanism is already done at the central level.

### CONCLUSION

In general, the three zakat management institutions analyzed in this study have implemented an internal control system, but there are still weaknesses related to the separation of tasks that have not been fully applied, especially fund raising activities. In addition, those three zakat organization haven't had a flowchart of financial transactions. This study also found that in BAZNAS Solo, the authorization system and printed serial numbered documents have not been implemented yet.

This results of this study suggest that zakat institutions should implement the authorization systems and serial numbered documents, separate clear functions for each field of work, need to improve employee competencies, especially in recruiting employees who should consider their educational background and fields of expertise, need to design a document flowchart which can be used as a guide in conducting activities / transactions.

It will be better if the further research expand the samples analyzed, not only three zakat management institutions and also enlarge the scope of area. Thus, a better understanding can be obtained regarding the implementation of internal control in zakat management institutions.

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- Dita Andraeny  
IAIN Surakarta  
Indonesia
- Devi Narulitasari  
IAIN Surakarta  
Indonesia