Tauhid and Taqwa: The Soul in the COSO-ERM Framework
-An Imaginary Research Dialogue-

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Abstract; *This research is an imaginary dialogue between two internal auditors of a state university. They are called as a senior religious auditor and a junior auditor. The imaginary conversation used spirituality to avoid misunderstanding and heartache of each other. Both of them discuss current issues in regard to internal control as a soul and foundation to achieve the organization's objectives. This research is to discuss the concept of internal control built by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), whether it is enough to be the guardian system, or is there missing elements that should be discovered? They will use the COSO-ERM (Entreprises Risk Management) as the modification of COSO, as the internal control world considers risk management is the key to prevent an organization from failure nowadays. Finally, this research offers a deconstruction of the COSO-ERM framework to become The Tauhid & Taqwa-COSO-ERM Framework with Tauhid and Taqwa as the most foundation of all things in the framework, especially for the Human as the operator in all level.*

Abstrak; Penelitian ini merupakan dialog imajiner antara dua auditor internal sebuah perguruan tinggi negeri. Mereka disebut sebagai auditor relijius senior dan auditor relijius junior. Percakapan imajiner menggunakan spiritualitas untuk menghindari kesalahpahaman dan sakit hati satu sama lain. Keduanya membahas permasalahan terkini terkait pengendalian internal sebagai jiwa dan landasan untuk mencapai tujuan organisasi. Penelitian ini membahas tentang konsep pengendalian internal yang dibangun oleh Committee of Sponsoring Organizations of the Treadway Commission (COSO), apakah cukup menjadi guardian system, atau ada elemen yang hilang yang harus ditemukan? Mereka akan menggunakan COSO-ERM (Entreprises Risk Management) sebagai modifikasi dari COSO, karena dunia pengendalian internal menganggap manajemen risiko adalah kunci untuk mencegah suatu organisasi dari kegagalan saat ini. Terakhir, penelitian ini menawarkan dekonstruksi framework COSO-ERM menjadi The Tauhid & Taqwa-COSO-ERM Framework dengan Tauhid dan Taqwa sebagai fondasi paling dasar dari semua hal dalam framework, terutama bagi Manusia sebagai operator di semua level.

INTRODUCTION

Internationally, the concept of internal control is known since 1985 when COSO was founded by five professional organizations which are: American Institue of Certified (AICPA), American Accounting Association (AAA), Financial Executive Institute (FEI), The Institute of Internal Auditors (IIA), and The Institute of Management Accountants (IMA) and its framework become the soul stone of every internal control's implementation of many organizations or institutions in the world. The internal control set by COSO is the COSO framework and is now transformed into COSO-ERM. What is internal control? Why is it so important? The dialogue will lead to the thought that the framework of COSO-ERM is not enough in order to accomplish its duty for the internal control system in organizations and institutions. We will offer Tauhidi and Taqwa as the basic foundation element in COSO-ERM for any kind of internal control systems in any kind of organizations and institutions.

A young male junior auditor (JA) has just joined the internal control unit (SPI) of a state University. He has experience in the audit field but mostly acts as an external auditor because he worked at the public accountant office for two years. The SPI leader is a male senior auditor (SA) who has five years of experience in public accountant office and ten years as a lecturer in auditing, and five years as head of its University's SPI. At the right time of discussion, they have an informal chit chat but with a quite heavy topic to be discussed. Being an auditor who worked at the public accountant put him into a curious situation in his mind regarding the audit function as an external and now as an internal auditor. Why it should be an internal control in the organization while everyone has given their responsibility eversince they hold the job. This is the beginning of the conversation:

JA: " Thank you for having coffee time with me Sir."

SA: "Hei, we should do this more often. Allah gives Us time not only for work but also sometimes to silaturahim, especially with people who close to Us."

"So, how is your feeling now? Working with Us and doing your new job.

JA: " Honestly, I am still adapting myself with the environment and the people, Sir, but importantly, I have a big question in my mind."

SA: "Yeah, adapting is very normal when you are entering a new environment, don't worry, the universe and the people will react as to how you welcome them into your life, you'll be fine."

"Okay then...what is the big question if you don't mind telling me."

JA: "Thank you, Sir... I am wondering why would the institution still need internal control while each people in this institution already have their working agreement, and they know what they have and should do in this organization?"

