

Analysis of the Implementation of Internal Control in Productive Waqf Management (Case Study: Nazir Waqf Mata Air)

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Abstract

This study aims to analyze the application of COSO-based internal control at Nazir Waqf Mata Air and to identify the obstacles encountered in its implementation. The study uses a qualitative method with a case study approach. Data are collected through in-depth interviews, observation, and documentation. The informants in this study consist of four individuals who are directly involved in managing productive waqf assets at Nazir Waqf Mata Air. The results show that, overall, the implementation of COSO-based internal control at Nazir Waqf Mata Air is carried out effectively. The obstacles encountered in the implementation of internal control are related to limited human resources and the underutilization of technology.

Keywords

COSO, Internal Control, Nazir, Productive Waqf, Waqf Management

INTRODUCTION

Poverty is a fundamental problem that Indonesia still faces today. If poverty is not addressed seriously, it has the potential to persist from generation to generation (Trisnaningtyas et al., 2020). Data from the Central Statistics Agency shows that the percentage of poor people in Indonesia as of March 2025 was 8.47 percent, while as of September 2024 it was 8.57 percent (Badan Pusat Statistik, 2025). The eradication of poverty is included in the Sustainable Development Goals (SDGs), point one on No Poverty. The Indonesian government has also reaffirmed its commitment to poverty eradication with the enactment of Presidential Instruction (Inpres) No. 8 of 2025 on Optimizing Poverty Alleviation and Extreme Poverty Eradication. One of the tasks outlined in the Inpres is to provide access to basic infrastructure, including clean water, sanitation, and environmental management.

Banyumas Regency is one of the regencies with the second-highest number of poor people in Central Java. The number of poor people in Banyumas Regency in 2025 reached 194,870 people, or around 11.15 percent; in 2024, 207,780 people, or around 11.95 percent; and in 2023, 216,500 people, or around 12.53 percent (Badan Pusat Statistik Provinsi Jawa Tengah, 2025). Despite the decline in the number of poor

people, this figure remains relatively high compared to other regencies in Central Java. This condition shows that Banyumas Regency faces challenges in supporting the achievement of SDG 1, which aims to solve poverty issues.

Productive waqf is an Islamic instrument that can help overcome poverty and improve community welfare (Syamsuri & Manaanu, 2021). Eugenia et al. (2022) also argue that the use of productive waqf can help address poverty and encourage the achievement of SDG 1: No Poverty. Productive waqf can be used to overcome poverty. This is because a well-managed, productive waqf can improve the welfare of the community, both socially and economically. Transparent and accountable management of productive waqf can provide various benefits that the wider community and the heirs of the waqf can enjoy.

The potential for land waqf in Indonesia, according to data from the Ministry of Religious Affairs in 2025, includes 440,512 locations covering a total area of 57,263.69 hectares. Furthermore, according to Ghafur (2024), the potential for cash waqf in Indonesia reaches IDR 180 trillion, but in 2023, only IDR 2.3 trillion was realized. Meanwhile, in Banyumas Regency, the potential for land waqf, according to data from the Ministry of Religious Affairs, totals 4,513

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locations covering a total area of 162.40 hectares. A total of 3,339 locations with a total area of 124.51 hectares have been certified as waqf, while the remaining 1,174 locations with a total area of 37.89 hectares have not been certified as waqf (Kementerian Agama Republik Indonesia, 2025). However, the productive waqf empowerment movement in Banyumas Regency has not been maximized, so its utilization is more focused on worship rather than commercial interests (Fatmawati, *et al.*, 2024).

The suboptimal management of waqf is due to several factors. According to Amin (2024), challenges in waqf management include limited public understanding of waqf, leading to suboptimal waqf collection. The human resources (HR) managing waqf are also restricted, resulting in suboptimal management of the available waqf potential. In addition, the current regulations do not fully support the waqf management process, especially the productive waqf. Ghafur (2024) adds that public trust in nazirs has declined due to various waqf disputes.

According to Fatmawati *et al.* (2024), the implementation of good governance can create accountability and transparency in waqf management, thereby increasing public trust in nazirs. Meanwhile, according to Dewi *et al.* (2022), the application of internal controls can foster transparent and accountable waqf governance, thereby increasing public trust. According to Syamsuri *et al.* (2022), the professionalism of nazirs in waqf management will also increase if good internal controls are implemented. Therefore, the implementation of internal controls is an essential factor in creating effective and efficient productive waqf management. According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework, there are five components of internal control, namely control environment, risk assessment, control activities, information and communication, and monitoring (Arens *et al.*, 2015). These five components of internal control can be used to analyze the effectiveness of productive waqf management.

