International Journal of Current Science Research and Review
ISSN: 2581-8341
Volume 06 Issue 12 December 2023
DOI: 10.47191/ijcsrr/V6-i12-104, Impact Factor: 6.789
IJCSRR @ 2023
www.ijcsrr.org

Assessing an Indonesian Credit Union's Internal Control Using COSO ERM Framework: A Case Study at Credit Union Kridha Rahardja

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ABSTRACT: COSO ERM framework has been widely used for assessing the quality of internal control in many forprofit companies. However, there is still limited application of COSO ERM Framework for non-profit organizations and social enterprises with dual objectives like credit unions. This research evaluates how effective and comprehensive the implementation of internal controls is within a Credit Union in Indonesia, a member-based social enterprise offering financial services to middle-low-income groups. This is a collaborative case study of the researcher and the practitioners of the credit union. Participants shared their perspectives through questionnaire feedback, interviews, and focus group discussions, to examine the control activities within the organization and identify risks that may impact the organization's goals. The findings suggest a critical demand for forming an operational manual with detailed structures and policies. Furthermore, the sense of loyalty is the key to enhancing members' participation in various activities within the organization.

KEYWORDS: Case study, COSO ERM framework, Credit Union, Indonesia, Financial institution, Internal control, Risk assessment, Social enterprise.

I. INTRODUCTION

Internal control's significance remains resolute whether it is in for-profit businesses aiming for monetary success or non-profit entities dedicated to social impact (Gadelha et al., 2022). Likewise, Credit Union as a social enterprise that occupies a position that combines elements of both sectors to attain a dual aim of generating revenue while creating positive social impact for communities, emphasizes that internal control is the key to foster trust among stakeholders and enhance the organization's overall assurance.

Ideally, Credit Unions with cooperative legal status in Indonesia are member-based financial institutions with the noble aim of empowering the members to improve their welfare and dignity, through saving and loan services (Sumarwan et al., 2022). However, for credit unions, distinguishing between the needs and wants of the members can sometimes be challenging. Ultimately, many Credit Unions are trapped to offering solely financial services and forget about efforts to empower members to be able to get themselves out of poverty (Kusuma et al., 2022) In addition, the development of Credit Unions must be based on robust standards of empowerment and organization management. The lack of attention to these standards has forced the entities to compete fiercely with other modern financial institutions, give up their identity, and finally experienced loss. For these reasons, it is crucial for the enterprise to maintain their service not only for providing loans to members but also guidance to them to be able to empower themselves to improve their welfare. This empowerment effort can be reached by conducting continuous education from basic education or training to professional development that can provide positive impacts for the welfare of Credit Union's members.

Establishing Internal control is imperative for any organization, including Credit Unions, to survive in existing competition. According to RiskOptics, formerly Reciprocity (2023), within Internal Controls lie a set of policies, procedures, and technological safeguards to ensure the security of an entity's assets through the avoidance of fraudulent activity, inaccuracies and different forms of misleading conduct. These controls fall into three categories: firstly, detective controls where problems are identified and detected after they have occurred. Secondly, preventive controls that prevent issues before they can arise. Thirdly, corrective controls which are measures put in place to address errors that have been identified within an organization's systems that avoid similar mistakes from recurring in the future. Therefore, the main reason for a Credit Union implements internal control within its organizations is providing a structured approach to governance. It helps ensure accountability, guide decision-making, and align operations with Credit Union's goals.

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This case study focuses on one of credit Unions in Indonesia called CU Kridha Rahardja (CUKR) that operates as a cooperative organization and owned by a group of people who trust each other in a unifying bond and agree to save their money thereby creating common capital to be loaned among themselves at reasonable interest for productive and welfare purposes. This entity has been in operation since 2017 and is located in Central Java, Indonesia. In achieving its objective, this credit union pursues to accommodate the needs of its members, by prioritizing financial literacy and education programs for their members. By providing workshops and other resources, they empower members to make informed financial decisions and improve their financial well-being. Given the expanded range of products provided by Credit Unions, an integrated risk management framework aligned with its internal control will become progressively essential to improve the performance of the enterprise and its good governance. This research aims to evaluate the effectiveness, comprehensiveness, and thoroughness of the implementation of their internal controls. The assessment will be carried out using the COSO ERM Framework.

II. THEORETICAL BASIS

2.1 COSO Overview

COSO, also known as the Committee of Sponsoring Organizations of the Treadway Commission, is comprised of five global accountancy and auditing organizations: American Accounting Association (AAA), Association of International Certified Public Accountants (AICPA); Financial Executives International (FEI); Institute of Management Accountants (IMA); and The Institute of Internal Auditors (IIA). COSO was formed in 1985 responding to the surge in financial fraud and corporate improprieties in the United States in the early 1980s. A couple of years afterward, after being established, the Commission released a set of guidance to address internal control issues. Eventually, in 1992 with alterations continuing into 1994, the first framework was published. It was named *the Internal Control-Integrated Framework* (COSO, 1994) for evaluating and improving internal control systems. According to COSO, Internal Control is defined as "*a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance"* (COSO, 2013, p.3). Obviously, as per COSO framework, internal control serves as a comprehensive system aimed at facilitating the accomplishment of an organization's objectives by optimizing the effective and efficient utilization of all its assets. This is performed through the implementation of certain standards, ideas, and guidelines for analyzing the internal control system (Said and Fares, 2022).

Afterward, in the early 2000s corporate environment worldwide encountered some significant changes, including technological developments, enhanced globalization, and a growing understanding of the necessity for effective risk management measures. The comprehensive framework became more imperative in the rise of corporate scandals, such as Enron, WorldCom financial frauds and the subprime mortgage crisis. This highlighted the importance of robust risk control. Ultimately, COSO recognized the need to meet these expectations by offering a comprehensive framework for enhancing risk management and reporting systems within organizations to be achievable through the adoption of certain measures. COSO released a comprehensive recommendation regarding enterprise risk management (ERM) in 2004, called COSO-ERM framework.

2.2 COSO-ERM framework

By integrating a risk-based approach, the COSO-ERM framework addresses the design, evaluation and reporting of internal controls. This in-depth framework responded to the evolution of incapable of practical and realworld challenges regarding internal control, oversight and governance of the organizations not only for financial reporting but also sustainable corporate management. Across all types of organization, whether for profit or non-profit, the day-to-day operations require a commitment to generating benefits for their stakeholders. This benefit can be influenced by management decisions from all levels of the organization and is susceptible to uncertainties and risks. As noted by Moeller (2007), John Flaherty, the former chairman of COSO mentioned, despite the ongoing discussions about risk, the absence of a universally accepted definition of risk management and a comprehensive framework for its processes has hindered effective risk communication within the board, members and the management, causing frustration. Therefore, COSO-ERM framework is advantageous to every individual within organizations for having a clear definition of their risks and consistently addresses them throughout the entire organization.

Enterprise Risk Management framework (ERM) is a strategy used by an organization to recognize and evaluate all possible threats through management that might affect an organization's capacity to accomplish its strategic vision and mission, as well as implement a comprehensive approach for handling those risks to create a robust risk management strategy (Quon et al.,2012). Risk

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management cannot be specified by concise and well-structured procedures. However, a clear set of written steps is needed to evaluate challenges and then make a decision based on various factors across the whole business. The implementation of risk management processes has to be managed by people in the organization itself, since they are close enough to understand the various factors which cause the risk. Furthermore, every organization has various degrees of risk tolerance. One may accept very high-risk ventures that offer a significant return, while others opt for low-risk initiatives that provide more assured yield. By considering the risk appetite of an organization, they can make informed decisions and evaluate the potential impact of various decisions based on their risk profile.

