

Evaluating the Implementation of COSO-Based Internal Control in Operating Cost Control: A Case Study at PT Barru Barakah Properti

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Abstract: This study aims to evaluate the implementation of COSO-based internal control in supporting operating cost control at PT Barru Barakah Properti. This research employs a descriptive qualitative case study approach. Data were collected through semi-structured interviews, documentation, and observation involving internal parties from the finance, accounting, administration, and operational departments. Data validity was strengthened through source and technique triangulation by comparing interview findings with company documents and field observations. The analysis was conducted based on the five components of the COSO Framework, namely control environment, risk assessment, control activities, information and communication, and monitoring. The findings show that the company has implemented control environment, control activities, and information and communication components through organizational structure, authorization procedures, supporting documents, and routine reporting mechanisms. However, risk assessment and monitoring have not been formally and systematically implemented, as risk identification, evaluation, and follow-up mechanisms remain informal and are not supported by written procedures or evaluation reports. These findings indicate that the company's internal control system is still operationally oriented and has not fully functioned as an integrated control mechanism. This study contributes to the practical evaluation of COSO-based internal control in operating cost control, particularly in a property service company context.

Keywords: COSO, Internal Control, Operational Cost Control

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1. INTRODUCTION

Operational cost control is a critical aspect of maintaining efficiency and the sustainability of a company's performance. Poorly managed operational costs can lead to waste, reduced profits, and hinder the achievement of corporate objectives. Therefore, companies require an effective internal control system to ensure that all operational activities align with established policies and plans.

One widely used internal control framework is the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework. The COSO Framework emphasizes five key components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. This framework is designed to help organizations manage risks, enhance the reliability of reporting, and ensure compliance with applicable policies and regulations (COSO, 2013).

Several previous studies indicate that the implementation of the COSO Framework has not yet been fully optimized across various organizations. Caesar & Sulistyowati (2023) found that the internal control system within the raw material procurement cycle remains inadequate compared to COSO standards. Meanwhile, Ratiani & Masdiantini (2022) noted that most COSO components have been implemented effectively, particularly regarding information and communication, although inconsistencies remain in other components. Research by Zahara et al. (2024) also revealed that the primary weakness in COSO implementation lies in risk assessment and monitoring, which have not been formally documented.

Given these circumstances, this study focuses on the implementation of a COSO-based internal control system to support operational cost management at PT Barru Barakah Properti, a company operating in the real estate sector that requires effective operational cost management to support business sustainability. Previous studies on COSO implementation have generally focused on cash expenditure systems, inventory control, fraud prevention, and manufacturing or financial sector companies. However, studies specifically examining the implementation of COSO-based internal control in operational cost control within medium-sized real estate companies remain limited.

In addition, prior studies tend to emphasize descriptive findings regarding the implementation of COSO components without providing deeper explanations concerning the operational implications of weaknesses in risk assessment and monitoring activities. Therefore, this study contributes by evaluating the implementation of COSO-based internal control from the perspective of operational cost control within the property sector through a qualitative case study approach.

This study aims to evaluate, through a qualitative case study approach, the extent to which the COSO Framework has been implemented in operational cost control at PT Barru Barakah Properti and to identify internal control components that require further strengthening, particularly in risk assessment and monitoring activities. The findings of this study are expected to provide practical contributions for improving operational cost control effectiveness and academic contributions for future studies related to COSO-based internal control implementation.

2. LITERATURE REVIEW

Internal Control System

Stakeholder theory views a company as an entity obligated to account for its activities not only to shareholders but also to all parties with an interest in the company's operations (Syahrudin et al., 2025). Freeman & McVea (2001) define a stakeholder as "any group or individual who can affect or is affected by the achievement of the organization's objectives." In the context of sustainability reports, the disclosure of non-financial information is a form of corporate accountability to social expectations. Sentanu & Tirani (2024) emphasize that stakeholder engagement in the company's decision-making process is a critical element in fostering organizational sustainability.