Previous studies have shown that COSO-based internal control is already in place, but various weaknesses have been identified. Research by Trisnaningtyas *et al.* (2020) conducted at LAZISMU Ponorogo indicates that the implementation of COSO-based internal controls is progressing well. However, there are still shortcomings in monitoring due to limitations in internal auditing. Research by

Hamidah & Heriyanto (2024) at LAZISMU West Java also shows that internal control implementation has been carried out effectively. However, there are still shortcomings in the implementation of technology.

Meanwhile, research by Ramadhanti & Safrida (2023) on the Sumatran Orangutan Conservation Foundation indicates that internal controls have not been implemented optimally. This is because commitment and accountability enforcement have not been adequately implemented, and technology has not been utilized, as shown by Firdiana *et al.* (2023) in their research at PT. Sinergi Integra Persada also indicates that internal control is not yet optimal, as the written procedures for accounts receivable have not been adequately implemented, and there is no periodic evaluation. Although previous studies have analyzed the implementation of COSO-based internal control, most focus only on zakat institutions, foundations, and companies. There has been little research specifically analyzing productive waqf nazirs. This study aims to explore the implementation of COSO-based internal controls in Nazir Waqf Mata Air and identify the obstacles faced during this process.

LITERATURE REVIEW

Sharia Enterprise Theory

Sharia Enterprise Theory states that all economic activities and organizational management must be based on the principles of trust and accountability to Allah SWT as the owner and highest stakeholder (Sri *et al.*, 2019). According to Sharia Enterprise Theory, Allah SWT is the ultimate owner of all resources, while humans are the ones entrusted with the duty to manage these resources responsibly (Triyuwono, 2000). There are three stakeholders in Sharia Enterprise Theory, namely Allah SWT, humans, and nature. Sharia Enterprise Theory states that all company activities must produce sharia value added, including economic, mental, and spiritual well-being for all stakeholders (Wahyuni & Abdullah, 2021). In waqf management, the Nazir has a responsibility not only to the waqif, but also to Allah SWT for the management of waqf assets. Therefore, the application of internal control is an important principle to ensure that waqf management is carried out in a trustworthy, transparent, accountable, and Sharia-compliant manner.

Internal Control

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Internal control encompasses all elements within an organization, including the board of directors, management, and employees, who provide adequate assurance in achieving organizational goals (COSO, 2013, in Anwar & Septyan, 2019). Meanwhile, according to Arens *et al.* (2015), internal control is a series of policies and procedures to ensure the achievement of company goals and objectives. Mulyadi (2023) notes that the internal control system comprises organizational structures, methods, and measures that are coordinated to protect organizational assets, ensure accounting accuracy and reliability, and improve the efficiency and compliance with management policies in achieving organizational objectives. Therefore, internal control is a comprehensive system consisting of various elements to ensure the effective and efficient achievement of organizational goals. The following are the components of COSO-based internal control:

Control Environment

The control environment consists of a series of actions, policies, and procedures that describe the attitude and commitment of top management, the board of directors, and owners regarding the implementation and understanding of the importance of internal control (Arens *et al.*, 2015). The control environment provides the foundation for other internal control components (Paristu, 2014). According to Anwar & Septyan (2019), weak environmental controls will lead to internal control failures.

Risk Assessment

Arens *et al.* (2015) revealed that risk assessment involves identifying and analyzing risks that could hinder the achievement of organizational goals. Once a risk has been identified, management needs to assess its significance, estimate its likelihood, and formulate specific steps to minimize it to a tolerable level. Business risk identification is prioritized for activities with high risk (Anwar & Septyan, 2019). In financial reporting, risk assessment involves analyzing risks that may hinder the preparation of financial statements in accordance with applicable accounting standards (Arens *et al.*, 2015).

Control Activities

The Control activities include policies and procedures that serve as mechanisms to ensure that the necessary steps to address risks are appropriate, thereby enabling organizational objectives to be achieved

(Arens *et al.*, 2015). According to Firdiana *et al.* (2023), control activities allow the management to mitigate risks that hinder the achievement of organizational objectives through appropriate policies.

Information and Communication

Ilham & Ali (2023) argue that relevant and quality information is an essential element in supporting reasonable internal control. Meanwhile, a continuous communication process can help ensure the availability of important information. Accounting information and communication systems play a role in initiating, recording, processing, and presenting reports on organizational transactions in an accountable manner (Arens *et al.*, 2015). Therefore, information and communication can serve as tools for internal and external parties of the organization (Nabilah & Nursaputri, 2024).

