

Internal Audit as an Effort to Increase Transparency and Accountability of Financial Statements at SD Muhammadiyah 3 Ikrom Wage Sidoarjo

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ABSTRACT

Objective: This study aims to describe the internal audit carried out and the impact on the quality of the financial statements of SD Muhammadiyah 3 Ikrom. **Method:** This study uses a qualitative research method using data collection techniques through observation, interviews and documentation. **Results:** The results of this study show that the implementation of regular internal audits can increase the transparency and accountability of financial statements, despite obstacles such as limited human resources and lack of understanding of the accounting field. **Novelty:** Financial Statements have a very crucial role in creating transparency and accountability as well as responsibility for fund management, one of which is in the world of Education, namely Elementary Schools. As a public sector agency, the School also implements internal audit as a form of accountability to the public, internal audit is one of the tools to assess the performance of the agency's financial management, the effectiveness of financial management, as well as identify system weaknesses and ensure compliance with regulations is carried out properly.

INTRODUCTION

In building good organizational governance, a strong main foundation is needed in transparent and responsible financial management, including in the Education organization. As the public's demands for information disclosure increase, educational institutions are not only expected to provide learning services, but also must demonstrate integrity in managing finances responsibly [1]. This is all the more important because schools, even though they are private, still play a role as public institutions that manage funds from various sources, such as government assistance, parental contributions, and donations from other parties. As a public institution, schools are obliged to prioritize transparency in their financial management to all interested parties neatly and professionally to increase public trust in the school and avoid budget misappropriation that may be committed by individuals [2]. The financial statements submitted are structured and accountable, because they are important indicators in assessing the performance of the institution by the school management. However, the preparation of good financial statements does not only depend on recording and reporting transactions, but also on a strong and sustainable internal control system [3].

One form of internal control is internal audit at educational institutions. According to [4] With internal audits, schools can be helped in monitoring compliance with financial procedures and as a mechanism for future evaluation, besides that it can also reveal the

weaknesses of the school system so that it can provide input for improvement and increase efficiency and effectiveness in the use of funds. According to [5] The implementation of internal audits in the school environment plays a strategic role to ensure that operational funds are used on target, in accordance with the objectives, and avoided misuse. However, in practice, it turns out that not a few schools have not implemented internal audits optimally, including private schools. As one example, schools that are under the auspices of religious organizations such as Muhammadiyah are still experiencing difficulties in implementing internal audits optimally. Limited human resources who understand accounting principles and the lack of an adequate internal audit structure are the main obstacles in realizing effective financial supervision. This is also reflected in research [6] which states that some Muhammadiyah schools still prepare financial statements manually and are not in accordance with the applicable standards.

SD Muhammadiyah 3 Ikrom is one of the private elementary schools that also faces similar problems. Although it has carried out financial administration functions, this school does not have a well-organized internal audit system. In fact, according to [7] Internal audits are needed to ensure the accuracy of financial statements and support institutional accountability to the managing foundation, student guardians, and the general public. On the basis of these problems, this study was conducted to examine how internal audits are carried out at SD Muhammadiyah 3 Ikrom and the extent to which the audit contributes to increasing the transparency and accountability of financial statements. The findings of this study are expected to be a reference for other schools in building a better and sustainable financial supervision system.

RESEARCH METHOD

The research methods used in this study are qualitative descriptive which aims to provide an in-depth overview of the implementation of internal audits and their contribution to the quality of financial statements [8]. This approach was chosen to allow researchers to understand the phenomenon thoroughly and contextually through the perspective of the actors directly in the field. The data collection technique in this study was collected through several stages, including:

1. Observation is carried out through observation of financial recording activities, and administrative processes carried out by the school.
2. Semi-Structured Interviews with key informants namely school principals, treasurers, and Foundation representatives. This interview was conducted with the aim of exploring information about internal audit practices, obstacles faced, and perceptions of the transparency and accountability of school financial statements [9].
3. The implementation of internal audits includes analyzing financial statements, general cash books, documents proving cash transactions, Boss Cost Budget Plan, and documents related to school financial activities.