Operational Cost Control

Operational cost control plays a strategic role in enhancing a company's profitability and efficiency. Rachmawati (2016) explains that the primary objectives of cost control are to maintain expenditure efficiency, optimize resource utilization, and prevent waste and fraud. Additionally, Hansen & Mowen (2007) note that cost control encompasses three main aspects: cost planning, implementation and monitoring, and evaluation and corrective actions. In the context of service companies, operational cost control is becoming increasingly important because it is directly related to the company's operational sustainability and competitiveness. Therefore, an internal control system capable of supporting effective cost management is required.

3. RESEARCH METHOD

This study employed a descriptive qualitative approach using a case study method to analyze the implementation of a COSO-based internal control system in operational cost control at PT Barru Barakah Properti. This approach was selected to obtain an in-depth understanding of the implementation of COSO-based internal control practices in supporting operational cost management within the company.

The informants involved in this study consisted of internal parties directly related to operational cost management and internal control implementation, including the Head of Finance & Accounting Department, Accounting staff, Finance & Administration staff, and the Head of Operational Department. Data used in this study consisted of primary and secondary data. Primary data were obtained through semi-structured interviews with internal company parties, while secondary data were obtained through documentation such as financial reports, operational procedures, and other supporting company documents related to operational cost control.

Data collection techniques included interviews, documentation, and direct observation. Interviews were conducted to obtain information regarding the implementation of internal control practices within the company. Documentation and observation were used to support and verify interview findings regarding operational cost control activities and internal control procedures. To ensure data validity, this study applied source triangulation by comparing interview findings, company documentation, and relevant theoretical references and prior studies.

The analysis in this study referred to the COSO Framework (2013), which consists of five main components: control environment, risk assessment, control activities, information and communication, and monitoring. The indicators used in this study were adjusted to the operational characteristics of the company and served as analytical references in evaluating the implementation of internal control practices. This study focused on key operational indicators considered most relevant to operational cost control within the company.

Data analysis was conducted descriptively using the interactive analysis model proposed by Miles et al. (2020), which includes data collection, data reduction, data display, and conclusion drawing. Data reduction was carried out by selecting and focusing information relevant to the five COSO components and operational cost control practices. The reduced data were then presented descriptively to facilitate interpretation and conclusion drawing regarding the implementation of internal control within the company.

To support descriptive interpretation, the implementation of each indicator was identified based on interview findings, documentation, and observation results. An implemented/not implemented categorization was used only as a supporting analytical tool to describe the extent of COSO component implementation within the company, rather than as a primary quantitative measurement.

4. RESULTS AND DISCUSSION

Results

Control Environment

Integrity and Ethical Values

Interview findings indicated that PT Barru Barakah Properti has implemented integrity and ethical values within its operational activities. Management emphasized transparency in transaction recording, careful approval procedures, and open communication among departments. Employees were also required to follow financial SOPs, comply with operational procedures, and ensure that every expenditure was supported by valid documentation.

Observation findings showed that the company had established financial SOPs used as formal operational guidelines in controlling operational costs. Employees also demonstrated awareness regarding the importance of compliance with company procedures and accountability in carrying out operational activities.

Organizational Structure Supporting Internal Control

The findings revealed that the company had established an organizational structure with clear divisions of authority and responsibilities. Each department was assigned different operational functions related to authorization, administration, accounting, and operational activities. Informants stated that the existing organizational structure helped maintain operational cost control by ensuring that expenditure activities followed established responsibilities and approval mechanisms.

However, interview results also indicated that several operational activities were still handled by a limited number of employees, resulting in overlapping responsibilities in certain administrative and accounting processes. Observation findings confirmed that the organizational structure document was formally available within the company, although operational implementation still depended heavily on direct managerial supervision.

Accountability in Internal Control

Interview findings showed that accountability mechanisms were implemented through transaction approval procedures, routine coordination meetings, and verification of supporting documents before operational expenditures were processed. Informants explained that supervisors and department heads were directly involved in reviewing and approving operational expenses to ensure compliance with company procedures.

Observation findings also indicated that operational expenditure documents contained managerial authorization signatures as evidence of supervisory involvement in operational cost control activities. However, documentation review revealed that monitoring and accountability activities had not yet been fully supported by formal evaluation reports or structured supervisory documentation.