Monitoring

Monitoring is the periodic assessment of the quality of internal control, carried out to ensure it is operating effectively and is adjusted to changes in conditions (Arens *et al.*, 2015). Monitoring activities are carried out by an independent party responsible for the effective and efficient implementation of tasks.

Table 1. COSO Internal Control Components

Component	Definition	Principle
Control Environment	Actions, policies, and procedures that demonstrate the attitude and commitment of top management, the board of directors, and owners regarding the implementation and understanding of the importance of internal control.	<ol style="list-style-type: none"> 1. Commitment to integrity and ethical values. 2. Exercise of oversight responsibilities. 3. Establishment of structure, authority, and responsibility. 4. Commitment to competence. 5. Enforcement of accountability.
Risk Assessment	Identify and analyze risks that have the potential to hinder the achievement of	<ol style="list-style-type: none"> 1. Define appropriate objectives. 2. Identify and analyze risks.

	organizational goals.	3. Assess fraud risks. 4. Identify and analyze significant changes.
Control Activities	Policies and procedures that serve as mechanisms to ensure the necessary steps are taken to address risks.	1. Selecting and developing control activities. 2. Selecting and developing general controls over technology. 3. Establishing policies and procedures.
Information and Communication	Initiating, recording, processing, and presenting reports on organizational transactions in an accountable manner.	1. Using relevant information to support internal control. 2. Internal communication. 3. External communication.
Monitoring	Periodic assessment of internal control quality to ensure that internal controls are functioning effectively and have been adjusted to changes in circumstances.	1. Conduct ongoing evaluations. 2. Communicate findings on identified deficiencies.

Source: Arens *et al.*, (2015)

Waqf

Definition of Waqf

Undang-Undang No. 41 of 2004 on Waqf explains that waqf is a legal act carried out by a waqif to separate and/or transfer part of his property to be used forever or for a specific period of time in accordance with his interests for worship and/or public welfare according to sharia. A *wakif* is a party that transfers part of its property to be used as a waqf. Meanwhile,

the management of the waqf is carried out by the *nazir*, from receiving the waqf property to the property generating benefits . The *Nazir* is the party that receives waqf property from the *waqif* to be managed and developed in accordance with its designation. Therefore, the role of the *nazir* is vital in ensuring that waqf management runs effectively and provides benefits to the community.

Types of Waqf

According to Hanna (2015), waqf can be classified into several types based on its purpose, time limit, and use. Based on its purpose, waqf is divided into three types, namely *waqf ahli*, *waqf khairi*, and *waqf musytarak*. *Waqf ahli* is a waqf that is used for the welfare of the family or heirs of the *waqif*. *Waqf Khairi* is a waqf that is specifically intended for general use, without being limited to a particular group. *Waqf musytarak* is a waqf that is used for the benefit of the family and the general public.

Based on its time limit, a waqf is divided into two types, namely perpetual waqf and temporary waqf. Perpetual waqf is property that is donated for perpetuity and is permanent in nature. Temporary waqf is property that is donated by the *wakif* with a specific time limit on the use of the waqf.

Based on their use, waqf is divided into two types: direct waqf and productive waqf. Direct waqf is a waqf whose principal assets are used directly to achieve the objectives of the waqf pledge. Productive waqf is a waqf whose principal assets are managed in productive activities to generate profits, which are then distributed in accordance with the waqf pledge.

METHODS

Type of Research

This study uses a qualitative case study approach. The qualitative method was chosen because this study focuses on an in-depth understanding of the application of internal control in the management of productive waqf. Qualitative research focuses on understanding meaning through the experiences and views of individuals or specific groups on a social issue (Creswell & Poth, 2018). Qualitative research aims to understand and analyze certain phenomena (Fiantika, *et al.*, 2022). The case study approach was chosen because the researchers sought an in-depth understanding of how internal control is applied in managing productive waqf within waqf-based business units. Case studies examine real cases in

depth through comprehensive data collection across various sources of information, then describe the themes of the cases (Creswell & Poth, 2018).

Research Location and Time

This study was conducted on the Nazir Waqf Mata Air¹, which manages productive waqf in the form of water sources. This location was chosen because the Nazir Waqf Mata Air is one of the administrators of productive waqf for commercial purposes in Banyumas Regency, Central Java. The study was conducted over two months, from September 2025 to October 2025.