COSO ERM framework provides valuable insight and guidance on interrelating internal control and risk management within an organization. It is beneficial for the entity to manage the complex uncertainties of encountering a risk. Williamson (2007, p. 1095) states: "COSO (2004) can serve as a template to help researchers. Its terminology can support communication with ERM practitioners, and help researchers relate their work to ERM practice". The following in figure 1 is a three-dimensional cube, called COSO ERM framework with its components:

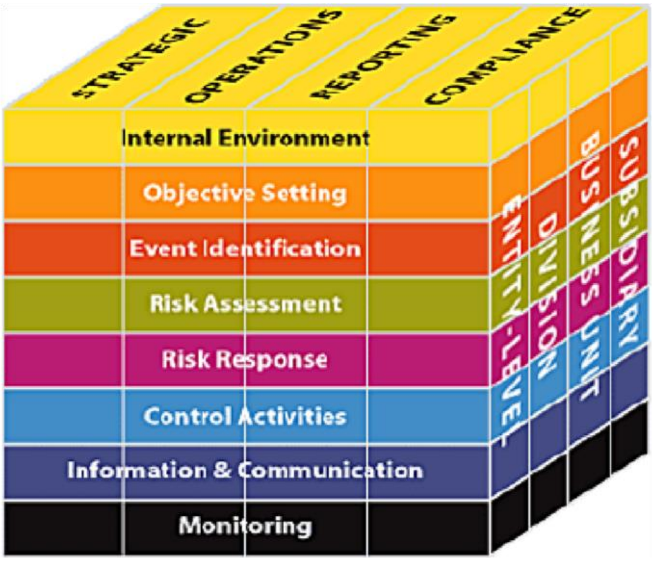

Figure 1 : COSO ERM Framework (Prewett and Terry, 2018, Exhibit 4, p. 20)

- Four vertical columns represent Risk management objectives across all four risk categories: strategic, operations, reporting, and compliance.
- Eight horizontal rows represent interrelated components of Enterprise Risk Management-integrated framework
- The third dimension represents organizational levels of Enterprise Risk Management, consisting of: enterprise level, division level, business unit level, and subsidiary level.

The outline of COSO ERM framework from a risk's component perspective is listed below (Moeller, 2007):

1. Internal Environment: establishing a risk-aware culture within an entity and leadership's commitment to risk management.
2. Objective Setting: defining an organization's risk appetite to ensure it is aligned with the entity's strategic goals. This is applied as a leader considers risks within the scope of strategy while setting objectives.
3. Event Identification: distinguishing between an event (Karaseva, 2022) that may have negative consequences, which is called risks, and an event that may have a positive impact that represents opportunities. This step involves identifying an incident whether from internal or external that could affect the achievement of organization's goal.
4. Risk Assessment: assessing the potential risk by considering both the probability of the risk happening and its consequences. The analysis of the likelihood and the impact can be applied by a blend of quantified and descriptive methodology.

5. Risk Response: addressing potential risks according to the organization's risk tolerance and considering possible forms of responding to them, including avoidance, reduction, acceptance and sharing the risks.
6. Control Activities: applying policies and procedures throughout the entity to ascertain those risk responses are executed efficiently.
7. Information & Communication: communicating relevant information to all organization stakeholders in a way that enables individuals to execute their tasks responsibly.
8. Monitoring: monitoring the effectiveness of risk management by implementing ongoing monitoring activities through dashboard tools and individual evaluation monitoring, involving thorough examination conducted by a qualified reviewer.

2.3 Comparison of 2004 & 2017 COSO ERM Frameworks and effectiveness for this study

In 2017, COSO published a new more complex ERM framework, called *Enterprise Risk Management – Integrating with Strategy and Performance* (COSO, 2017). The majority of the concepts found in the 20 principles presented in the 2017 ERM Framework are incorporated into the 2004 COSO ERM Framework (Prewett & Terry, 2018). This is shown in the following Figure 2:

2017 Component	#	2017 Principle	Included in 2004 Model?	2004 Component
Governance & Culture	1	Exercises Board Risk Oversight	ü	Internal Environment
	2 3	ablishes Operating Structures Defines Desired Culture	ü ü	
	4	Demonstrates Commitment to Core Values	ü	
	5	Attracts, Develops, and Retains Capable Individuals	ü	
Strategy & Objective-Setting	6	Analyzes Business Context	ü	Objective Setting
	7	Defines Risk Appetite	ü	
	8 9	Evaluates Alternative Strategies Formulates Business Objectives	ø ≠	
Performance	10	Identifies Risk	ü	Event Identification
	11	Assesses Severity of Risk	≠	
	12	Prioritizes Risk	ü	Risk Assessment
	13	Implements Risk Responses	ü	Risk Response & Control Activities
	14	Develops Por1olio View	ü	Risk Response
Review & Revision	15	Assesses Substantial Change	ü	Monitoring
	16 17	Reviews Risk and Performance Pursues Improvement in Enterprise Risk Management	ü ü	
Information, Communication & Reporting	18	Leverages Information Technology	ü	Information & Communication
	19	Communicates Risk Information	ü	
	20	Reports on Risk, Culture, and Performance	ü	
Legend: ü Topic is included ≠ Some key concepts are missing ø Most key concepts are missing				

Figure 2: *Comparison of 2004 & 2017 ERM Frameworks* (Prewett and Terry, 2018, Exhibit 3)

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Despite the 2017 Framework being much more detailed than previous COSO ERM Framework, the 2004 Framework is more understandable and suitable for application in a Credit Union. However, as ERM is not a requirement imposed by regulations for all types of organizations like internal control, as a result, there is no obligation to engage in an extremely comprehensive framework. In addition, since most Credit Unions in Indonesia are currently at the lowest level of risk management maturity, there is no need to implement an excessively complex framework.

III. RESEARCH METHODOLOGY

Given the need for examining the CUKR's internal control based on COSO ERM Framework, a qualitative methodology was used in this research. According to Recker (2013) qualitative methods focus on capturing records of an individual's statements, actions, beliefs, or experiences related to a specific phenomenon, subject, or occurrence. In contrast to quantitative research, qualitative research offers more detailed, focused, and supplementary insights by analyzing small sample sizes. As a result, qualitative research not only offers an in-depth understanding of the research subject and related narratives but also encourages the generation of information or knowledge for subsequent case studies (Chang, et al., 2020). As noted by Sumarwan et al. (2021, p. 234), "Case study methodology allows the researcher to obtain a holistic understanding of the unit of analysis (i.e. credit unions) and characteristics of real events through multiple data sources." However, the case study approach may have boundaries because of insufficient evidence, data and information. Ease access to an organization is the key to avoid producing subjective perspectives and establish quality research.

