

## ***ABSTRACT***

This study aims to understand the meaning of internal control and describe the role of the control environment within the internal control system of Village Government XYZ in Indonesia. The research employs a qualitative approach with an interpretive paradigm through in-depth interviews, observations, and documentation involving the village head and village officials.

The findings reveal that internal control is not merely an administrative procedure but also represents the moral responsibility of officials in maintaining honesty, discipline, and accountability toward the community. The control environment plays a crucial role as the foundation for effective internal control implementation, encompassing leadership integrity, organizational structure clarity, and a work culture grounded in familial values, mutual cooperation (*gotong royong*), and consensus-based decision-making (*musyawarah mufakat*). These social values strengthen the application of COSO and SPIP principles in building transparent and participatory village governance.

The study concludes that the effectiveness of internal control is determined not only by formal policies and procedures but also by the social and cultural values embedded within rural communities. Integrating the COSO-based internal control framework with the principle of familial values fosters accountable, ethical, and sustainable governance at the village level.

Keywords: Internal Control, Control Environment, Familial Principle, Village Funds, COSO.