Research Subjects and Informants

The subject of this study is the Nazir Waqf Mata Air, which is the party responsible for managing and developing productive waqf assets. Informants in this study were selected using purposive sampling, which is selecting informants based on predetermined criteria (Sugiyono, 2019). The requirements for informants included individuals directly involved in the management of productive waqf assets. There were four informants in this study: management, a supervisor, finance, and employees. The selection of four informants was considered adequate because each represented different functional responsibilities within the internal control structure, thus providing the diverse perspectives needed to obtain in-depth information. Therefore, this combination of roles enabled the researchers to comprehensively understand the implementation of internal control from managerial, supervisory, financial, and operational aspects.

Data Source

Primary data is data collected by researchers directly from the source. Primary data is the best type of data in research because it is obtained directly from the source (Rahman, *et al.*, 2022). Primary data in this study were obtained directly from in-, such as depth interviews, observations, and documentation.

Secondary data is data obtained by researchers from previously available sources. Secondary data can be obtained through intermediary media or recorded by other parties (Rahman, *et al.*, 2022). Secondary data in this study were obtained from books, journals, activity reports, financial

records of the Nazir Waqf Mata Air, and official publications from government agencies.

Data Collection Techniques

Data collection in this study was conducted through in-depth interviews, observation, and documentation. In-depth interviews were conducted with management, supervisors, finance employees, and production employees using semi-structured interview guides, which allowed for the addition and refinement of questions.

Observations were made of management activities at Nazir Waqf Mata Air, including the production process and daily financial records. Documentation was carried out by collecting waqf activity reports and daily financial records.

The following is a summary of the in-depth interviews, observations, and document analysis:

Table 2. In-depth Interview Method

Position	Number of Informants	Amount of Time
Manager	1	60 minutes
Supervisor	1	53 minutes
Finance	1	57 minutes
Employee	1	46 minutes

Table 3. Observation Method

Activity	Amount of Time	Focus of Observation
Monitoring of operational activities and financial recording.	1.680 minutes	Analyze gallon production activities from the washing process to the delivery of finished products, as well as analyze financial recording and reporting processes.

Table 4. Document Analysis

Type of document	Amount of Time
Waqf Manuscripts	300 minutes
Financial Records	450 minutes
Books and Laws	330 minutes

Data Validity Test

¹ The name of the foundation used in this study is a pseudonym. The real name has been disguised to maintain the confidentiality of the research institution.

Source triangulation is the process of testing the credibility of data obtained by comparing data from various sources (Fiantika, et al., 2022). This study conducted source triangulation by comparing data obtained from management, supervisors, the finance department, and production employees.

Method triangulation is the process of testing the credibility of data obtained by examining the data through different methods (Fiantika, et al., 2022). This study employed method triangulation through in-depth interviews, observations, and documentation.

Data Analysis Techniques

This study uses qualitative data analysis techniques according to Miles & Huberman (1994), which consist of data condensation, data presentation, and drawing and verifying conclusions. Data condensation is the process of sorting, focusing the discussion, simplifying, and transforming data obtained from interview transcripts, field notes, and documentation so that it is more organized and easier to analyze (Fiantika, et al., 2022). Data condensation in this study was carried out by filtering interview transcripts, obtained documents, and observation results, which were then grouped into five categories based on COSO-based internal control components.

Data presentation is the process of compiling information in a concise and structured manner so that researchers can draw conclusions or take the necessary next steps (Fiantika, et al., 2022). After the data condensation process is complete, the next step is data presentation. The data in this study are presented in narrative and diagram form.

Conclusions are drawn by interpreting the meaning of the data based on cause-and-effect patterns and explanations during the research process (Fiantika, et al., 2022). The method of concluding this study involved interpreting the data from the interview transcripts, the obtained documents, and the observation results, based on the five components of COSO internal control. Meanwhile, the verification process was conducted using source and method triangulation.

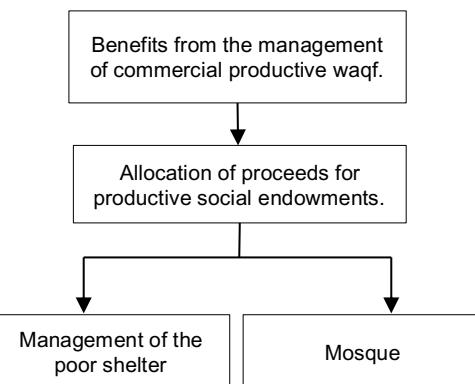
RESULTS AND DISCUSSION

Profile of Nazir Waqf Mata Air

Nazir Waqf Mata Air is a foundation whose activities focus on economic, social, for environmental development. Nazir Waqf Mata Air has various programs that are classified

into commercial productive waqf and social productive waqf. Commercial productive waqf programs take the form of drinking water depot business units, while social productive waqf programs involve managing shelters for the poor and mosques. Technically, socially productive waqf financing is carried out through the utilization of the proceeds from commercial productive waqf. The following is the flow of distribution of benefits from the management of productive waqf:

Figure 1. Distribution of Waqf Benefits



Control Environment

Commitment to integrity and ethical values

The values of honesty, responsibility, and trustworthiness are always prioritized in the implementation of waqf management activities at the Nazir Waqf Mata Air. This is reflected in the statement made by Ms. Y, a finance employee, who said, *"We always instill the value of honesty by constantly reminding everyone of the work rules. We also have SOPs."*

This statement indicates that management has instilled integrity and ethical values by implementing work rules and Standard Operating Procedures (SOPs). This aligns with observations of SOPs related to the production process and work regulations at Nazir Waqf Mata Air. In addition, management demonstrates a firm commitment to upholding ethical values. If an employee commits a violation, they will be reprimanded immediately. This is as stated by Ms. S, a supervisor, who said, *"I reprimand them immediately, but there must be evidence because this is money from waqf, I have to be responsible, they also have to be responsible."*

Some employees already understand their responsibilities for managing productive waqf assets. Supervisors also regularly remind employees and other parties who commit

violations of their duties through direct reprimands. Therefore, Nazir Waqf Mata Air has demonstrated a commitment to integrity and ethical values in accordance with COSO control environment principles. The implementation of integrity and moral values at Nazir Waqf Mata Air can minimize and prevent fraudulent acts. This aligns with the opinion of Andraeny & Nurulitasari (2018), who stated that properly implemented ethical standards and behavior can prevent employee misconduct.

Exercise of oversight responsibilities

Nazir Waqf Mata Air has fulfilled its supervisory role by appointing a supervisor for operational activities at the drinking water depot business unit. The supervision process is carried out by directly monitoring the production process. If there are complaints from customers, they will be immediately followed up on, as stated by Ms. S, the supervisor, who said, "*I supervise directly. If there are any complaints or anything else, I convey them to the employees and the maintenance department.*"

Supervisory activities have been running smoothly through direct communication with various parties. This supervision helps the business focus on achieving its goals and ensures that waqf assets are managed appropriately.

Establishment of structure, authority, and responsibility

Nazir Waqf Mata Air already has an organizational structure. However, from the interview results, it is known that the organizational structure is still undergoing renewal due to a change in management, as stated by Mr. D, the manager, who said, "*The organizational structure exists but has not been confirmed because it is currently being renewed, but there is already a division of tasks and responsibilities.*"

Although the organizational structure is still being updated, the Nazir Waqf Mata Air has already divided tasks and responsibilities. The division of tasks and responsibilities can increase accountability in the management of a productive waqf. However, the official organizational structure must be prepared immediately to ensure there is no overlap in tasks and responsibilities for any individual. This aligns with the research by Wardayati & Imaroh (2015), which states that an unclear organizational structure can lead to overlapping tasks and responsibilities.

Commitment to competence

Nazir Waqf Mata Air is always committed to improving competence through employee training, especially for employees in the finance and production operations departments. Training for finance employees includes training in basic accounting and computer operations. This was conveyed by Ms. Y, a finance employee, who said, "*Yes, there is training, there is accounting training for the finance department and computer training.*"

In addition to financial training, production employees receive training related to machine repair. This was conveyed by Mr. A, an employee, who said, "*We have special training for maintenance. We have trained employees to learn maintenance because the machines are in continuous operation, so they need routine maintenance.*"

Both statements show that Nazir Waqf Mata Air is committed to the competence of its employees. The training provided is one of the efforts to maintain and improve employee competency in business operations. Improving competency through knowledge transfer helps employees understand (Andraeny & Nurulitasari, 2018). This is a strength for Nazir Waqf Mata Air in building an effective control environment.

Enforcement of accountability

Nazir Waqf Mata Air has implemented accountability principles by using internal financial reporting to provide management with monthly updates. However, financial reporting to the general public has not yet been implemented. This was revealed by Mr. D, the manager, who said, "*There has been no financial reporting to the public, but reporting to management is usually done every month.*"

In addition to reporting financial statements to management, Nazir Waqf Mata Air also submits reports on the utilization of waqf assets to the *wakif* via social media messages. This was revealed by Ms. Y, a finance employee, who stated that "*There has been no reporting to the public, but reporting to the wakif and management has been done. Reporting is done via WhatsApp chat accompanied by photo documents sent to the wakif.*"

Both statements indicate that Nazir Waqf Mata Air has implemented accountability by reporting to management and the *wakif*. Financial reporting is the most common form of accountability (Islamiyah et al., 2020). However, reporting to the general public has not been implemented. The lack of public reporting can undermine public trust in the

Nazir. Fatmawati et al. (2024) argue that accountability in waqf management can increase public confidence. Therefore, management is expected to consider providing reports on the management of productive waqf assets to the general public.