By adopting single-case (holistic) designs (Yin, 2014), this study evaluates the internal control which is conducted in CUKR. Firstly, adopting a sampling strategy that involves a small group of participants in the organization (e.g. manager, board of directors, and supervisory committee), the researchers firstly distributed questionnaires. The questionnaire survey aimed mainly to gather information from participants regarding the assessment of internal control based on eight components in the COSO framework. This questionnaire has three parts according to the three aspects to be studied which consist of members recruitment process, savings, and credits services. Likewise, this step helped researchers to understand the perspectives and opinions of the participants in regard to the case. Secondly, to reinforce the feedback gathered from the participants' responses as well as the collected data, the researcher conducted interviews to obtain a thorough perspective. When there is a need to quickly capture the answers, the interview is conducted through a telephone call and online meeting. This video conferencing allows two or more participants to collaborate on documents and presentations in real time. Although personal interviews may be beneficial for the researcher to delve deep into one's unique perspectives, a focus group discussion is important to generate new ideas through a group forum (Sumarwan et al., 2021). Following the personal interview, an online focus group discussion was conducted to explore collective decision making and group behaviours. As Nyumba (2017, p. 24) states: "Online focus groups are not a different type of focus group discussion per se but one borne out of the introduction of the Internet as an adaptation of traditional methods. It is applied within the online environment, using conference calling, chat rooms or other online means". In this focus group discussion, a total of eleven individuals actively participated that consisted of three board directors, two members of supervisory committees, and six senior managers. The discussion spanned over 3 hours, and participants actively engaged in meaningful dialogue throughout this period as well as shared valuable insights.

The recorded data comprised the CUKR's organizational structure that includes job descriptions at every tiers in the entity, operation manual, compilation of savings and credit programs, procedure manual and credit union's performance instrument analysis using PEARLS. According to Evans (2020), PEARLS *a financial performance monitoring system*, is tailored to provide managerial insights for credit unions and similar savings institutions. In addition, it serves as a regulatory tool for supervisory bodies. PEARLS facilitates institution comparisons and rankings, offering peer institution comparisons within a single country or across borders.

In the subsequent steps, the collected data and reports of the focus group discussions were analyzed in accordance with the COSO ERM Framework to examine how effective and thorough the Credit Union Kridha Rahardja in implementing their internal control. The eight components of the framework were used to assess the internal controls in response to potential risks for promoting a cycle of continuous improvement. It may offer stakeholders confidence that their internal controls are robust and effective. This study focuses on examining member recruitment, savings and credits performance as detailed below.

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IV. RESULTS

4.1 An overview of the organization

Credit Union Kridha Rahardja (CUKR) is a credit union with a cooperative legal entity in Indonesia which was founded in 2017 and is affiliated with PUSKOPCUINA. As McKillop and Wilson (2015, p. 96) states: “Credit unions are not for profit cooperative financial institutions which provide financial services to a membership defined on the basis of a common bond”. Whereas, PUSKOPCUINA is an institution formed by combining multiple Credit Unions (CU) in Indonesia that have a common perspective of assisting members in self-help and provide a positive impact to the local community. Credit Union as an institution owned by a group of people who trust each other in a unifying bond, agreed to save their funds collectively for the purpose of generating shared capital that can be loaned within the group at reasonable rates of interest for productive and well-being objectives. Currently, CUKR has three Tempat Pelayanan (TP), similar to branch offices, namely TP Bawen, TP Wedi, and TP Yogjakarta. Based on 2023 data, in total they have 3,960 members and 37 volunteers, managing 36 billion rupiah in assets, 26 billion rupiah in savings and 23 billion rupiah in loans.

Mission and vision statements play a pivotal role in an organization’s success, influencing its long-term objectives and how it presents itself to potential members (Ashameri and Green, 2020). CUKR has a vision to become a secure, reliable, and enduring community empowerment organization in Central Java and the special region of Yogyakarta, and states its mission as improving the quality of life (Solozhentsev, 2022) of its members through community-based empowerment and quality financial services. For a general overview of the organizational structure within CUKR, refer to the diagram below:

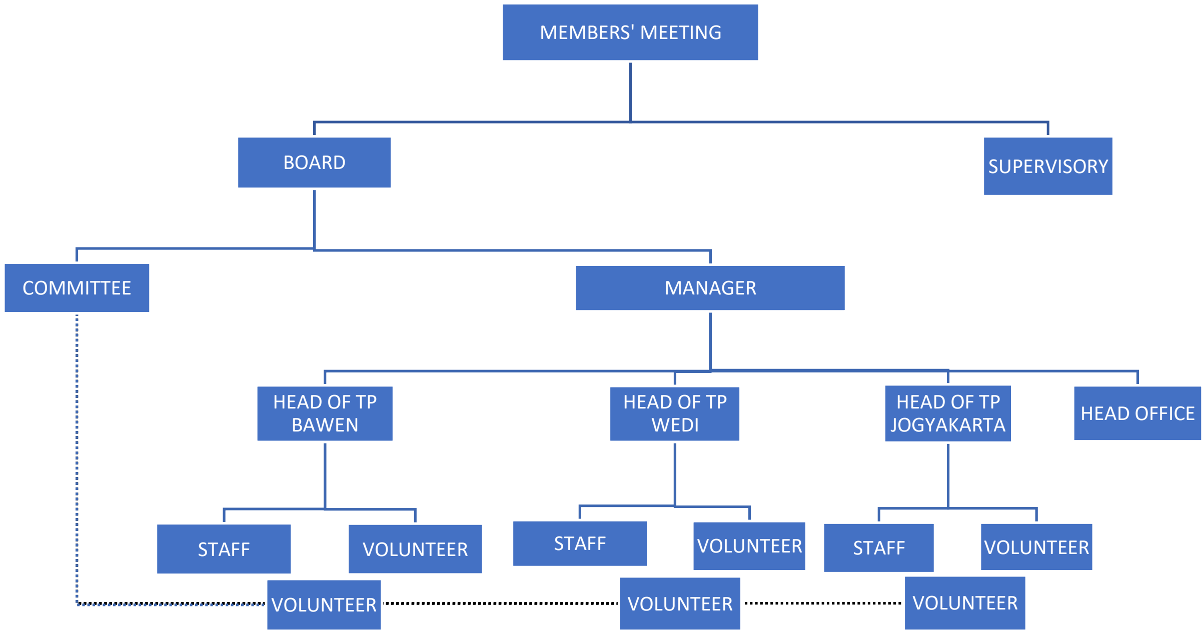

Figure 3: The organizational structure of Credit Union Kridha Rahardja

The Board within this structure comprises the chief of the board, the secretary, the treasures along with four members of the board. The primary responsibility of the board is to lead and oversee the CUKR’s activities while representing the institution in internal and external affairs with various parties, including the Credit Union network at all levels, especially Puskopdit BKCU Kalimantan, partner institutions, and third parties. In addition, the other members of the board collaborate closely with manager and head office staff to develop a credit operation manual aligned with CUKR’s vision, mission, core values, and code of ethics as well as designing new products tailored to the members’ needs.

The supervisory committee consisting of the head of supervisory who engages with its two members is responsible for monitoring the oversight activities of the organization and ensuring these actions are carried out properly at least on an annual basis at the head office and the TP. On the other hand, the Committee is in charge of representing the board at the TP for matters governed

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by the board in compliance with the established protocols and managing the resolution of issues that occur in every TP office. The committee team in this entity consists of the education and training, credit, finance, and executive committee.