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

COSO-ERM Framework

In the series of opening dialogues between SA and JA, a big question was summarized. Why does an institution still need internal control? even though each person in this institution already has a work agreement, and they know what to do in this organization from that working agreement. But the facts in the institutions are not entirely like that. Why? Let's get back to the dialogue between SA and JA.

JA: "I am wondering why would the institution still need internal control while each people in this institution already have their working agreement, and they know what they have and should do in this organization?"

SA: "According to you, what is internal control?"

JA: "Literally, those phrase contains two words, 'internal' and 'control' it means the control from inside not from outside. However, the most famous of the internal control concept is the COSO-ERM framework."

"..... hmmm and according to COSO, internal control is a set of process in which influenced by the board of director, management, and other personal and be prepared for the shake of the collateral in regard of its achievement and performances in:

a.   Operational effectivity and efficiency

b. The reliability of the financial report

c. Fulfillment of Law and Regulation (Compliance)

That's internal control for my understanding Sir."

SA : "... Wow...that's quite comprehensive Jun (junior)" But you are still not satisfied with those explanations, aren't you?" Why is that?"

JA : "...yes Sir, those statements put me in a big question mark, why would they need something to make sure their achievement while they already had their own agreement at the beginning they enter the organization, right?" "Why don't they just trust it? why should they need another support system like internal control anyway?"

SA : "Hmmmm... that's such a critical thinking question, I guess. Well. Let me first little bit explain the internal control according to some literature."

Back before the emerge of COSO in 1985, the theory of internal auditing was conceived primarily by Lawrence Sawyer (1911-2002). He was called as The Pioneer and "Father of Modern Internal Auditing" by the International Professional PracticesFramework (IPPF) (Dittenhofer et al; 2011), and it is more in operation nature, especially in the matter of financial matters. This is because since investment began in the late 1800s and early 1900s when the investments started and the expansion of the industrial era emerged, the organization felt it difficult to control its organization, furthermore, the need for independent auditors occurred (Anand, R, 2016).

Moreover, they find the difficulty in maintaining their limited resources and the worried of the incompetent officials, especially for bookkeeping errors, inaccuracies as corrupt put them to appoint outstanding staffs in order to report on what happenings in the organization or companies and this is what later called as "internal auditor."

SA: "What you should highlight is that the internal control occurred because of distrust from the board of management towards their officer or employee. Okay.. please highlight the "distrust" Jun.. Now, what do you know about the most famous framework of internal control by COSO?"

JA: "... Mmmmm... COSO has a framework contains five elements or control components at the beginning (1982), which are: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, (5) Monitoring. And the control objectives are not merely financial reporting, but also operations and compliance.

Figur 1 COSO Framework
Source: www.coso.org

Somehow, the framework expanded in 2004 to COSO-ERM, because add three more elements which are: (1) objective setting, (2) event identification, and (3) risk response.

JA: "the question again is, if the first framework was effective, why should they add another three elements on the framework?"

The COSO stated that The framework sets forth how a company applies enterprise risk management in its strategic planning and also describes techniques some companies are using in identifying and managing risk. Importantly, the framework emphasizes how an effective enterprise risk management process identifies not only the

downside but also the upside or opportunities that can be seized to enhance profitability and return. The framework also describes the roles of key players in the enterprise risk management process." https://www.coso.org/documents/ERM-FAQs.pdf

Figur 2 COSO-ERM Framework
Source: www.coso.erg

SA : "So what does the COSO framework rely on?"
JA : "clearly the people, the rule, and the system, I guess."
SA : " ..and who was the creator of the rule and the system?"
JA : " the people."
SA : " and what have I said about the reason behind the internal control?"
JA : " the distrust of the board of management towards their employee in running the operations in order to achieve the organization's goals or objectives."
SA : "exactly... so... actually it is all about...
JA : "people, Sir..."
JA catch the SA's sentence before he even finishes his line.

RESEARCH METHODOLOGY

Nowadays, postmodern accounting research materials are about accounting, God, and religion. This research is conducted with postmodernism in order to open and explore our minds to our offering modification model of the COSO-ERM framework. Postmodernism is used as an alternative way to emerge some ideas in the researcher's mind based on observed or unobserved phenomena of the research's topic (Sukoharsono, 2018).

Optimism and unrequited expectations resulted in a loss of belief and belief in modernity and contributed to the development of postmodern ideas. Postmodernism recognizes that the many realities created are influenced by metaphysical matters such as traditions, values, and norms. (Koornhof, 1999).