Risk Assessment

Define appropriate objectives

The objective of productive waqf management at Nazir Waqf Mata Air is to provide benefits to various parties, namely, the general public. This objective shows that waqf management focuses not only on spiritual aspects but also on the social and economic benefits of their work. This is in line with the statement made by Mr. A, an employee, who. Said, "*That is why it is a musytarak waqf, because the benefits of this waqf are for the heirs and the general public.*"

This statement shows that the waqf being managed is a musytarak waqf, which aims to benefit both heirs and the general public. Clearly defining objectives will help management formulate effective operational rules and policies. Clear objectives can also support management in evaluating the results and performance of productive waqf asset management.

Identify and analyze risks.

As a drinking water depot business, Nazir Waqf Mata Air continually identifies risks in its operations. There are various risks experienced by Nazir Waqf Mata Air in running this business, namely financial risks, production risks, and adaptation risks to new policies. The following is information provided by one of the informants:

"There are many risks. For example, a financial risk is that salespeople have outstanding accounts receivable, so we continuously try to collect them. The production risk stems from the water source and the environment, so we conduct environmental maintenance. Then there is the risk of adapting to policy changes that affect sales, so we keep reminding them." (Ms. Y, finance)

The financial risk at the Nazir Waqf Mata Air business unit arises from unpaid receivables by salespeople. The measure taken to overcome this problem is to make regular collections from salespeople. Production risks related to water sources are anticipated by protecting the surrounding environment to maintain water quality. Meanwhile, risks associated with the implementation of new policies are mitigated by regularly notifying employees of their

implementation. This shows that Nazir Waqf Mata Air can already analyze risks and formulate preventive measures and solutions. Risks can be prevented by identifying potential threats to the company (Nabilah & Nursaputri, 2024).

Assess fraud risks

Based on the interview results, the risk of fraud is related to outstanding accounts receivable from salespeople, leading to uncollectible accounts receivable. This can occur because the monitoring process has not been running correctly. This statement is in line with what Ms. S, the supervisor, said: "*Most of the time, salespeople who owe money have not paid, so we often write off the debt. As a mitigation measure, we are trying to implement a cash and carry system, where salespeople pay immediately upon delivery.*" Meanwhile, Ms. Y, a member of the Finance department, revealed that "*The solution to the risk of fraud from salespeople with outstanding accounts receivable is to collect the payments.*"

A credit sales system that is not strictly enforced could lead to uncollectible accounts receivable. This has prompted management and supervisors to conduct risk assessments based on experience. Finally, a cash-and-carry system was established, requiring salespeople to pay immediately upon picking up a gallon. This is an effort to reduce the value of uncollectible receivables. Meanwhile, to address overdue receivables, the finance department consistently collects payments from salespeople.

Identify and analyze significant changes.

Based on the interview results, significant changes have occurred in relation to competition and selling prices. These issues can affect business continuity. The action management is taking to address competition and selling prices is to conduct a margin analysis. The results of the margin analysis are used as a basis for decision-making. This is reflected in the following statement from an informant:

"We analyze the margin. For example, if sales consider the current contract manufacturing price too high, we lower it, provided they meet their monthly sales targets. Price is a fairly sensitive variable, so selling price recommendations are necessary, but that does not mean forcing sales to sell at that price." (Mr. D, manager)

Significant changes in the business environment, including selling prices and

competition, will be addressed by evaluating selling prices based on margins. If the analysis results indicate a price reduction is possible, management will consider lowering the selling price to salespeople. However, the reduction in selling prices must be balanced with meeting monthly sales targets set by salespeople. In addition, management also provides salespeople with price-of-sale recommendations. This is done as part of management's efforts to maintain healthy competition with controlled prices. This shows that the Nazir Waqf Mata Air business unit not only focuses on maximizing profits but also considers ethical values and business sustainability.

