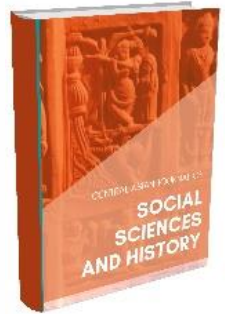




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Analysis of Internal Control System and Standard Operating Procedures Upn Yogyakarta Cooperatives to Support Good Corporate Governance

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Abstract:

The increasingly tight competition between cooperatives and other financial institutions forces UPN Yogyakarta cooperatives to implement proper governance to provide good services in order to increase member trust. The concept of GCG is not only limited to being implemented in large companies, but can also be implemented in SMEs or cooperatives. The implementation of good governance in cooperatives is the hot issue and is intensively socialized by the State Ministry of Cooperatives and SMEs. The challenges of managing cooperatives are increasingly complex in the era of globalization. Performance measurement using GCG principles supports efficient and effective cooperative governance so as to further improve cooperative performance and cooperative services to its members.

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1. INTRODUCTION

Cooperatives actually have various advantages in the form of comparative advantages in competition compared to other business entities in Indonesia. The comparative advantage possessed by cooperatives is built from the number of members that can be used as market share, apart from that there are programs for providing low-cost credit facilities offered by the government, access to education and training in the field of cooperatives and many other programs that provide many

benefits for cooperatives. The characteristics of the social function inherent in cooperatives that are not solely concerned with profit orientation place cooperatives as the pillars of the Indonesian economy. As a business entity design that is most in line with the Pancasila economic system, it is unfortunate that cooperatives have not been able to become the main actors in the Indonesian economy. Its position is still inferior to that of an individual/private-owned company or a state-owned company.

The good ideas attached to the cooperative as an ideal business entity design in Indonesia have not been able to place it as the main business structure in Indonesia. This is due to three things, the first is the weak management and governance of cooperatives, especially in terms of the internal control system. The second thing is that there has not been a sense of belonging among the members of the cooperative, so it is not uncommon for members to choose services or products provided by institutions other than cooperatives. The third reason is that cooperatives have not been able to transform their comparative advantage into a competitive advantage because of the weak entrepreneurial spirit of the management, so that cooperatives that are supposed to provide goods and services at lower prices often sell their products at higher prices.

One thing that is absolutely necessary and is one of the requirements of a quality cooperative is the implementation of Good Corporate Governance (GCG). GCG is a mechanism that regulates the relationship between managers, creditors, government, employees and other internal and external stakeholders related to their rights and obligations or in other words a system that controls the company. The purpose of governance or corporate governance is to create added value for all interested parties (stakeholders). GCG principles include transparency, independence, accountability, responsibility and fairness. These principles in the organization of cooperatives should indeed be implemented in their entirety, because if these principles are implemented properly then the results of the auditor's examination of the performance of cooperative organizations will be both in terms of financial and health levels.

UPN Yogyakarta Cooperative is one of the best cooperatives in Yogyakarta. The vision of the UPN Cooperative is the realization of the UPN Cooperative as a part that can provide optimal benefits and can improve the welfare of its members. The development of UPN Cooperatives has increased quite rapidly. During the current pandemic, the UPN Cooperative is still able to survive in the midst of not-so-good economic conditions. This study aims to evaluate the performance of UPN Cooperatives based on GCG principles. It is hoped that by assessing the performance of the GCG principles, the management of UPN Cooperatives can be carried out efficiently and effectively so as not to cause harm to stakeholders. The implementation of GCG in UPN Cooperatives can further improve the performance of cooperatives and cooperative services to their members.

2. LITERATURE REVIEW

2.1. STANDARD OPERATING PROCEDURES

Cooperative is a business entity consisting of people or cooperative legal entities based on their activities based on cooperative principles as well as a people's economic movement based on the principle of kinship. Cooperatives are required to continue to develop and improve their business performance in global competition in order to run effectively, efficiently and productively. The performance of a business will be judged by its ability to manage and allocate resources in order to earn a profit. One way and effort to improve performance is to create and implement standard

operating procedures (SOP) in each work unit in order to achieve the maximum level of effectiveness and efficiency.

Standard operating procedures (SOP) are steps that must be followed as a work reference in carrying out activities guided by the objectives in order to realize the vision and mission of the organization. According to Tambunan, 2013 SOP are basically guidelines that contain standard operating procedures that exist within an organization that are used to ensure that all decisions and actions, as well as the use of facilities carried out by people within the organization run effectively and efficiently, consistently, standard and systematic. SOP is a document that contains work procedures systematically that must be carried out in completing certain jobs. This procedure must be strictly adhered to in order to obtain maximum results with the most effective work possible. SOP is useful so that no one works outside the system. SOP are used as benchmarks or guidelines for working in accordance with work procedures, procedures and work systems in a company or organization. SOPs have stages or procedures that are standard in nature and must be passed to complete a certain work process. SOP is a system that provides work references when, where, by whom, and how to carry out activities, especially those that are routine and habitual. The activities made by SOPs are routine and repetitive activities so that they become habituation and role models.