FINDINGS AND DISCUSSION

There is No Soul in The Framework

On the previous set of dialogue between SA and JA, we clearly defined the internal control definition and also the reasons behind the birth of internal control in the world. Furthermore, we are able to catch important keywords of internal control as of "achievement", "objectives", "distrust", "people", "board of management", and "internal auditors". From when its famous in the 1800's according to the previous source, until now, how does the internal control able to fulfill its duty? There many, but not too much research has been conducted on the topic of internal control, from the internal auditor side, the system, or even its effectiveness and efficiency from any kind of industries both private or public sector, including the government sector. However, many studies that have been conducted on internal audit effectiveness give more concerned in companies'

hotels, banks, and few public sectors within the state level, in which their internal audit is a little big effective than those of local government (Badara and Saidin:2013).

However, the flare of fraud or mega fraud cases lately in 2000's, both in the private sector or in the public sector in the world also indicates that the internal control might have been failed in running its function, for example, is Enron Case in 2005 and some financial fraud conducted by the leader of countries like in South Korea and Japan. Some studies show that internal control may face difficulty in fulfilling their duty because of a lack of awareness and support from the top management (Ahmad et al, 2009; Dittenhofer 2001; Unegbu & Kida, 2011, Harwida et al:2018). Sadly, there are cases that involve the internal auditors like in the Ministry Of Villages Disadvantaged Regions And Transmigration of Indonesia as the Inspector General of its Ministry had been accused of bribing the auditor of the Audit Board of Indonesia in 2017 (https://nasional.kompas.com) and the case of Village Fund in Pamekasan Madura East Java when the Regent, Chief of State Inspectorate, and Chief Village bribed the Chief of State Prosecutor Office in 2017 (https://nasional.kompas.com). In Indonesia, the Inspectorate is acting as the internal auditor and they have been conducted with a set of regulations and codes of ethics.

Thus, as we discussed before, the key factor in internal control is the "people", and it is proven by research and incidents. All the internal control system and the regulation and the people were set on the right place, both things like this keep happening. Why? Let's get back to the dialogue between SA and JA.

SA : "since the key factor, so we should get back to the people Jun"

JA : "I still do not get it, Sir"

SA: "well.. people are alive, they have a soul... we cannot just give them direction and tools and tell them what to do". The tools in the COSO-ERM framework merely give direction as of the responsibility is merely between Human there is no element that is related to the transcendental responsibility from the people in the organizations."

JA: "But Sir, in the control environment elements, they put sub-elements called (1) ethical values and integrity, (2) commitment to competence, (3) active board and audit committee, (4) management philosophy, (5) human resources policies, (6) business structure and authority, (7) IT systems, and (8) internal audit function."

"In my opinion, ethical values and integrity should be enough to control people's behavior, don't they?"

SA : "ethical value and integrity may not be accomplished when the people do not have other people to watch, while the transcendental responsibility is the responsibility upon the creator of the universe, that is why I call no-soul for the COSO-ERM framework."

"In Islam...I believe that other religions also have this, but maybe with different words.. an Arabic phrase said that ""*Al Insanu makhallul khotho' wa an nisyan*" *(Human is a place of mistake and oblivious).*

"Human also created as a creation who have desire and love to something that made beautiful in the eyes of men and love for what they want, namely women, children, many assets of gold, silver, choice of horses, livestock and rice fields. That is the pleasure of living in the world. And for God's sake is a place of good reply". (QS. Ali Imran/3:14)"

Thus, according to this phrase, it is normal if there is a distrust in the organizations as Human is created with love to their will and also a place of mistake and oblivious. Furthermore, the Holy Qur'an said that "O human, you are working hard towards your lord, and you will meet him (Al Inshiqaq:6), it means that all that we are doing in the world is for Allah as we all will meet him in the end". Accordingly, there is no such things as immortal in the world, and no works are for Human or ourselves, it is for God". It means that transcendental responsibility has a role to guard Human from making wrong things that are forbidden by God like cheating or deceiptful.

The fact that Human has lust and desire has been stated in the holy Quran even in proverb. Thus, the importance of controlling has also declared in the Qur'an The verses of the Qur'an relating to evaluation/control can be translated as follows (Al-

Infitaar:10-12): "in fact for you there is an angel who oversees your work (10) the noble side of Allah and who records the work (11) they know what you are doing*" (12). The importance of supervision and control is clear to the extent that a real Muslim believes that God is always supervising his behaviors as stated at the 38th verse of Al-Ibrahim is among the verses that show direct and divine supervision of God: "Our lord, you have knowledge of all that we hide and all that we reveal; nothing in heaven or earth is hidden from Allah.

