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The Effect of Internal Control System on Financial Accountability of Regional Public Service Agency of Public Health Center (BLUD Puskesmas) During Covid-19 Pandemic

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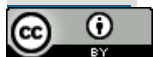
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ABSTRACT

This research aims to study the effect of internal control system (SPI) on Financial Accountability of Regional Public Service Agency of Public Health Center (BLUD Puskesmas). The research took place in Karanganyar Regency of Central Java Province, Indonesia. Data of research was collected from all Public Health Centers (Puskesmas) in Regency during pandemic period. The institutional analysis unit consisted of 21 Puskesmas with 125 respondents. The analysis technique used was a multiple regression. Results: (1) information and communication, and monitoring affect positively the financial accountability, and (2) control environment, risk estimation, and controlling activity do not show significant effect.

INTRODUCTION

Corona Virus Disease 2019 (covid-19) really threatens state economic stability and financial system. State income decreases as the impact of lockdown along covid-19 pandemic period. In Indonesia, this lock down policy is translated into the implementation of society activity restriction (Indonesian: Pemberlakuan Pembatasan Kegiatan Masyarakat, thereafter called PPKM). Many economic activities serving as the source of state tax stop from operating or at least decrease to the lower level.

Not only is the aspect of state income disturbed by Covid-19 effect. But the expenditure aspect also changes dramatically. Most of government budget existing is used for health funding. The government budget is prioritized to health sector while solving

the poor people's problem in sufficing their basic needs.

In the operational funding at work unit level, a new guideline of financial management policy is required. It should be adjusted with Covid pandemic situation that has wide impact. The financial management is expected to keep considering the good financial management principles even in the very difficult situation. For that reason, Republic of Indonesia's Government has established Government Regulation substituting Law (Perppu) Number 1 of 2020 about State Financial Policy and Financial System Stability for Handling Corona Virus Disease 2019 (covid-19) pandemic and/or dealing with the threat that can endanger national economy and/or financial system stability. Perppu Number 1/2020 encourages the Government and

related institution to make extraordinary policy and to take extraordinary measures in the attempt of saving national economy and financial system stability through various relaxation policy related to the implementation of State Income and Expenditure Budget (Indonesian: Anggaran Pendapatan dan Belanja Negara, thereafter called APBN), particularly by increasing the expenditure for health sector, social safety net, and economic recovery. To the Government of Karanganyar Regency, the implementation of regulation has been followed with the amendment to budgeting through establishing Regent of Karanganyar's Regulation Number 62 of 2020 about the sixth amendment to the Regent's Regulation Number 101 of 2019 about the elaboration of APBD in 2020, in which the unexpected expense utilized for non-natural disaster, in this case the management of covid-19 pandemic – increases by 9,150.77% or IDR 228,769,317,000 from the original budget of IDR 2,500,000,000 to IDR 231,269,317,000.

The regional government's health institution plays a very important role in handling Covid-19 pandemic. Public Health Center (Puskesmas) is the starting point to deal with this deadly virus. Puskesmas is the first-level health facility to Indonesians. Puskesmas plays a very important role as the front line in handling Covid-19 pandemic. Puskesmas plays a crucial role in educating the people on covid-19 pandemic, tracing the contact, monitoring suspected case, treating patient with mild original symptom. Puskesmas is also in charge of holding rapid test on the people. Therefore, Puskesmas receives substantial additional budget and incentive from regional government to support their increased activity and workload.

Covid-19 pandemic condition forces Puskesmas to do more workload than that in normal condition. Puskesmas is required to do its task quickly. At the same time, they should maintain financial management accountability, despite limited human resource owned. Puskesmas with Regional Public Service Agency (BLUD) status is required to be accountable more in the term of financial management. It is putatively because BLUD Puskesmas has an authority or flexibility in the term of financial sector in dealing with Covid-19 pandemic. As a BLUD, Puskesmas is entitled to use its own income, to receive grant in the form of both product and money. In this case, there is a trade-off

between Puskesmas that should make financial decision quickly to do its task on the one hand and it also should obey the rule in order to perform financial management transparently and accountably.