Manager is responsible for implementing institutional policies and ensuring that regulations are effectively implemented, aligning with the strategic goals and covering all necessary aspects. Creating harmonious and synergistic work culture to execute the vision and mission of the institution is the fundamental of managerial responsibilities. Under the direction of the manager, each TP office is overseen by its respective head, responsible for conducting operations at each TP office in alignment with the guidelines outlined in the board level and always maintaining a commitment to honesty, transparency, and professionalism. When performing day-to-day operational tasks, the head of each TP office teams up with all TP's staff consisting of training staff, cashier staff, financial staff, and credit handling staff.

Having discussed the organization's structure, it is essential to delve into the manner in which this structure supports and collaborates with internal control. In CUKR, internal control measures have been effectively executed by the head office through directly monitoring to each TP office and conducting inspections on all activities every month, requiring a duration of two days. In addition, there is supervision carried out by the committee team at each TP and also managed on a monthly basis. These two types of monitoring are undertaken on short notice, there is no definite schedule for each month. The sole action executed in advance is to confirm a few days before the inspection occurs.

Despite, the operation manual of the internal control system is already in place, it has not been socialized and there are no personnel specifically to monitor whether the system is effectively put into practice or not. This has resulted in credits being approved by parties exceeding their authority. The incident can indeed be discovered during an inspection which is executed once a month by the head office's staff or committee members and improvements have been made afterwards. However, it would be much better if the internal control policy was fully implemented and supervised by an appointed official.

4.2 Assessment of CUKR's internal control based on COSO ERM framework

Given the prioritization of achieving CUKR's strategic objectives aligned with its mission and long-term goals which focus on membership growth and its financial stability, this study examines the three aspects within the organization, namely the member recruitment process, Savings services, and loans services, as detailed below.

4.2.1 Member recruitment process

The member acquisition system is currently initiated by the members themselves by providing recommendations to prospective members as well as utilizing the services of volunteers who are already members within the institution and received compensation if they can recruit new members. The process itself is undertaken freely and voluntarily, in other words, member recruitment is expected to achieve the target number determined through member's meeting at the beginning of each year without any personal targets. With the intent of no coercion, all members collaborate willingly towards the agreed-upon objectives. CUKR has followed the procedures outlined in the established manual when admitting new members, in which prospective members who are interested in joining are welcome to visit the TP office in person. In addition, CUKR collaborates with other Credit Unions operating under Puskopcuina to identify development areas. This synergy aims to prevent conflicts and member poaching, ensuring harmony within the industry. Therefore, CUKR is always committed to recruiting members according to specified expansion area in each TP. To ensure a dedication to competency, the members who have been enrolled are equipped with basic education so that they gain a thorough understanding of CUKR. Nevertheless, the current internal control for recruitment process is perceived as inadequate because there is no policy that regulates volunteers in engaging members, thus it often happens that new members have to be expelled or leave by themselves due to a matter that could have been prevented. Even though this represents just a fraction of the total number of new members joining, it must still be reviewed to ensure that member recruitment can be more effective. Moreover, there is no direct supervisor responsible for overseeing this recruitment process. It is advisable that policies need to be created to regulate recruitment carried out by volunteers.

As a financial institution that plays a role in reducing poverty and improving the standards of living of its members, the sustainability of CUKR is very dependent on members as owners in responsibly fulfilling their obligations. For this reason, increasing the number of responsible members can ensure its growth in accordance with the strategic objectives that have been set. At the beginning of each year, member acquisition targets are determined based on territory and development areas which are expected to grow year after year. Apart from setting targets, criteria have also been established to enroll a member in cooperative

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articles of association, such as prospective members are in productive age or approaching productive age, having good physical and mental health, and possessing the aspiration to take an active role in all activities that aims to enhance the organization.

When employing members for recruiting new members, effective and comprehensive oversight is highly essential. In this case, even though CUKR has an operational manual that is required to be adhered to, during its implementation, several findings indicate some potential risks. Firstly, the members enrolled are inactive members, whereas member inactivity will be the most dangerous factor for the growth of the entity. If members join solely for membership but do not actively engage in saving money or seeking loans to finance their living needs, including daily needs or business activities, it will have an impact on the sustainability of CUKR's business itself. In the absence of disbursed savings and loans, there will be no circulation of money within the organization, consequently, CUKR will be unable to secure operational funding through its business income. It is suggested to establish a monthly reward system for active members based on their level of engagement to encourage them to take the initiatives and be actively involved. Secondly, setting targets that lack socialization in the recruitment process will also have negative impacts. For example, if the recruiting staff solely focuses on achieving targets without providing detailed explanation of members' rights and obligations, this will result in newly enrolled members failing to grasp the requirement of making payments to the mandatory deposit and principal deposit within three months. Hence, to comply with applicable cooperative laws, members who recently joined must be evicted since they have not paid off their principal savings within the specified time period. Thirdly, perhaps this will be the most precarious element in the recruitment process: when the selection is conducted by volunteers who do not have work contracts as people in charge of recruiting as well as lack of understanding of the workflow. Even though they have been members, due to limited knowledge and experience, it could have a negative impact on CUKR if they enroll members who are not qualified that there exists the possibility of passivity and failure to pay. Additionally, it would be preferable to provide special training to volunteers prior to them performing their roles to assess potential new members and offer them incentives and penalties for their efforts. For instance, if the recruited members do not perform well, the volunteer's fees will be reduced, but if the new members are actively engaged, an extra bonus will be given to the volunteer.

Based on the results of interviews and survey feedback from CUKR's management, boards and supervisors, it can be concluded that there has been no mapping of risk events in members' recruitment process that will have a major impact for the entity. Besides, there is no department or function in place to handle risk management and address these uncertain incidents. As input, a risk management unit can be added in the short term.

Thus far, CUKR has responded to risks that may arise from members' recruitment process by accepting the risks and then striving to make the best possible improvements. If there are new members who cannot pay off their basic obligations, after three months they will be removed. Said another way, if a member is identified as not meeting the expected standards, the member is subject to evaluation prior to possible removal. For members who are passive or omit to pay, they will be reprimanded and inspected. As an input to reduce this risk, creating a policy for the recruitment process carried out by volunteers is advisable.

Control activities in members' acquisition process adhere to general provisions starting from filling out forms and submitting membership requirements documents. They usually are asked to sign a letter of willingness to take basic education and financial literacy. However, there are still some new members who have not attended basic education and this is overlooked by their supervision. This happens because there is no clear separation of responsibilities for those in charge of recruiting and the authority remains uncertain at this time to oversee the recruitment process for each transaction or activity. For this reason, policies need to be made by considering the organizational structure to ensure clarity regarding the immediate supervisor's identity in case problems are discovered. Meanwhile, to ensure compatibility with other Credit Union during member acquisition, verification of an identity card from local authorities will be conducted to confirm that new members are still in the specified development area. Prospective members will be legally accepted as CUKR members after verification by the head of each TP with having awareness of the committee. On the other hand, performance measurement has not been evaluated from the aspect of member activity on a monthly basis. When viewed through the interpretation of PEARLS analysis, only the total number of new member enrollments is taken into account. It is recommended if the performance assessment considers the number of active and inactive members by calculating a ratio compared to the total number of members. This places more emphasis on adding active members, both those who engage in saving and borrowing.

The officer who is involved in members recruitment is responsible for delivering comprehensive information to ensure that potential members are well-informed about their rights and obligations when they become CUKR members. During socialization, all information, including the terms and conditions for becoming a member, is conveyed directly to prospective members. Not only is socialization used to deliver information, CUKR also uses social media to make it easier for local people to learn about membership-related matters. In addition, a suggestion receptacle located at each TP and the office contact number can be used to communicate feedback and complaints from prospective members as well as members regarding the recruitment service. The information delivered may be complete but not entirely comprehended by members, so it is recommended to create a document to verify that new members understand all existing regulations.