Risk Assessment

Risk Identification

Interview findings revealed that risk identification activities within PT Barru Barakah Properti were carried out by each department according to their respective operational responsibilities. The Finance & Accounting Department identified operational risks mainly related to inappropriate resource usage, delays in reporting, and weak field supervision. Meanwhile, the Finance & Administration Department conducted document rechecking and verified approval completeness before disbursement processes were carried out. Similar practices were also identified in the Accounting and Operational Departments through periodic report reviews and daily field monitoring activities.

Documentation review indicated that operational reports and field activity reports were available and routinely prepared by the company. However, observation findings showed that the company had not yet established formal risk identification documents, standardized risk mapping procedures, or written risk registers specifically related to operational cost control activities.

Risk Analysis Related to Organizational Objectives

The findings also showed that risk analysis activities within the company were still conducted through operational practices such as expenditure limitation, budget comparison, document evaluation, and simple internal supervision. Interview results revealed that each department attempted to control operational risks through direct coordination, periodic reporting, and managerial instructions to prevent unnecessary expenditures.

However, documentation and observation findings indicated that the company had not yet implemented formal risk analysis procedures supported by standardized evaluation reports or structured mitigation mechanisms. Risk analysis activities were still highly dependent on direct supervision from management and verbal coordination between departments. In addition, no formal documents regarding risk impact assessment or written mitigation strategies were identified during the research process.

Control Activities

Transaction Control Policies and Procedures

Interview findings indicated that operational expenditure activities within the company had been supported by authorization and transaction verification procedures. Informants explained that operational expenditures required approval

from at least two managerial levels before disbursement could be processed. Supporting documents such as invoices, receipts, and official requests were also reviewed prior to transaction recording.

Observation findings confirmed that operational expenditure documents were available and used as supporting evidence for transaction processing activities. However, several operational expenditures were still documented after transactions had already occurred, particularly for operational consumption expenses, indicating that certain administrative procedures had not yet been fully implemented consistently.

Segregation of Duties

The findings showed that segregation of duties had generally been implemented within the company through the separation of authorization, administration, recording, and operational responsibilities. Authorization activities were conducted by supervisors and department heads, while administrative staff handled document processing and accounting staff managed recording and reconciliation activities.

Observation findings also indicated that transaction documentation and operational records were handled by different parties according to their respective responsibilities. Nevertheless, interview results revealed that some operational functions still overlapped due to the limited number of employees involved in financial and administrative activities.

Information and Communication

Timely and Accurate Information Delivery

Interview findings revealed that operational cost information was delivered through weekly and monthly reports prepared using standardized reporting formats. Informants explained that operational and financial reports were submitted according to predetermined deadlines to support management decision-making processes related to operational expenditures.

Documentation review confirmed the availability of routine operational activity reports and operational cost recapitulation reports used in preparing financial reports. Observation findings also showed that reporting activities were conducted consistently and served as the primary source of operational cost information within the company.

Communication Across Organizational Levels

The findings indicated that communication among departments was conducted through coordination meetings, routine reporting activities, direct supervision, and written communication media such as memos and emails. Informants explained that operational policies and expenditure-related information were generally communicated during weekly and monthly meetings involving operational and financial departments.

Observation findings also showed that operational coordination activities were routinely conducted to ensure that expenditure realization remained aligned with operational plans and budget limitations. Reports regarding budget realization were regularly communicated to management as part of the operational control process.

Monitoring

Periodic Monitoring and Evaluation of Internal Control Effectiveness

Interview findings revealed that monitoring activities within the company were still conducted informally through direct supervision, routine meetings, and general evaluations of operational activities. Several informants stated that operational reviews had not yet been carried out systematically and detailed evaluations regarding operational expenditures were still limited.

Observation findings showed that operational monitoring activities were mainly performed directly by supervisors through routine operational coordination. Documentation review also indicated the absence of formal operational cost evaluation reports or structured monitoring documents specifically used to assess the effectiveness of internal control implementation.

Follow-Up on Internal Control Findings

The findings showed that follow-up actions regarding operational control findings were generally conducted through verbal instructions, simple corrections, and coordination meetings among departments. Informants explained that operational problems and expenditure discrepancies were usually discussed directly during meetings or through managerial instructions.