The Trade-off resulting from first-rate service and financial management accountability during pandemic makes this topic interesting to study, particularly concerning how Puskesmas maintain its financial accountability. It is because the increased risk of fraudulent action harming the state, particularly the increased budget and workload, and limited human resource at the same time. Referring to theory and concept applied to the financial management of public sector in Indonesia and to previous studies, the role and the function of internal control are very desirable to Puskesmas. Chalmers, Hay, & Khelif (2018) pay more attention to internal control in organizations. It is intended to make the financial management run well. Organization can realize the organization process positively from preventing fraud to making decision.

Marmo Kustowo explains that this policy concept adopts that from The Committee of Sponsoring Organizations of the Treadway Commission (COSO). The implementation of SIPP can start with constructing the philosophy of risk management (control environment in narrow sense), setting up the objective of organization and the objective of activity, identifying and assessing risk, implementing control activity, building information and communication mechanism that can measure and report actual risk and cost generated, monitoring, and developing control environment in broad sense. The measure is taken from activity level and organizational unit, and integrated into the organizational entity entirely. Sustainable monitoring and improvement will ensure that SIPP can function effectively (https://pusdiklatwas.bpkp.go.id/asset/files/post/a_79/Membangun_SPIP.pdf).

Governmental Internal Control System (Indonesian: Sistem Pengendalian Internal Pemerintah, thereafter called SIPP) is a policy strategy made by Indonesian government to improve the accountability of activity implementation at governmental work unit level. This policy has been established through Government Regulation (Indonesian: Peraturan Pemerintah, thereafter called PP) Number 60 of 2008 about internal control system. SPIP is an integral process of action and

activity performed continuously by principal and all employees to provide adequate conviction in the achievement of organizational objective through effective and efficient activities, reliable financial reporting, and state asset security. This policy aims to achieve: (1) the effectiveness and the efficiency of activity; (2) the reliable financial statement, (3) the security of state asset; and (4) the compliance with legislation. SIPP element consists of control environment, risk identification, and information, and communication, and monitoring activity control.

Febriana, Wardayati, & Prasetyo (2017) state that government regulation about SPIP is the manifestation of governmental commitment to encourage public accountability. Accountability is one of compulsory elements in public service (Sari et al., 2017). In the context of government, accountability is more known as public accountability. The government undertakes the authority mandated by the public to perform the government. The policy about public accountability in Indonesia is regulated in the state legal foundation. It is Law Number 28 of 1999 about the Organizer of State that is Clean and Free of Corruption, Collusion, and Nepotism. The Clean Organizer of State is the one complying with general principles of state administration that is free of corruption, collusion, and nepotism, and other disgraceful acts. Accountability is explained specifically as the principle determining each activity and the output of state administration activity that can be accountable for to the public/people as the state's supreme sovereignty holder according to the provision of enacted legislations.

Mardiasmo (2012) limits the term public accountability to the one performed by governmental institutions in the form of reporting the activities they have performed to those interested. Meanwhile, Sari et al (2017) explains that accountability is the basic foundation and reference of public service. Governance practice puts public accountability onto strategic position. As the form of accountability evaluation, public accountability involves evaluation of implementation process. Public officials as the executor of policy are required to be accountable for the policy process at input and output (activity process) levels. Policy evaluation as the part of accountability is not only intended to be the form of accountability. But it is also intended to improve the performance of working organization policy. Each of

policy evaluation stages results in feedback. The improvement of policy implementation needs information on the result of it in ongoing and outgoing processes. From the feedback to this policy implementation, the same error will not be repeated expectedly. Even, the good output can be improved.

COSO concept modeling (2013) is aimed at bringing the transparent and accountable financial management into reality. A study on the role of Puskemas' internal control in maintaining accountability during Covid-19 pandemic is considered to be important to do. This study is expected to give practical contribution in the form of recommendation to the development of effective internal control practice in Puskesmas to realize the financial accountability statement. In addition, this will contribute to developing literatures by presenting an in-depth study on internal control practice and its implementation in the financial accountability of Puskesmas during Covid-19 pandemic. Internal control is manifested into five crucial elements: control environment, risk assessment, control activity, information and education, and monitoring.