According to Fatimah (2015) the main purpose of the preparation of standard operating procedures (SOP) is basically to provide work guidelines or guidelines so that company activities are controlled so that the targets achieved can be realized optimally. Other objectives can be mentioned as follows:

1. Maintain the work consistency of every officer, employee, team and all work units.
2. Clarify the flow of tasks, powers, and responsibilities of each work unit.
3. Simplify the process of assigning tasks and responsibilities to employees who run them.
4. Simplify the process of monitoring and control functions of each work process.
5. Simplify the staff understanding process systematically and thoroughly.
6. Facilitate in knowing the occurrence of failures, inefficiency of the work procedure process, and the possibility of abuse of employee authority.
7. Avoid work process errors.
8. Avoid mistakes, doubts, duplication and inefficiencies.
9. Protect the organization or work unit from various forms of administrative errors.
10. Provide information about the documents needed in the work process.
11. Save time on training programs because SOPs are arranged systematically.

Standard operating procedures (SOP) that are practiced correctly will provide benefits for the organization or company. The benefits of SOPs include:

1. Minimizing mistakes in doing work.
2. As an instrument that can protect employees from possible lawsuits due to allegations of irregularities.
3. Avoid overlapping tasks.
4. Provide information about the workload carried out by an employee in carrying out his duties.

5. Improving the efficiency and effectiveness of the implementation of individual duties and responsibilities of employees and the organization as a whole.
6. Ensure consistency of service to consumers, both in terms of quality, time and procedures.
7. Provide information as an effort to improve employee competence.
8. Provide information regarding competency qualifications that must be mastered by employees in carrying out their duties.
9. Help provide information needed in the preparation of service standards as well as provide information for service performance

In carrying out the company's operations, the role of employees has a very significant position and function. Therefore, SOPs are needed as a work reference in earnest to become professional, reliable human resources so that they can realize the company's vision and mission.

2.2.GOOD CORPORATE GOVERNANCE

Good Corporate Governance (GCG) can be explained in a narrow perspective or a broader perspective.

In a narrow perspective, it refers to the basic agency theory, namely GCG is the relationship between management and company owners. GCG functions as supervision and control that ensures that management manages the company in accordance with the goals and interests of the company owner in the long term (Parkinson, 1994). GCG in a broader perspective is not only explained through the relationship between management and company owners but can be seen as a relationship between company management and other parties with an interest in the company, such as employees, customers, suppliers, shareholders (Feizizadeh, 2012). The role of GCG has become wider, namely as a function of supervision and control in management in order to gain legitimacy by fulfilling accountability and regulations on the interests of parties outside the company (Tricker, 1984).

GCG is a structure, process, culture and system to produce success in an organization (Keasey and Wright, 1993). GCG is a system of rules that regulate the relationship between company owners, management, creditors, government, employees and other internal and external stakeholders as a system that regulates and controls the company with the aim of creating added value for company stakeholders (FCGI, 2006).

The basic principles of GCG described in the OECD (2004) and KNKG (2006) are that companies must ensure that the principles of Good Corporate Governance are carried out in every aspect of business at all levels of the company, including transparency, accountability, responsibility, independence and fairness. On the principle of transparency (openness of information) the company must provide material and relevant information in a way that is easily accessible and understood by stakeholders. decisions by shareholders, creditors and other stakeholders. On the principle of accountability, the company must be able to account for its performance in a transparent and fair manner. For this reason, the company must be managed properly, measurably and in accordance with the interests of the company while taking into account the interests of shareholders and other stakeholders. Accountability is a necessary requirement to achieve sustainable performance.

The principle of responsibility (responsibility) is compliance in the management of the company to the principles of a healthy corporation and the applicable laws and regulations. The regulations that apply

here include those relating to tax matters, industrial relations, environmental protection, occupational health/safety, salary standards and fair competition. On the principle of independence, the company must be managed independently so that each organ of the company does not dominate each other and cannot be intervened by other parties. The principle of fairness (fairness) of the company must always pay attention to the interests of shareholders, other stakeholders and all people involved in it based on the principles of equality and fairness.