Monitoring of recruitment activities has been conducted on a regular basis through monthly oversight by the head office staff and appointed committees. Conversely, there were still areas of weakness such as there is no policy regarding procedures for recruiting quality members as it lacks an established formula to define the quality of a member, also, monthly monitoring only focuses on tracking the total number of new members added without evaluating their activity. Apart from that, the supervisory team conducts regular monitoring and evaluation activities every 4 months, but it is insufficient to fully informed the performance of the members, such as adherence of members in paying contributions, saving money regularly, or lending money prudently. The corrective action that can be taken is evaluation of member activity should be monitored once a month to eliminate the risk before it escalates.

4.2.2 Savings services

In reference to saving services, CUKR prioritizes members' interests by providing saving products that offer members with practical benefits and competitive interest rates. New members must have principal savings and mandatory savings, both are served as share savings that cannot be withdrawn unless the owner of the savings stops being a member. This share saving is protected in alignment with the maximum deposit insurance limit. Apart from share saving, CUKR has other savings products including daily savings that can be withdrawn at any time, term savings, multipurpose savings, education fund savings and savings for vehicle purchase needs which can subsequently serve as collateral for auto loan applications. The process of depositing money can be done in cash at the TP office or transfer via the *Escete* application. Cash deposits at TP offices are managed by financial staff under the direct supervision of the head of each TP office. By having a procedure manual for receiving and withdrawing money from saving products, all transactions of savings, both in cash and online are executed in accordance with the provisions of the existing financial Operation Manual. In addition, to uphold CUKR's commitment to the proficiency of its members, financial literacy is necessary to be equipped.

The savings service at CUKR not only aims to help members manage their assets but also teach them to prepare for the future. Likewise, collecting funds from members can be used as capital to provide loans to them and this is in line with CUKR's strategic goals, which is improving the quality of life of members through community-based empowerment and quality financial services. In achieving this goal, the board and management have set savings targets in their annual cash flow planning. This targeted savings has been grouped into several existing savings products and are intended to provide the highest advantages to individuals who engage in savings.

When handling member savings, there is a high likelihood of risk that money received from them originated from money laundering. However, a robust system has been implemented by confirming the presence of cash deposits exceeding 100 million rupiah that fall outside members' usual practices. CUKR has also taken similar actions, specifically implementing preventive measures upon identifying a risk. As in controlling members who typically deposit in the main savings product which provides quite high interest, there have been restrictions on the amount of this savings so that they can allocate their funds to other products. This approach is employed in order to ensure that all existing savings products can be utilized as optimally as possible for the advantage of members.

Despite the implementation of effective preventive measures, the risk persists. Lack of member enthusiasm in available savings products can trigger an insufficiency of member participation in saving. Therefore, it is encouraged to periodically conduct surveys with members to ensure that all savings products provided will be appealing to them. The existence of liquidity risk also needs to be taken into consideration, in the sense that if members who save substantial amounts in a savings product withdraw their funds. Fortunately, CUKR has considerable liquid funds as shown in the PEARLS analysis, which is equal to 28% of its total assets. This figure is deemed less than ideal and excessive liquidity occurred. In other words, the amount of savings is greater than the amount of loans, and this will cause the circulation of money to be unbalanced. This will negatively impact the long-term viability of the organization's operations where the funds used to pay interest on member's savings will be sourced from the interest paid by individuals who have borrowed loans from CUKR. Accordingly, the circulation of money must operate in line with the target and it is suggested to adjust the lending target promptly after receiving the monthly evaluation results. Apart from that, risks that may arise in savings services can also be grouped into risks originating from the organization's internal operations as well as external factors. Internal factors include the possibility of fraud where volunteers who can serve as collectors do not deposit an individual's money to the office. This is aggravated by conditions that the arrangement of volunteers is not yet well-defined and they do not have a binding employment contract. As input, it is recommended to create a policy outlining the receipt of money by volunteers with a welldefined accountability structure. On the other hand, external risk can emerge when there is a potential for the online system for savings products to be hacked by irresponsible individuals. It can happen because the online application used by members for transactions currently lacks the capability to provide notifications via registered cell phone numbers or email. In the event that someone has access to the member's financial application, they can easily execute transactions without the account owner being aware of it directly. For future improvements, a security system should be added to the application to ensure the safety and security of member's financial transactions. Much like the experiences of other departments within CUKR, the savings service does not currently have a dedicated work unit or function for managing risks. It is suggested to employ a risk management function to help the organization make informed decisions by addressing potential issues proactively.

In responding to the potential risks of savings services, CUKR has taken preventive action by rectifying them to the best of one's ability. For instance, to address over liquidity risk, the funds are held in time deposits at banks rather than being invested in other forms such as stocks, bonds, or alternative investments, primarily due to a lack of investment knowledge. In fact, this issue can also be solved by making adjustments to the targets for each component of the ratio calculated in PEARLS analysis per month to control the over limit of saving funds even though the loan target has been achieved. It is evident that the presence of a risk management function could offer assurance that the evaluation will be established on a monthly basis by the authorized unit in order to swiftly apply corrective measures.

The control measures implemented by CUKR in terms of savings services have considered risk factors, such as conducting physical inspection of the cash received and the remaining cash in the afternoon before the office closed by the head of each TP office as well as by the committee team every month. All deposit service processes have been regulated in the procedure manual for receiving and withdrawing deposits by members. Furthermore, both the committee and head office perform monthly controls to maintain the level of liquidity at a proportion of approximately 15-20% of the asset value that ultimately, withdrawals of deposits do not result in any issues.

All types of savings products at CUKR have been effectively communicated or explained to the relevant parties both through basic education and when they come to the TPs. The officers convey rights, obligations, and simulate transactions for existing savings products. In addition, member satisfaction surveys are also held every year to enhance services for members.

The existence of a computerized system simplifies the task for the supervisory team to monitor deposit service activities. The Escete application is used not only for bookkeeping purposes but can also be used to analyze the liquidity level of sufficient fresh funds using the PEARLS measuring tools which includes the ratio of the Liquidity factor (L1) to determine the liquid funds available to meet member savings withdrawal requests after settling all obligations maturing in less than 30 days. Apart from this, monitoring and evaluation activities are accomplished by the supervisor every four months. However, unscheduled monthly inspections can be conducted to achieve an ideal enhancement.

4.2.3 Loans services

In regards to maintaining integrity and ethical values in providing loan services to members, the board and management always fulfill their roles effectively as decision makers within specified loan amount limits and avoid conflict of interest by not intervening or acting as guarantors for borrowers. Moreover, by providing financial literacy, it is expected that members will comprehend their rights and responsibilities in utilizing loans from CUKR. A credit operational manual has been created and there is a clearly defined workflow that follows established procedures. It has been determined that the parties authorized to make loan decisions within their specified limits consist of: Head of TP office, credit committee, manager and the board. Credit approval is based on the authority limits established in the credit operational manual.