This study examines the implementation of financial management policy in Puskesmas in Karanganyar Regency during Covid-19 pandemic. There are five variables positioned to be independent variable: control environment (X1), risk assessment (X2), control activity (X3), information and education (X4), and monitoring (X5). Meanwhile, the dependent variable is the accountability of BLUD Puskesmas (Y).

This study proposes four hypotheses. Each of hypotheses refers to the theory suggested by the experts. First hypothesis (H1): Control environment affects the Financial Accountability of Puskesmas positively during Covid-19 pandemic. Basically, control environment affects the employee behavior in an organization (Ballou, Brian and L. Heitger, 2005; COSO, 2013). It has an implication to the aspect of individual behavior related to value, ethic, integrity, personnel policy, and organizational structure (Rubino, Vitolla, & Garzoni, 2017). In the presence of conducive control environment, BLUD Puskesmas programs and activities will be implemented as planned and budgeted and thus the accountability can be maintained well (Febriana et al., 2017). Second Hypothesis H2): Risk assessment affects the financial accountability of Puskesmas

during Covid-19 pandemic. Risk assessment and accountability of financial management in Puskesmas. Basically, there is always fraudulent activity risk in every organization and therefore, risk assessment is very desirable (Dabbagoglu, 2012). Rendon & Rendon (2016) reveal the fraud-related risk that can endanger the organizational accountability, moreover when the fraud is known by the public and thereby can harm the organizational reputation. Hence, the existence of appropriate risk assessment is very important in each of Puskesmas activities, regardless the significance of risk. Implemented adequately, the risk assessment will reduce potential risk that will endanger the accountability of Puskesmas and thus the accountability can be maintained according to COSO's (2013) concept.

Third hypothesis (H3): Control Activity affects the Financial Accountability of Puskesmas positively during Covid-19 pandemic. The increased intensity of activities in Puskesmas during pandemic requires more the control of financial management. Control activity is very desirable to ascertain the activity process implemented duly. The control activity should be done to review and to analyze what has been done and to compared it with the plan and budget, and the achievement of previous period (Al-Thuneibat, Al-Rehaily, & Basodan, 2015). Control activity is also very desirable to ascertain procedure and policy. Control activity contributes to reinforcing the internal control (Al-Thuneibat et al., 2015).

Fourth Hypothesis (H4): Information and communication affects the Financial Accountability of Puskesmas during Covid-19 pandemic. Information and education is an appropriate, good, and adequate form of communication involving external and internal communication and accounting information system (Rendon & Rendon, 2016). Information quality and appropriate communication method will highly affect the implementation of organizational activities (Al-Thuneibat et al., 2015), and thereby will affect decision making process (Naser et al., 2017). During Covid-19 pandemic, Puskesmas did more intense activities than before and should manage larger financial resource. Using good information and communication, the access of resource by unauthorized persons can be overcome (Lestari, et al., 2019).

Fifth hypothesis (H5): Monitoring affects the financial accountability of Puskesmas positively during Covid-19 pandemic. Monitoring facilitates the organization in assessing the quality of internal control, and thereby can be implemented sustainably to achieve the objective of organization (Rendon & Rendon, 2016). Considering the increased workload and activity of Puskesmas during Covid-19 pandemic, adequate monitoring of internal control should be implemented because Puskesmas should manage more resources. In addition, through adequate monitoring, the progress of respective activities can be managed duly in the attempt of bringing the objective of organization into reality (Lestari, et al., 2019).

METHODS

The population of research consisted of all Puskesmas. The sampling technique employed in this study was convenient sampling, by taking the samples most likely obtained. There are 21 (twenty one) Puskesmas in Karanganyar Regency. The respondents were 125 personnel occupying important position in the financial management of Puskesmas, including Chairperson, Financial Management Official, Revenue Treasurer, Expense Treasurer, Accounting Officer, and Personnel in Financial Sub Division.