However, documentation and observation findings indicated that the company had not yet established formal procedures for handling operational control findings, including documented corrective action reports or structured evaluation mechanisms. Follow-up activities therefore remained operationally informal and highly dependent on direct managerial supervision.

Discussion

Control Environment

The findings indicate that PT Barru Barakah Properti has established a supportive control environment through the implementation of financial SOPs, authorization procedures, and direct managerial supervision. Management involvement and employee compliance with operational procedures contribute to maintaining accountability and operational cost control. However, several activities still rely heavily on direct supervision and informal coordination due to limited human resources.

According to the COSO Framework (2013), the control environment forms the foundation of effective internal control because it influences organizational discipline and accountability. These findings are consistent with Zahara et al. (2024), who found that management commitment and ethical values significantly support internal control effectiveness.

Risk Assessment

The findings show that risk assessment activities within the company have not yet been implemented formally and systematically. Although operational supervision is conducted through document checking, budget comparison, and field monitoring, the company has not established formal risk identification documents, risk mapping procedures, or standardized mitigation mechanisms.

This condition indicates that operational risk management remains reactive and highly dependent on managerial instructions. According to the COSO Framework (2013), risk assessment is essential for identifying and mitigating operational risks that may hinder organizational objectives. These findings are

consistent with Zahara et al. (2024), who also identified weaknesses in undocumented risk assessment and monitoring activities.

Control Activities

The findings indicate that the company has implemented control activities through authorization procedures, supporting document verification, and segregation of duties in operational expenditure activities. However, several administrative procedures are still carried out after transactions occur, and overlapping responsibilities remain due to limited staffing conditions.

The COSO Framework (2013) emphasizes that control activities are necessary to ensure operational procedures function effectively in reducing organizational risks. These findings support Caesar & Sulistyowati (2023), who found that operational control activities often experience procedural inconsistencies despite the existence of formal authorization systems.

Information and Communication

The findings show that operational information and communication activities have generally been implemented effectively through weekly and monthly reporting systems, coordination meetings, and routine communication among departments. These practices support operational cost monitoring and managerial decision-making processes.

According to the COSO Framework (2013), relevant and timely information is essential in supporting effective internal control implementation. These findings are consistent with Ratiani & Masdiantini (2022), who found that information and communication were among the strongest components of COSO implementation.

Monitoring

The findings indicate that monitoring activities within the company remain weak and are still conducted informally through direct supervision, meetings, and verbal coordination. The company has not yet established formal monitoring reports or structured follow-up procedures related to operational cost control activities. This condition suggests that monitoring activities remain reactive rather than preventive, potentially reducing the effectiveness of operational cost control. According to the COSO Framework (2013), monitoring is necessary to ensure that internal control practices continue functioning effectively over time. These findings are also consistent with Zahara et al. (2024), who identified monitoring as one of the weakest components in COSO implementation.

5. CONCLUSION

This study concludes that the implementation of the COSO-based internal control system at PT Barru Barakah Properti has generally supported operational cost control activities, particularly in the components of control environment, control activities, and information and communication. The company has implemented operational procedures, authorization mechanisms, reporting systems, and coordination practices that contribute to operational accountability and expenditure control.

However, the components of risk assessment and monitoring have not yet been implemented systematically and formally. The absence of documented risk identification procedures, structured risk analysis, formal monitoring reports, and

standardized follow-up mechanisms indicates that internal control practices remain operationally reactive and highly dependent on direct managerial supervision.

These findings indicate that although operational control practices have been implemented, the company's internal control system has not yet fully functioned as an integrated COSO-based control mechanism. Therefore, the company is expected to strengthen risk assessment and monitoring activities by establishing formal risk documentation, structured evaluation procedures, and periodic monitoring mechanisms to improve the effectiveness and sustainability of operational cost control.

This study is limited to a qualitative case study conducted within a single property company. Therefore, future studies are expected to involve broader organizational contexts and more comprehensive analytical approaches in evaluating COSO-based internal control implementation.

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