Control Activities

Selecting and developing control activities

Currently, Nazir Waqf Mata Air is focusing on control activities in financial recording and reporting. Management is conducting simple accounting training to improve the competence of financial employees, as stated by Mr. D, the manager, who said, "*One way to ensure good financial recording is through the accounting training that is currently being conducted. We have now started a simple financial recording process to determine profits and losses.*"

The training has proven to have a positive impact on the financial staff's ability to record business financials. This was revealed by Ms. Y, a finance staff member, who said, "*Previously, it was irregular, but after learning, we started to do routine recording and direct monitoring. We also conduct routine physical checks.*"

Accounting training plays an essential role in strengthening control activities. Such training can improve financial recording and reporting capabilities. It makes financial recording more systematic. In addition, monitoring and physical inspection functions are now being carried out correctly. This will increase accountability and transparency in the management of productive waqf. Fatmawati et al. (2024) revealed that good financial reporting can create accountability and transparency in the management of productive waqf.

Selecting and developing general controls over technology

Administrative and financial activities at Nazir Waqf Mata Air are still partly processed manually. However, some of them already utilize application technology. This statement was made by Ms. Y, a finance employee, who

said, "*For financial records, some are still manual, but we use Excel to compile reports. We also use Word and Canva to compile proposals.*"

Based on interviews and direct observations, it is known that technology at Nazir Waqf Mata Air is still limited to *Microsoft Excel* for compiling simple financial reports and to *Microsoft Word* and *Canva* for activity proposals. Although the use of technology is still restricted to certain activities, this shows that management is aware of the importance of the digitization process. In fact, management wants an integrated information system to support the waqf asset management process. This was revealed by Ms. S, the supervisor, who said, "*We want a comprehensive technology system so that all information can be accessed through one application.*"

Establishing policies and procedures

The implementation of operational activities at Nazir Waqf Mata Air already has SOPs as work guidelines. This is in accordance with the statement made by Ms. Y, a finance employee, who said, "*There are already written SOPs. The SOPs are posted on the wall of the depot and are also communicated verbally.*"

The policies and procedures established through the SOP are communicated to employees by posting it on the depot wall. In addition, direct communication with employees is also carried out. This ensures that information about the SOP can be adequately conveyed to employees. The SOP is communicated so that each employee understands their duties and responsibilities (Andraeny & Nurulitasari, 2018).

Information and Communication

Using relevant information to support internal control

The decision-making process carried out by Nazir Waqf Mata Air is based on critical information obtained from the drinking water depot business unit. The following are the results of an interview with one of the informants:

"We use various information as a basis for decision-making. From the production flow, we observe how the spring water is treated as it moves through the production area, ensuring water quality is maintained. We also analyze market prices and sales demand. We also use requirements from stakeholders, such as the health office, as a basis for decision-making." (Mr. D, manager)

Management makes decisions based on information about production flow, market prices, salespeople's demand, and policies from other stakeholders. This information serves as a guideline for management in formulating operational policies that consider various perspectives. Based on these multiple sources of information, the policies made are more effective and support comprehensive internal control.

Internal communication

Internal communication at Nazir Waqf Mata Air is conducted once a week to report on the progress of the drinking water depot business. This was conveyed by Ms. Y, a finance employee, who said, "*Internally, we have regular weekly meetings, where we discuss the depot's daily sales reports in writing.*"

Internal communication at Nazir Waqf Mata Air takes the form of weekly routine meetings to discuss business developments. In addition, communication with salespeople is conducted through a complaint board to learn about field problems. This is in line with the statement made by Mr. A, an employee, who said, "*We have complaint boards at the depot for salespeople who want to write complaints to employees regarding the production process.*"

Through these boards, management becomes aware of various issues in the field. This information is followed up on and used as input in the business decision-making process. Information from salespeople is essential for maintaining the sustainability of the drinking water depot business. This is because salespeople know the issues in the field.

External communication

Nazir Waqf Mata Air also conducts external communications. The wakif handles communications with external parties to convey information on the development of waqf assets. This is as stated by Mr. A, an employee, who said, "*We communicate with the wakif regarding the development of waqf assets through chat and documentary evidence.*"

External communication with *Wakif* is conveyed through messages accompanied by documentary evidence. This is done to provide *Wakif* with transparency into the management of productive waqf assets. This will increase the trust of the *wakif* in the waqf administrator.

Monitoring

Conduct ongoing evaluations

The continuous evaluation process at Nazir Waqf Mata Air is carried out through weekly

and monthly meetings. These meetings are attended by various parties, as stated by Ms. Y, a finance employee, who said, "*The management holds weekly meetings with management to discuss developments during the week.*" In addition, Mr. A, an employee, said, "*We have monthly meetings with sales to discuss complaints in the field.*"

Management is highly committed to running its business. The evaluation process is carried out continuously through weekly and monthly meetings. The weekly sessions are attended by internal parties to discuss business developments and the obstacles employees encounter. Meanwhile, monthly meetings are held with various parties, particularly salespeople, to address field issues. Continuous evaluation is an essential activity because it enables management to analyze business conditions and determine appropriate, efficient preventive measures and problem-solving strategies.