This research used Likert scale as a means of measuring the respondents' responses. The alternative responses to the questions written in the research questionnaire were scored successively: Strongly disagree (1), Disagree (2), Agree (3), and Strongly Agree (4). The dependent variable of research was the financial accountability of Puskesmas, while the independent one consisted of control environment, risk assessment, control activity, information and education, and monitoring. Data analysis of research was preceded with validity and reliability tests on the questionnaire and classical assumption test. Hypothesis testing was carried out using a multiple linear regression analysis method with the following regression formula:

$$Y = \alpha + X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Where:

- Y : accountability of BLUD Puskesmas
 α : constant
 $\beta_1 - \beta_5$: coefficient of regression
 X_1 : control environment
 X_2 : risk assessment
 X_3 : control activity
 X_4 : information and communication
 X_5 : monitoring
 e : error

RESULTS AND DISCUSSION

Result

The result of descriptive statistics test on the research data consisting of five independent variables (X) and dependent variable (Y) is presented in Table 1. The respondent consists of 125 financial management personnel in Puskesmas in Karanganyar Regency. The questionnaire has undertaken validity and reliability tests. Data analysis starts with descriptive statistics result presented in the table below.

Table 2. Result of t-Statistic Test (Partial Regression Test)

| Model | Unstandardized | | Standardized | T | Sig. |
|----------|----------------|----------|--------------|--------|-------|
| | Coefficients | | Coefficients | | |
| | B | Std. Er. | Beta | | |
| Constant | 0,001 | 0,138 | | 0,004 | 0,997 |
| X_1 | 0,071 | 0,149 | 0,063 | 0,479 | 0,633 |
| X_2 | 0,161 | 0,145 | 0,183 | 1,111 | 0,269 |
| X_3 | -0,303 | 0,219 | -0,321 | -1,383 | 0,169 |
| X_4 | 0,832 | 0,084 | 0,758 | 9,894 | 0,000 |
| X_5 | 0,256 | 0,122 | 0,267 | 2,100 | 0,038 |

Source: primary data, processed (2021).

The result of descriptive statistics analysis confirms that Puskesmas in Karanganyar Regency has good accountability level and the internal control system has run adequately within them. These two findings prove that the Statistic mean ranges between 3 and 4 for all variables. The five hypotheses were tested using a multiple linear regression statistic test. The result of statistic test using classical assumption consisting of normality, heteroscedasticity, and autocorrelational tests is presented in Table 2.

Table 1. Descriptive statistics of Research Variable

| Var | N | Mean | Min | Max | Std. Dev. |
|-------|-----|-------|-------|-----|-----------|
| Y | 125 | 3.384 | 2.1 | 4 | 0.443 |
| X_1 | 125 | 3.303 | 2.343 | 4 | 0.390 |
| X_2 | 125 | 3.239 | 1.52 | 4 | 0.501 |
| X_3 | 125 | 3.259 | 1.822 | 4 | 0.468 |
| X_4 | 125 | 3.327 | 2.072 | 4 | 0.403 |
| X_5 | 125 | 3.297 | 1.667 | 4 | 0.461 |

Source: primary data, processed (2022)

Discussion

Considering the result of statistic test presented in Table 2, the analysis conducted to authenticate the truth of hypothesis is elaborated as follows.

The effect of Control Environment (X_1) on Financial Statement Accountability of Puskesmas (Y). This research does not find a significant effect of control environment variable on the financial accountability of Puskesmas in Karanganyar. Puskesmas in Karanganyar have actually had specific organizational structure in implementing administrative and financial reporting function. However, the organizational structure has not been implemented well. The individual financial management functions are often implemented collectively by helping each other among the individuals actually holding different financial management function.

The effect of Risk Assessment (X_2) on Financial Management Accountability of Puskesmas (Y). The risk assessment variable affects insignificantly the financial accountability of Puskesmas in Karanganyar Regency. Indeed, overall risk management has not been applied optimally to regional governments in Indonesia. Most of regional governments have not had specific unit to implement risk management, particularly in BLUD. In addition, basically Puskesmas has lower risk level than the larger scale of BLUD does like Regional General Hospital (Indonesian: Rumah Sakit Umum Daerah, thereafter called RSUD) and therefore, the level of fraud occurring due to the opened risk becomes relatively low.