Providing loans as the primary source of income for CUKR should be a matter of special attention for all members. This aims to ensure that the circulation of money within the organization is always maintained and prevent the accumulation of funds that cannot be optimally utilized by members. According to CUKR's strategic objectives, loans can be used to facilitate members to be more productive, where these loans can help them to develop their business and overcome their difficulties, especially in terms of funding. Every year, the board along with the management have set annual loan targets outlined in the business plan at the beginning of each year, and these targets must be achieved. In accordance with the ratio used in PEARLS measurement, the ideal target to be reached is around 70%-80% of total assets.

One of the identified risks is interest rate risk. This risk is emphasized more prominently in the management of loans compared to managing savings services. The main reason is that changes in interest rates for savings products do not significantly impact member's behavior in their savings activities, of course, this is attributed to CUKR being a financial institution that caters to members from the middle to lower class. Even though bank interest rates may be higher, many of them choose to save with CUKR because accessing a bank can be challenging due to factors such as distance and sometimes complex rules. It is obvious that interest rate risk will have a greater influence on lending activities. When interest rates at banks are lower, members often prefer to borrow from banks, particularly when they have access to programs like KUR (People's Business Credit), which offers the lowest interest rates with subsidies from the government. As input, it is beneficial to offer advantages beyond interest rates at CUKR, such as training, member assistance, and a sense of family, all of which can foster a sense of loyalty.

Not to forget that risk of default is also an important factor to be considered when managing risk in providing credit. This risk can occur due to several reasons such as the borrower's lack of desire to pay the loan or the member's inability to repay due to economic factors. Another reason for loan non-repayment is when a member takes out a loan, a credit officer often does not carefully verify the borrower's employment status, such as whether they are still employed or not. Plus, there are limitations to accessing BI-checking due to the fact that CUKR is not supervised by the Indonesian Financial Services Authority (OJK). It is not possible to determine whether the borrower already has a loan from a bank or another financial institution that surpasses their repayment capacity limit. For this reason, it would be advantageous to perform additional checks or verifications by collaborating with other financial institutions.

To minimize risk, CUKR offers a matching product with competitive loan interest rates, which are lower than regular loans. This product requires members to maintain a minimum savings balance of 50% of the applied loan amount. If the loan amount exceeds the established risk ceiling, additional guarantees are needed. It is stipulated in the general provisions of the credit operational manual to provide CUKR with a guarantee when members fail to pay. Despite this, it still happens that loans under 20 million rupiah are subject to judgment for the value of the collateral where loan approval is given only based on an assessment of the borrower's character. In this case, the borrower is an active member with a good character. Despite conducting a 5C (character, capacity, capital, collateral and condition of the borrower) analysis, the depreciation value of the collateral is not considered, said another way, the collateral's value is insufficient. It is recommended for actions outside the established provisions to be executed with approval at a certain level (e.g., head of TP office, manager or board) and creating a policy for deviations.

The 5C analysis used by management of CUKR to assess the possibility of default risk is as follows: "Firstly, Capacity to pay refers to the person's ability to repay the loan based on factors such as installment amounts, receivable services, and the predetermined time period. This information is obtained by calculating the net individual income of the loan applicant. Secondly, Character refers to a person's integrity, credibility, trustworthiness, which are reflected in qualities such as honesty, keeping promises, and their reputation in society. Thirdly, Capital refers to the number of shares and non-share savings of the loan applicant at CUKR as well as other productive assets. Fourthly, Collateral refers to personal or movable assets, as well as real or immovable assets held in the name of the loan applicant that are offered as collateral for the loan. Fifthly, Credit conditions refer to external factors that influence the socioeconomic situation of the loan application (The credit operational manual, CUKR, 2023)". Each of these components has a value, and if the total value falls below 70%, the loan application will be rejected.

In its control activities, CUKR has established organizational levels, each with its own authority limits for making a loan decision which has also been set in the credit operational manual. To conduct physical control, credit officers have managed direct interviews and, if applicable, field surveys. These actions are taken to evaluate the applicant's condition. However, CUKR has not demonstrated adequate ability to achieve optimal levels of institutional capital availability. It is depicted from the PEARLS ratio, which is only 1,62% compared to the ideal figure of 10%, institutional capital remains an essential source for Credit Unions business development. For future improvement, focusing on controlling uncollected debts and non-performing assets is a key to achieving the optimal capital adequacy ratio target.

International Journal of Current Science Research and Review
ISSN: 2581-8341
Volume 06 Issue 12 December 2023
DOI: 10.47191/ijcsrr/V6-i12-104, Impact Factor: 6.789
IJCSRR @ 2023
www.ijcsrr.org

The terms, conditions, and potential risks associated with loans are communicated to members during their basic education. Likewise, when applying for a loan, the officer will also explain the members' rights, obligations, and provide a transaction simulation.

For monitoring the loan's usage in alignment with its intended purpose, the officer will control its usage for a maximum of one month after disbursement of the loan by performing an on-site inspection. Additionally, the credit staff will include overseeing the recording of monthly installment and principal payments by preparing a list of monthly target payments for installments and loan principal. The lending effectiveness is measured on a monthly basis by calculating the PEARLS ratio where the optimal outstanding credit ratio falls within the range of 70% to 80% of assets and the default credit ratio is less than 5%, however, the current ratio is at 63%. At the moment, there have been efforts made to achieve the optimal figure, but the desired results are not yet visible. As input, if total assets increase, it is necessary to promptly adjust the amount of credit provided to maintain the ideal ratio. Also, it is highly recommended to set monthly targets for regular adjustments. The recap of results on CUKR's internal control evaluation is presenting in Table 1,2 and 3.

Table 1. Summary of the findings regarding the assessment of CUKR's internal control.[a]

No	Component	Subcomponent	Member's Recruitment		Savings Services		Loan Services	
			Strength	weakness	Strength	weakness	Strength	weakness
1	Internal Environment	Integrity and ethical values	Recruitment is conducted openly and voluntarily, with attention to avoiding overlapping development areas		Prioritizing members' welfare by offering savings products that are beneficial and competitive in terms of interest rates		The board and management maintain their roles as decision-makers within specific loan amount limits and do not get involved or act as guarantors for borrowers to prevent conflict of interest	
		Organizational Structure		Recruitment is conducted based on recommendations and handled by activists who are concerned with meeting targets and earning fees, with less consideration for the quality of members	It is performed by financial staff and supervised directly by the head of each TP		The authorized parties to make loan decisions within their respective limits of authority include the Head of TP, the Credit Committee, the Manager, and the Board	
		Procedures	It has created a procedure manual for accepting new members and an Operations Manual outlining membership requirements and administrative procedures		It has followed manual procedures for depositing and withdrawing funds, including cash and online transactions, in accordance with existing financial regulations		A credit operational manual has been established, and there is a defined workflow that aligns with the established procedures	
		Commitment to competence	There is a requirement for new members to undergo basic education to gain an understanding of their rights and responsibilities as members of CUKR		it equips members with financial literacy		Credit approval is provided based on the authority limits regulated in the credit operation manual, while also enhancing members' financial literacy	
2	Objective setting	Alignment with strategic objectives	Increase the number of members accountable for CUKR's business continuity		Assisting members in managing their savings and assets while also providing education on future financial preparedness. The collection of funds from members also serves as capital for granting loans to members		Providing loans to ensure CUKR's income source, maintain cash flow, and support members' productivity, including business development and overcoming financial difficulties	
		Target setting	At the beginning of each year, establish a target for membership growth		Targets have been set in annual cashflow planning		At the start of the year, management establishes a loan target aligned with the PEARLS measurement ratio, currently set at 70%-80% of total assets as outlined in the annual business plan	