Although in principle and practice good corporate governance in cooperatives has many similarities with corporate governance, there are several things that distinguish it from the governance of other business entities. According to the Bhutan agricultural cooperative governance guidelines issued by the Royal Government of Butan (2011), the uniqueness of cooperative governance includes:

1. Its activities are based on internationally recognized principles and values (fundamentals and ethics). These principles and values become the reference for the implementation of cooperative activities to achieve the economic, social and cultural needs of its members through joint efforts.
2. Cooperatives are business entities as well as individual associations. For this reason, cooperatives must be able to maintain a balance between commercial business practices and the relationships between individuals within them.
3. Cooperatives are owned and controlled by members who benefit from the products and services they produce. In other words, cooperatives are different from other business entities because they are user-owned, user-controlled and user-benefited.
4. Cooperatives are democratic organizations controlled by their members. They choose a board that comes from members to be members' representatives in managing cooperative activities.
5. Management is directly responsible to its members and implements decisions and policies that have been approved by members. Management provides information on a regular basis regarding financial performance and the process of implementing decisions, planned activities and others.
6. Members have the same voting rights regardless of the size of the savings they give to the cooperative (one man one vote).
7. The main purpose of cooperatives is to meet the needs of members and ensure member satisfaction, not just to generate profits.
8. The cooperative principles also emphasize the importance of caring for the community so that cooperatives must develop and implement policies and strategies to realize sustainable development in their community.

Cooperative supervisors not only act as a watch dog of management overseeing strategic decisions in order to maximize profits but also have to effectively pay attention to the needs of their members, identify, record and represent the needs and desires of members and report them to members in order to ensure democratic values in cooperatives. Earn and Young, 2012). Regulation of the Minister of Cooperatives and Small and Medium Enterprises Number 20/Per/M.KUKM/IX/2015 in article 9 (paragraphs 1 – 3) concerning indicators for measuring the implementation of good corporate governance in cooperatives in the aspect of accountability using 3 indicators, namely organizational and management accountability, business accountability and services to members as well as financial accountability.

3. RESEARCH METHODOLOGY

Based on the problems faced by the Yogyakarta UPN Cooperative, an appropriate approach method is needed so that the objectives are achieved. Based on the initial identification, the most optimal alternative is socialization followed by assistance to the management and employees of the Yogyakarta UPN Cooperative. Based on the explanation above, the method used is the Participatory Rural Appraisal (PRA) approach, meaning that this approach conducts a participatory field assessment. Cooperative management is actively involved in analyzing problems so that they can get the best solutions and can be implemented immediately. The process of applying the PRA method includes 3 stages:

1. Analysis stage

At the analysis stage includes setting goals and environmental analysis activities.

2. Implementation stage

The implementation phase includes the evaluation of control systems and the design of standard operating procedures (SOP).

3. Evaluation stage

The last stage is the evaluation stage to see the assessment of the performance of cooperatives using the principles of Good Corporate Governance (GCG) to improve the performance of cooperatives that are more effective and efficient so as to increase member satisfaction with cooperative services.

4. RESULTS AND DISCUSSION

4.1. ENVIRONMENTAL AND ORGANIZATIONAL ANALYSIS

The Yogyakarta UPN Cooperative was originally a National Development Academic Employee Cooperative Association (PKPAPN) which was founded on February 29, 1960 on Jl. Ketandan Timur 22 Yogyakarta. On November 17, 1962, the Deed of Establishment Number 479/BH/XI dated March 6, 1963. Through the members' meeting in February 1989 there was a change of name to Cooperative for Employees of UPN "Veteran" Yogyakarta with deed Number 479a/BH/XI dated June 17, 1989. Until now, its name has changed to Cooperative UPN Yogyakarta because its members are not only employees of UPN Yogyakarta but also people outside of UPN Yogyakarta.

The vision of the Yogyakarta UPN Cooperative is the realization of the Yogyakarta UPN Cooperative as a part that can provide optimal benefits and can improve the welfare of members. The mission of the Yogyakarta UPN Cooperative is formulated as follows:

1. Understanding and satisfying members
2. As the first choice in partners
3. Increase the motivation of members to always try to develop it

4.2. EVALUATION AND DEVELOPMENT OF COOPERATIVES CONTROL SYSTEM AND SOP

The business run by the Yogyakarta UPN Cooperative consists of a savings and loan unit, a commercial unit and a service unit. To run the three business units, cooperatives need a system to

ensure all activities run efficiently and effectively in accordance with the cooperative's vision and mission. The organizational structure established by the cooperative strengthens control over all business activities carried out. There is a board who is given responsibility for the operational implementation of the cooperative and a supervisor who oversees the duties of the board. The results of the management's accountability each year will be submitted to all members through the mechanism of the Annual Members' Meeting (RAT).