The effect of Control Activity (X_3) and Financial Management Accountability of Puskesmas (Y). Control activity variable does not affect the

financial accountability of Puskesmas significantly in Karanganyar Regency. The implementation of control activity element in SPIP of Karanganyar has not reached Puskesmas optimally, and thereby internal control is very important to the resource management that has been implemented well previously, as suggested by Koutoupis (2012). APIP and Regional Inspectorate of Karanganyar Regency have not implemented the control activities intensively in Puskesmas, as suggested by most respondents. It is likely because of limited human resource and information technology in control activity in the Regional Inspectorate of Karanganyar Regency.

The effect of information and communication (X4) on the financial management accountability of Puskesmas. The result of analysis on the effect of information and communication variable on the financial management accountability of Puskesmas shows a positive effect. Information and communication is an appropriate, good, and adequate form of communication involving external and internal communication and accounting information system (Rendon & Rendon, 2016). Information quality and appropriate communication method will highly affect the implementation of organizational activities (Al-Thuneibat et al., 2015), and thereby will affect decision making process (Naser et al., 2017). During Covid-19 pandemic, Puskesmas did more intense activities than before and should manage larger financial resource. Using good information and communication, the access of resource by unauthorized persons can be overcome (Lestari, et al., 2019). Appropriate information and communication will direct the management of Puskesmas to make good plan and then to bring out the optimum result; thus the accountability will be expectedly well maintained along with the improvement of information and communication quality in Puskesmas.

The Effect of Monitoring (X5) on the Financial Management Accountability of Puskesmas (Y). The result of multiple linear regression shows the positive effect of monitoring variable on the financial management accountability of Puskesmas in

Karanganyar Regency. Monitoring facilitates the organization in assessing the quality of internal control; thus it can be done sustainably and the objective of organization can be achieved (Rendon, 2016). Considering the increased workload and activity of Puskesmas during Covid-19 pandemic, adequate monitoring of internal control should be implemented because Puskesmas should manage more resources. Monitoring should be implemented comprehensively using a variety of instruments. Through monitoring, accountability can be achieved. Maximum monitoring will keep internal control in adequate condition and can improve the performance duly and have an impact on the accountability (Kiabel, 2012). Through adequate monitoring, the progress of respective activities can be managed duly in the attempt of bringing the objective of organization into reality (Lestari, et al., 2019).

The management of Puskesmas in Karanganyar Regency needs the optimization of internal control system. It plays an important part in maintaining the financial accountability during Covid-19 pandemic. Accountability needs much attention during and post pandemic periods. Accountability is supported by the performance of BLUD Puskesmas employees, particularly the employees' working effectiveness in the implementation of service activities. Internal supervision system plays an important part in achieving the accountability level. Eventually, it is expected that the performance of BLUD Puskesmas can be optimized maximally according to the specified goal and target.

CONCLUSION

This study attempts to get empirical evidence about the effect of internal control system (SPI) on the financial accountability of Puskesmas in Karanganyar Regency during Covid-19 pandemic. The result of research analysis using a multiple linear regression reveals that information and education, and monitoring affect positively the financial accountability of Puskesmas in Karanganyar Regency during Covid-19 pandemic. Control environment, risk assessment, and control activity do not show significant effect. These findings of

research indicate that internal control system plays an important part in maintaining the financial accountability of Puskesmas in Karanganyar Regency during Covid-19 pandemic in which the personnel of Puskesmas should do a variety of extra activities as a result of pandemic transmission. Through adequate supervision from the internal control system, the accountability of Puskesmas can be maintained well, as indicated with the financial statement written well and getting opinion (response) “Fair without Exception – with Explanatory Explanation”.

From the result of research, some recommendations can be given to the financial management in the Puskesmas in Karanganyar Regency. Firstly, some Puskesmas in Karanganyar Regency have not had accounting officer; therefore, the accounting officer should be recruited through coordination with Health Office and Government of Karanganyar Regency to ensure that the financial reporting is implemented according to the governmental accounting system enacted. Secondly, Puskesmas in Karanganyar Regency should always utilize the recent financial reporting system to provide the financial reporting usable to detect the error earlier. The Inspectorate of Karanganyar Regency should always supervise the implementation of internal control in Puskesmas using a comprehensive internal control system to prevent some errors from occurring in financial management and reporting in BLUD Puskesmas.

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