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www.ijcsrr.org

No	Component	Subcomponent	Member's Recruitment		Savings Services		Loan Services	
			Strength	weakness	Strength	weakness	Strength	weakness
3	Event Identification	Identifies risk		Recruited inactive members as well as those unaware of deposit obligations may be removed according to cooperative regulation	There is a tendency for members to save in the main savings product due to its high interest rate, but there are restrictions on the amount of savings to encourage members to allocate their funds to other products	Over-liquidity, lack of member enthusiasm in savings products, internal fraud risk due to unclear volunteer structures, and external risks like potential online system hacking due to limited transaction notifications via registered cell-phone numbers and email		Interest rate risk impacts lending activities significantly. Default risk arises from factors like borrowers' unwillingness to repay or economic constraints. Access to Bank of Indonesia checking is limited, making it unclear if borrowers have excessive existing loans at other institutions
4	Risk assessment	Assesses severity of risk		No dedicated unit manages risk in member recruitment		No dedicated unit manages risk in savings services		No dedicated unit manages risk in loan services
5	Risk response			Accepting the risk and making improvements	Preventive measures are taken when risks are identified, including restrictions on primary deposits due to the high interest	Accepting the risk and making improvements	To mitigate risk, CUKR offers a product with competitive, lower-interest loans. Plus, if the loan exceeds the risk ceiling, additional collateral is required for added security in case of member default	Loans under 20 million rupiah are approved based on character assessment for active members with good character, despite the 5C analysis
6	Control activities	Role separation		There is no clear separation of duties for those in charge of recruitment, and there is no policy		There is no clear separation of tasks for receiving money from members, as volunteers can still perform this activity	The credit operation manual clearly establishes a division of responsibilities and authority in the approval of loans	
		Authority		It is not yet clear who has the authority to control recruitment per activity	The financial operation manual explicitly defines the authority of financial staff and other management levels concerning savings services		Levels within the organization have their own specific thresholds of authority when it comes to making loan decisions. Plus, assessing borrower credibility through 5C analysis	
		Sufficiency of requirements and documents	The procedure manual provides clear and comprehensive details for all necessary documents		The procedures for receiving and withdrawing deposits by members have been defined and documented in the manual		The credit operation manual provides clear explanations of document requirements	

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www.ijcsrr.org

No	Component	Subcomponent	Member's Recruitment		Savings Services		Loan Services	
			Strength	weakness	Strength	weakness	Strength	weakness
		Physical control	A physical inspection has been conducted, involving the verification of the authenticity of the necessary documents		The head of the office conducts a physical check of cash before closing and monthly inspections are performed by the committee and head office staff		Direct interviews and, if necessary, field surveys are conducted to draw conclusions about the applicant's condition	
		control over performance	Both the committee and the head office conduct monthly inspections	The performance measurement does not consider member activity on a monthly basis, instead, it only accounts for the total number of new member additions according to the PEARLS analysis	Both the committee and the head office staff conduct monthly checks to maintain liquidity at around 15-20% of asset value, preventing issues during deposit withdrawals	The liquidity ratio as per PEARLS analysis is 28%, indicating over-liquidity	Using PEARLS calculation, the risk reserve fund has reached the desired value	CUKR has not met the ideal institutional capital level (1,62% PEARLS ratio vs the 10% ideal), which is crucial for business development
7	Information & communication	Report on risk and performance	Socialization through direct social media, making information easily accessible to prospective members. Plus, feedback can be submitted through suggestion boxes or by calling the office		Provide basic education and conduct annual member satisfaction surveys on savings services		Provide basic education and financial literacy	
		Completeness	the information provided is fairly comprehensive		Clear and comprehensive information about the terms and conditions of savings products, as well as transparent details on interest rates and service fees, has been provided		Members are informed about loan terms, conditions, and associated risks during basic education. When applying for a loan, credit staff also provide information on rights, obligations, and simulate loan transactions	
		Accuracy	The provided information aligns with the established regulations		Offer members clear and concise information regarding the applicable terms and conditions		Offer members clear and concise information regarding the applicable terms and conditions	
8	Monitoring		Regular monitoring is conducted monthly by the head office or an appointed committee	Monthly monitoring focuses solely on the total number of new members added, without assessing their activity. Member activity is evaluated during universal monitoring and assessment conducted every four months	Using the ESCETE application for online transaction monitoring and PEARLS analysis. Monthly supervision is conducted by the head office staff or a designated committee	universal monitoring and assessment conducted every four months	To ensure proper loan use, the lending officer will visit within one month of disbursement credit staff also track monthly payments with a target list for the partial payment and principal payment	Loan performance is assessed monthly using the PEARLS ratio. The ideal outstanding credit ratio is 70-80% of assets, with a default credit ratio of less than 5%. At the moment, the ratio is at 63%

[a]Note here that the assessment was carried out using the COSO-ERM framework in the areas of member recruitment, savings services, and loan services.

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www.ijcsrr.org

Table 2. Areas for development.

	Member's Recruitment	Savings Services	Loan Services
Recommendation	1. Establish a clear accountability structure and a policy to regulate recruitment by volunteers	1. Promptly adjust lending targets based on monthly evaluation results to maintain a balanced circulation of money relative to existing savings	1.Besides adjusting interest rates, consider offering additional benefits at CUKR, such as training, member assistance, and a sense of community to foster loyalty
	2. Consider implementing monthly rewards for active members based on their level of activity	2. Periodically survey members to ensure that all offered savings products align with their preferences	2. Explore alternative checking options by collaborating with other financial institutions
	3. Provide specialized training for volunteers before they begin their duties and introduce a system of rewards and penalties. For instance, if a member they recruit is not active, their incentive will be reduced, while if the member remains active, additional fees will be given	3.Establish a policy for money handling by volunteers, ensuring clear accountability	3.Consider adding a risk management function
	4. Consider adding a risk management function, and conduct monthly evaluations to prevent issues	4. Develop a robust security system for applications to safeguard members' financial transactions	4.Ensure that activities beyond established guidelines are approved at a specific level (e.g. head of TP office, manager, board) and establish policies for such deviations
	5. Develop policies that define the organizational structure and specify who serves as the direct supervisor when problems arise	5.Consider adding a risk management function and conduct monthly evaluations by an authorized work unit to facilitate swift mitigation actions	5.Implement controls for past-due payments and problematic assets
	6. Include the number of active and inactive members in performance assessments by calculating a ratio relative to the total number of members		6.Continuously monitor total assets, and adjust the amount of credit provided promptly to maintain the ideal ratio. Monthly adjustments, guided by a monthly target, are advisable

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www.ijcsrr.org

Table 3. Strengths and weaknesses evaluation checklist by category.