Moreover, in Surah Al-Zalzala verse 7 and 8 said that " whosoever has done an atom's weight of good shall see it (7), And whosoever has done an atom's weight of evil shall see it (8). Also, in some literature showed that the Holy Prophet Muhammad, SAW, had never neglected supervision and control over His fellows and usually appointed inspectors and supervisors to monitor and report their behavior. Based on the reports He evaluated His fellow's performance and used the results of assessments and evaluations to make further decisions (Saghafi and Amirabadi;2016).

In other words, the nature of control and supervision is already recorded in the Holy Qur'an and also be given example from the Holy Prophet Muhammad peace be upon Him. The process of internal control in Islam can be explained by analogizing the process of control in the management above with the philosophy of Islam. Based on the history and philosophy of Islam from various sources of knowledge, the general picture is as follows: First, the message in this case governs, provisions, provisions both in the form of orders or prohibitions, promises and punishments made and determined by Allah SWT intended for all humans. This is the main standard that all human beings must adhere to. Second, the Prophet passed a message to humans by pouring it into the Holy Qur'an and then spreading it through da'wah with various methodologies. This is an internalization process for all humans in performing their life. Third, many people accept, understand, and apply all the standards set by Allah SWT through the Prophet. Fourth, there are also many who ignore (refuse) and continue to carry out their old practices (associating partners with God), then conflict with established standards. Fifth, as a corrective action, Allah SWT provide opportunities for humans who have deviated from the rules/standards set for repentance (apology). Sixth, Allah has sent Raqib and Atid as His Angels to each human being to record all of their deeds, and will be presented on the day of reckoning.

Tauhid and Taqwa as the Lost Soul of COSO-ERM Framework

As the SA mentioned above, that there is no soul in the COSO-ERM framework. It was explained that the lost soul is because the framework is merely put elements that is related to the mundane materials, people to people, or *hamblumminannaas* in Arabic language. The lost soul is the element regarding to the transcedental responsibility which called "Tauhid" and "Taqwa". What are tauhidi dan taqwa?

JA : "..and so.. the soul is actually the element of transcedental responsibility?"
SA: " Yes, and I mean with transcedental responsibility is Tauhidi and Taqwa"

Tauhid is an episteme refers to The Oneness of God in the Qur'an, is not limited by the boundaries of matter of space and time. The Qur'an builds a historical process with ancient narratives that leave eternal and permanent moral import for the guidance of mankind and apply the laws, guidelines, and lessons that underlie human trials. From primordial "Beginning" there appears a basic belief about God as a person who is knowledgeable, perfect, pure and complete .

Tauhid, in meaning and purpose, not just metaphysics. Tauhid as a whole has a profound effect on all thoughts, problems, and souls in detail as long as there is transmission from episteme which can be extracted, understood, and injected in all of this through evolutionary learning media by synergizing the linkages between systems and diversity of entities (Choudury:2008).

SA: " So...In other words, Tauhid, trust in God is the key to ethically influencing human behavior. Okay..let's talk about Taqwa"

Taqwa is a concept of the highest state of Human's spiritual closeness to God. Al-Qur'an Surah Al-Hujurat 49: 13 states that the most honored human being in the sight of God is he/she who is the most pious (*taqwa*). *Taqwa* is the best way to return

to God because the ultimate purpose of Human life is to return to God (Al Baqarah 2: 156) in a state of *taqwa*. There is no existence, except God's existence (Triyuwono, 2015). The main point of *taqwa* is the feeling of being united. Al-Qur'an does not state any specific definition of *taqwa*. However, it gives some indicators about any actions that make an individual become very closed to *taqwa* (Chodjim, 2014, p. 8) in Triyuwono (2016). He presents some indicators that direct a person towards *taqwa* such as:

1. forgiveness (Al-Baqarah 2: 237),
2. justice (Al-Maidah 5: 8),
3. patience (Al-Baqarah 2: 153; Al-Anfal 8: 66),
4. honesty (Al-Tawbah 9: 119) and
5. other good deeds (Ali Imran 3: 104, 110; Annisa 4:114)