4. Monitoring and evaluation are carried out to convey the findings of the initial audit findings and monitor the correct preparation of financial statements [10], [11], [12], [13], [14], [15], as well as providing follow-up recommendations for school management.

RESULTS AND DISCUSSION

Based on the results of observations and interviews conducted, it is known that SD Muhammadiyah 3 Ikrom Wage has just started the implementation of internal audit as a form of supervision in the management of school finances. This audit was carried out by an internal team appointed by the Muhammadiyah Regional Executive (PDM) Sidoarjo. The implementation of internal audits is carried out focusing on checking cash in and cash out, the suitability of transaction evidence, and how financial statements are made. This audit process also touches on other important elements, such as the preparation of a complete accounting cycle, risk analysis and evaluation of the correct school financial policy.

Preliminary Audit and Follow-up Findings

The implementation of the internal audit revealed a number of initial findings that were the cause of weaknesses in school financial management, including:

1. Many transactions were found not accompanied by valid physical evidence such as notes or receipts.
2. There were several delays in recording transactions, as well as inconsistencies in the process of entering school financial data.
3. The budget realization report has not been prepared regularly based on the cost budget plan made by the previous school.

As a step to make improvements, the audit team provides technical guidance, especially procedures in recording and making good and correct financial statements. In this activity, the school treasurer gets direction and guidance regarding the basic accounting cycle, how each transaction is recorded and reported, and how correct and valid proof of transactions must be collected.

The Impact of Internal Audit on Transparency and Accountability

Although the implementation of the Internal Audit of SD Muhammadiyah 3 Ikrom is still in the process of development, the positive impact has begun to be felt, especially in the aspect of financial transparency. The school treasurer shows discipline in recording financial transactions and begins to realize the importance of preparing periodic financial statements, and collecting evidence of transactions that are adjusted to the school's cash expenditure. The preliminary findings of the previous audit show that the Internal Audit that is carried out consistently is able to increase financial accountability and transparency in educational institutions. Internal audits not only help in detecting problems, but also provide good strategic recommendations to improve the school's financial management system in the future.

Challenges of Implementing Internal Audit

In its implementation, SD Muhammadiyah 3 Ikrom still faces several challenges, including:

1. The limitation of experts who have a background in accounting education so that in carrying out their work they do not understand the flow of the correct accounting cycle.
2. There are no guidelines for the implementation of internal audits that are established in the school environment.
3. Low integration of recording with proof of transactions so that data verification in the audit process takes longer.

These challenges are a reflection that the implementation of internal audits in private elementary schools still requires support in the form of institutional capacity building and sustainability training so that accountability in the school environment runs systematically and structured.

Performance achievements

The Internal Audit Team succeeded in achieving the planned performance by solving agency problems based on the results of observations made together. The following is the documentation of the Internal Audit activities of SD Muhammadiyah 3 Ikrom:



Figure 1. Documentation of the internal audit.

CONCLUSION

Fundamental Finding : The final results of this activity show that the research objectives have been successfully achieved, namely supporting the school in strengthening the financial control mechanism through the implementation of internal audits. The internal audit conducted plays a role in checking the flow of incoming and outgoing funds, evaluating the completeness of transaction evidence, and helping the structuring of financial statements to be neater and more systematic. The implementation of this audit provides space for schools to prepare financial reports more responsibly, covering all sources and uses of funds, both from students, foundations, the government, and other donors. **Implication :** Through this audit, schools can also recognize deficiencies in the recording system, increase awareness of the importance of proof of transactions, and provide an understanding to the treasurer about the correct accounting flow. In addition, audit activities encourage constructive interaction between internal auditors and school management in discussing findings and determining necessary corrective steps. The audit team recommends that the school continue to record transactions regularly and be well documented. Financial reports that are prepared accurately and consistently are not only useful for internal decision-making purposes, but also beneficial for external parties such as foundations and guardians. **Limitation :** Although the implementation of audits is going quite well, the limitation of professionals in the accounting field and the absence of standardized audit guidelines are still obstacles that must be overcome immediately. **Future Research :** Therefore, continuous training and the development of a more integrated audit system are urgently needed. Finances that are managed transparently and professionally will further increase public trust in educational institutions.

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