The purpose of internal control in the Cooperative UPN Yogyakarta is to provide reasonable assurance that assets are protected and used for business purposes; provide reliable business information; and employee compliance in implementing applicable laws and regulations. Based on these objectives, internal control is grouped into two:

1. Internal accounting controls are controls that exist in cooperatives by separating the functions of operations, storage and recording as well as physical control of assets.
2. Administrative internal control is the control that exists in the cooperative by increasing business efficiency and encouraging compliance with leadership policies.

To support the implementation of administrative control in cooperatives, it is necessary to support the creation of standard operating procedures (SOPs). The Yogyakarta UPN Cooperative has not yet fully developed SOPs for its business activities. Based on discussions with the cooperative management, the required SOPs for cooperatives can be identified as follows:

1. SOP for savings and loan units and services
2. SOP for trading units
3. SOP for administration

The preparation of cooperative SOPs will be collected in the form of a procedure manual that can be used by cooperatives as SOP documents.

4.3.COOPERATIVE PERFORMANCE EVALUATION BASED ON GOOD CORPORATE GOVERNANCE (GCG)

The measurement of the performance of the Yogyakarta UPN Cooperative is carried out with the principles of good corporate governance (GCG). Performance measurement indicators based on GCG principles in cooperatives can be identified in the table below:

Table 1. Indicators of GCG Measurement in Cooperatives

No	Indicators	Apply well & completely	Less applying well & completely	Not applying well & completely
Organizational and Management Accountability (10 indicators)				
1	Availability of vision and mission formulation	√		
2	Completeness of legality and licensing of cooperatives activities	√		
3	Carry out RAT activities in accordance with statutory	√		

	regulations			
4	Completeness of special regulations that need to be in cooperatives		√	
5	Orderliness of the organization	√		
6	There is a commitment to carry out cooperative accountability	√		
7	Implementing cooperative HR development	√		
8	Member participation in capital contributions in the form of principal savings and mandatory savings	√		
9	Member education			√
10	Increased number of active members		√	
Business Accountability and Member Services (13 indicators)				
1	Planning, coordinating and controlling services			√
2	Accountability and documentation of service activity reports			√
3	Availability of service facilities and infrastructure		√	
4	Performance of service effectiveness to members			√
5	Performance planning, coordination and business control with non-members			√
6	Accountability and documentation of business activity reports		√	
7	Availability of facilities and infrastructure for business activities with non-members		√	
8	Business effectiveness performance with non-members			√
9	Performance of member participation in assuming service and business risks			√

10	The level of participation of members as users based on the number of members who take advantage of cooperative services	√		
11	Member participation rate as user based on gross participation growth		√	
12	Performance of work area development assistance			√
13	Reporting accountability at the responsible level to his superiors in stages in the cooperative organizational structure	√		
Financial Accountability (11 indicators)				
1	Availability of information systems	√		
2	Transparency of accounting system management	√		
3	Performance monitoring by the supervisory board	√		
4	Execution by external audit	√		
5	Completeness and documentation of the process of preparing financial statements		√	
6	Internal control system performance	√		
7	Ability to meet short-term obligations with current assets (liquidity)	√		
8	Ability to fulfill all obligations with total assets (solvability)	√		
9	Ability to leverage assets	√		
10	Ability to utilize working capital	√		
11	Ability to generate SHU (profitability)	√		

In the aspect of organizational and management accountability, all indicators have been implemented properly and completely by the Yogyakarta UPN Cooperative. The indicators of education for cooperative members have not been implemented properly and completely, while the indicators for the completeness of special regulations and an increase in the number of active members of cooperatives

have not been implemented properly and completely. In the aspect of business and service accountability, most of the indicators of cooperatives do not apply properly and completely. In this aspect, only 3 indicators have been implemented properly and completely, namely the level of member participation based on the number of members and tiered accountability based on the organizational structure of the cooperative. In the aspect of financial accountability, cooperatives have properly and completely implemented all the indicators.

CONCLUSION AND FURTHER RESEARCH

The implementation of Good Corporate Governance (GCG) at the Yogyakarta UPN Cooperative in general can be stated to be running quite well. Of the three aspects of GCG implementation, the best implementation is the aspect of financial accountability and the aspect of organizational and management accountability. One aspect that is not well implemented in the Yogyakarta UPN Cooperative is the aspect of business accountability and member services. Cooperatives of UPN Yogyakarta need to improve aspects of business accountability and member services, among others, cooperatives need to develop planning, control and accountability for the implementation of member services and business activities carried out by cooperatives periodically.

Preparation of Standard Operating Procedures (SOP) for Cooperatives UPN Yogyakarta is needed to support the implementation of administrative controls for all activities carried out in cooperatives. Administrative control is a form of control to improve business efficiency and encourage compliance with leadership policies.

Further research can examine the implementation of Good Corporate Governance (GCG) in several cooperatives in Indonesia. It can also be investigated the differences in the implementation of GCG for several types of cooperatives.

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