No	Component	Subcomponent	Member's Recruitment		Savings Services		Loan Services	
			Strength	weakness	Strength	weakness	Strength	weakness
1	Internal Environment	Integrity and ethical values	✓					
		Organizational Structure		×	✓		✓	
		Procedures	✓		✓		✓	
		Commitment to competence	✓		✓		✓	
2	Objective setting	Alignment with strategic objectives	✓		✓		✓	
		Target setting	✓		✓		✓	
3	Event Identification	Identifies risk		×	✓	×		×
4	Risk assessment	Assesses severity of risk		×		×		×
5	Risk response			×	✓	×	✓	×
6	Control activities	Role separation		×		×	✓	
		Authority		×	✓		✓	
		Sufficiency of requirements and documents	✓		✓		✓	
		Physical control	✓		✓		✓	
		control over performance	✓	×	✓	×	✓	×
7	Information & communication	Report on risk and performance	✓		✓		✓	
		Completeness	✓		✓		✓	
		Accuracy	✓		✓		✓	
8	Monitoring		✓	×	✓	×	✓	×

V. DISCUSSION

The implementation of COSO ERM Framework at the Credit Union Kridha Rahardja (CUKR) serves as an incremental value, aimed at bolstering the pursuit of its vision and mission. It significantly enhances the provision of financial services to a diverse range of members. Based on this study, CUKR as a not-for-profit organization can improve the control systems to achieve its strategic goals through this framework evaluation. This result is consistent with the research conducted by Udeh (2019) in the United States. It could inspire all organizations, both publicly traded firms and privately held institutions to consider adopting the COSO ERM framework. This adoption may assist them in detecting and rectifying weaknesses within their operational controls.

Nonetheless, the results are contradictory with the facts presented in the research by Williamson (2007) in the UK. While the framework lacks consideration of mutual interactions between an entity and its external stakeholders that leads to unidentifiable uncertainties, it does support the improvement of the empowerment of the members as the key stakeholders. The primary focus for the continuity of CUKR is to identify events that could disrupt the activities of members, as they represent the credit union's main source of operation.

Integrating the internal control of CUKR and its risk management processes leads to a more comprehensive identification and assessment of potential risks. Aligned with the research of Rubino (2018) which states that assessing risk management is a complicated activity that varies across organizations in terms of a range of factors, such as company's control-oriented corporate culture, the clarity of the organizational structure, the availability of appropriate procedures and entity policies, and the presence of managerial expertise. Consequently, a comprehensive analysis of these elements cannot be encapsulated within a specific form of framework. It is important to emphasize that even if more comprehensive guidelines were developed, they would still be inadequate for dealing with each complexity. For this reason, COSO ERM framework continues to be the most widely adopted and practical framework.

VI. CONCLUSION

A Credit Union as a member-based financial institution with its cooperative structure focuses on providing financial services to members. Its primary goal is to empower the members to improve their quality of life by utilizing the saving and loan services. Both maintaining financial stability and practicing management in an accountable manner are fundamental qualities for a credit union, including for Credit Union Kridha Rahardja (CUKR). Admittedly, striking a balance between financial services and members empowerment can be challenging for CUKR. Inability to compete with other financial institutions could pose a threat to CUKR's objective of providing maximum financial benefits for its members. Therefore, implementing effective internal control is essential to success in the current market competition.

Despite the fact that CUKR has employed an adequate internal control to ensure all operations within the organization align with its goals, research on how effective, thorough, and comprehensive is CUKR in implementing its internal control remains crucial. The assessment of CUKR's internal control was conducted using COSO ERM Framework. Previously, Internal control based on COSO ERM Framework were primarily applied to corporations with the sole goal of profit. However, since CUKR must not only remain financially viable but also serve their members and communities, it is essential to assess its internal control by leveraging COSO ERM Framework. This framework incorporates a risk-based approach to address the evaluation of internal control within an organization. In addition, this approach focuses on the importance of managing risks when assessing internal controls to ensure they are effective to address potential risks at all levels of the organization.

By adopting a qualitative research approach with a single case design, this study was conducted in several steps. A questionnaire survey is distributed to a small group of participants in the organization to gather opinions and feedback from them regarding the effectiveness of CUKR's internal control. Furthermore, as a case study, the analysis is based on multiple sources of evidence such as interviewing, documentation and focus group discussion.

After assessing CUKR's internal control based on COSO ERM Framework for three aspects of its operation namely the recruitment process, savings and loan services, the authors have drawn several results. In general, the research found that CUKR strongly adheres to its ethical values and integrity for all aspects that are being evaluated. In executing daily activities, CUKR has an operational manual that serves as its guide. However, some weaknesses were identified in the existing procedures after conducting a risk analysis using the applied framework. Firstly, when it comes to member recruitment, volunteers often lack clear policies. Since they do not have an employment contract and direct superiors to hold them accountable when they recruit inactive or non-paying members, it can pose a risk to the sustainability of CUKR which relies heavily on having quality members. It is recommended that when evaluating the performance of member recruitment, both the number of active and inactive members should be considered by creating a ratio in relation to the total number of members. This must be conducted on a monthly basis to promptly address any issues that may arise in the following month. Plus, developing an operational manual with well-defined structures and policies for volunteers is a key to provide clear guidelines and instructions for their operations. Secondly, despite the effective internal control of savings services put in place, the risk still exists. At the moment, CUKR is facing the risk of excess liquidity which needs to be managed to ensure the organization's financial operations run smoothly. As input, it is advisable to adjust the loan target in response to an increase in savings as well as conduct a survey to ensure that the savings and loans products are attractive to members. Thirdly, in terms of loan services, CUKR has an effective oversight system and an adequate operational manual to regulate authority limits for granting credit approval. However, both interest rate risk and risk of default are crucial to prevent before they can have negative consequences. Boosting the sense of loyalty is advantageous as it increases members' willingness to take out a loan from CUKR, even when its interest rate is higher than other financial institutions. In addition, to address the member's inability to pay, it is suggested for the supervisory and management along with the member facing difficulties to collaborate in finding solutions and facilitating payments. It would be prudent to take such actions based on monthly evaluations to prevent potential issues.

Through the implementation of COSO ERM Framework in assessing CUKR's internal control, this case study has made several contributions. This research comprehensively identifies and manages the potential risks, which helps the organization in making informed decisions in terms of risk prevention and resource allocation such as personnel and finances. Not only can it prevent the potential issues but also ensure that every individual in the organization knows their responsibilities in managing risks. Further, by adopting the focus group discussion approach, it is useful for exploring diverse perspectives with different backgrounds and experiences that can offer contrasting opinions to gain a deeper understanding of participants' needs and preferences. Ultimately, based on this study, all parties are aware of the importance of establishing a risk management team at the management level, emphasizing that it should not solely rely on volunteers but be a formalized part of the organization's structure.

The limitations of this research include limited participants, involving only the boards, the supervisory committees and managers which results in the problems identified being limited to information obtained from toplevel management rather than from members. Conversely, members might have different perspectives on problems or risks compared to the boards and management. As a consequence, the recommendations provided in this study are from an upper management perspective, which may limit their applicability and overlook other viewpoints within the organization. In addition, since a qualitative method with one case study approach is used in this research, it often has an issue of reliability. This study is specific to one particular case, so they cannot be easily applied in other cases or contexts. It is difficult to generalize the findings and the results from this research to another.

This study opens up various opportunities for future research to assess the internal control using COSO ERM Framework for other aspects (e.g. members empowerment activities and financial reporting) within the organization as well as incorporating the perspective of the members to fully understand potential threats. Further research is also needed involving more than two cases of credit unions to compare the effectiveness and comprehensiveness of their internal controls based on the COSO ERM Framework with others in the industry.

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Cite this Article: Nita Hidajat, FX Kurniawan Tjakrawala (2023). Assessing an Indonesian Credit Union’s Internal Control Using COSO ERM Framework: A Case Study at Credit Union Kridha Rahardja. International Journal of Current Science Research and Review, 6(12), 8589-8607