Or in general, *taqwa* has been defined as an attitude of avoiding God's punishment and obeying God's commands as an inner consciousness of accountability towards God, as fearing to disobey God's will, and so forth (Ali, 1997; Beekun & Badawi, 1999; Hasan, 2011; Sulaiman & Bhatti, 2013). Moreover, Triyuwono (2016) argued that *taqwa* encompasses two dimensions, i.e., Islamic spirituality and Islamic social responsibility. Spirituality is an individual's inner awareness to feel united with the divine laws that have been implanted by God in his/herself, other people, and the universe. Meanwhile, social responsibility is actually as a consequence of the spirituality that interacts with social environment in a society. Taqwa is not based on human desire (physical intelligence), brain (intellectual intelligence), and heart (emotional-spiritual intelligence), but is based on divine spirit.

SA: "... we can say that human with *taqwa* has a good relation vertically so called Islamic spirituality or maintain their relationship with Allah and good relationship with other Allah creation, both by obeying all rules set by Allah the Al-Mighty."
" Triyuwono (2016) states that the main points of the definition are: consciousness, unity, and relationship. There is no *taqwa* without inner consciousness".. "Well, I underline the phrase of inner consciousness."

JA: "Sir..based on your explanation, COSO-ERM framework still have to add more element to strengthened its effectiveness to uphold the good governance?"
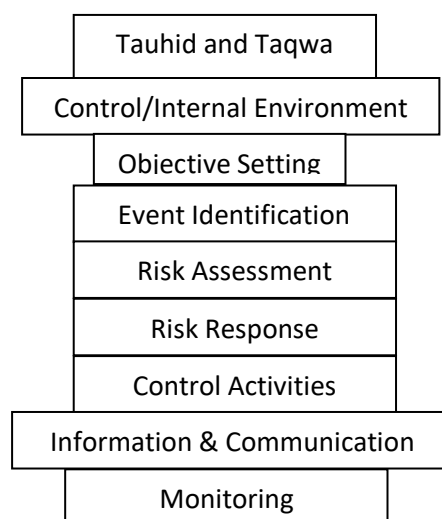
SA: "We can call it the outcome anyway."
"First, you have to recall what we have discussed at the beginning of our discussion, that the internal control actually was born because of the "distrust" among people from different levels (management, a board of directors, employees, stakeholders). Secondly, most of the sub-element of control environment is related to human behavior as I mentioned before, thirdly, other elements of COSO-ERM also depends on human behavior, fourthly, do not forget that according to the previous research and phenomenon around the world prove that there are still fraudulent cases happened here and there even though internal control has applied".
"Therefore, the key point of internal control is the people, as the motor of operations in every level of management in the institution, moreover, the people have to have a strong foundation in doing everything".
"Not because afraid of the rule of law, supervision, the people should have a faith that everything they do is overseen by God and will be accounted in the life after life with inner consciousness". "This is what I call *Tauhid and Taqwa*. Thus, it will be a foundation for every human before decide to do something".

JA: " Will it change the COSO-ERM framework?"

SA: "Sure...that is why I offer to deconstruct the element of COSO-ERM become like this – I only put the element in the offering of new COSO-ERM because other parts on the top and on the right of the COSO –ERM are the same-"

| Tauhid and Taqwa |
| Control/Internal Environment |
| Objective Setting |
| Event Identification |
| Risk Assessment |
| Risk Response |
| Control Activities |
| Information & Communication |
| Monitoring |

Figur 3 The Tauhid&Taqwa-COSO-ERM Framework

JA: "I understand now, everything comes to those who create, do, and responsible for all process and level in the organizations and institution who called human or people, without having Tauhid and Taqwa (or other terms for other religions), any framework of internal control may become useless."

SA: "Absolutely... so, does it answer your principal question in the beginning of our discussion?"

JA: "Yes, Sir...Alhamdulillah...Thank you so much."

SA: "You are welcome Jun, I am also learning many things today..thank you for your critical thinking question."

CONCLUSION AND SUGGESTIONS

Tauhid and taqwa are offered to fill the lost soul in the COSO-ERM framework. Tauhid and taqwa are the first foundation of the COSO-ERM that will give great influence to the success of the COSO-ERM implementation in the organization or institution because it is like an autopilot to prevent all people at every element in the organization and institution perform bad or wrong deed. They also support other elements in the framework to be functionally well to achieve the organization's objectives.

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