Communicate findings on identified deficiencies.

Any findings regarding weaknesses or problems that arise will be communicated and resolved jointly during weekly and monthly evaluation meetings. This was revealed by Ms. Y, a finance employee, who said, "*When there is a problem, we immediately communicate it during the evaluation and then resolve it together.*"

Every problem that arises will be communicated through evaluation meetings. During these meetings, an analysis of the causes of the issues will be conducted. Next, a discussion will be held on solutions to the identified problems. This approach shows that the Nazir Waqf Mata Air has an open and collaborative organizational culture in the management of productive waqf.

Challenges in Implementing Internal Control

Limitations in Human Resources (HR)

The obstacles the Nazir Waqf Mata Air faces in implementing internal controls are related to the availability of competent human resources, especially in the finance department. This is indicated by the results of an interview with Ms. Y, a finance employee, who said, "*Yes, there is training, there is accounting training for the finance department and computer training.*"

This shows that financial employees have not fully mastered financial recording and reporting, so they still need specialized training. This condition indicates that there are

still internal control challenges in the control environment component. On the other hand, the current accounting training is part of an effort to improve employee competence in financial recording and reporting. The hope is that after receiving this accounting training, financial employees will become more competent in the financial recording and reporting process.

The use of technology has not been maximized.

Another obstacle in implementing internal controls at Nazir Waqf Mata Air is the suboptimal use of technology. Although some of the activities in the Nazir Waqf Mata Air business unit already use applications, some records are still kept manually. This was conveyed by Ms. Y, a finance employee, who said, *"Some financial records are still kept manually, but the reports are prepared using Excel. We also use Word and Canva to compile proposals."*

This obstacle is related to internal control in the control activity component. The suboptimal use of technology makes it difficult to access information quickly and accurately because the recording is still manual and separate. On the other hand, awareness of the importance of digitization already exists, but it has not been implemented due to limited human resources.

CONCLUSION

The implementation of internal control in Nazir Waqf Mata Air has been running well overall. In terms of the control environment component, Nazir Waqf Mata Air has demonstrated a commitment to integrity and ethical values, supervisory responsibility, commitment to competence, and the division of tasks and responsibilities through an organizational structure, even though this organizational structure is not yet available in physical form as it is currently undergoing renewal. In addition, the principle of accountability has been implemented for internal parties but not yet for external parties.

In terms of risk assessment, Nazir Waqf Mata Air has clearly defined its objectives. In addition, Nazir Waqf Mata Air has properly carried out risk identification and analysis. The analysis includes fraud risk analysis and significant change impact analysis.

In terms of control activities, Nazir Waqf Mata Air has developed various measures, particularly over financial recording and reporting activities. Nazir Waqf Mata Air also has policies and procedures in the form of

SOPs. However, the potential of technology has not been fully realized due to limited human resources.

In terms of information and communication, Nazir Waqf Mata Air has utilized relevant information to support internal control. Policy-making efforts always use a variety of appropriate sources of information. In addition, internal and external communication at Nazir Waqf Mata Air is also running well.

In terms of monitoring, Nazir Waqf Mata Air has implemented this well. This can be seen in the continuous evaluation through regular weekly and monthly meetings. Any findings or shortcomings identified are also resolved immediately during the evaluation meeting.

The implementation of internal controls at Nazir Waqf Mata Air still faces various obstacles, including limited human resources and suboptimal technology use. Management has taken steps to overcome these problems, such as conducting accounting training to improve human resource competencies and gradually utilizing technology.

Nazir Waqf Mata Air is advised to strengthen internal controls by enhancing human resource competencies and leveraging technology to develop an integrated digital financial information system. In addition, Nazir Waqf Mata Air is expected to apply the principle of accountability to external parties by submitting waqf asset management reports to the general public. Meanwhile, the Indonesian Waqf Board (BWI) and other government agencies can provide assistance, training, and supervision related to the management of productive waqf assets to ensure their effective implementation.

This study is expected to provide insights into the effectiveness of internal control in waqf management institutions. In addition, this study can provide guidelines for Nazir to implement a COSO-based internal control system effectively. With a good understanding of internal control, the potential for productive waqf management can be increased.

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