

Effect of internal control system on financial management At Blud Petala Bumi Hospital, Riau Province

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Article Info	Abstract
Received : 2022-07-20 Accepted : 2023-05-26 Published : 2023-10-01	The purpose of this study is to ascertain how the internal control system affects the financial management at the BLUD of Petala Bumi Hospital in the province of Riau. Employees at the Petala Bumi Hospital in Riau Province made up the study's population. There were 11 from the finance section, 6 from casemix, 3 from cashier, 4 from planning, and 6 from logistics and assets. The key data sources used in this research approach are quantitative. With the aid of SPSS 23, the simple linear regression analytical technique is employed. According to the findings of the statistical test, the internal control system significantly influences financial management at the BLUD of Petala Bumi Hospital in the province of Riau.
Key words: financial management; internal control system	

INTRODUCTION

The hospital is a health service institution that offers individual and plenary health services that provide outpatient, inpatient, and emergency services, according to Law No. 49 of 2009 article 1 paragraph 1. According to Sari et al (2021), the hospital is a professional health care organization or company whose services are provided by doctors, nurses, and other non-profit oriented health professionals. This non-profit-oriented organization or company usually uses the revenue from the services acquired to keep its operational stability so that it can keep offering services to the community.

Article 3 of Law No. 49 of 2009 states that hospitals should increase hospital quality and standards, ensure patient safety, facilitate public access to health services, and give patients legal certainty. According to Sari et al (2021), fast service must of course be carried out by hospitals supported by proper, fast, and correct financial management administration. Waluyo (2014), The provision of services to the community and the implementation of flexible financial management patterns by raising productivity, efficiency, and effectiveness are significant obligations and functions carried out by government agencies. In the financial management of a hospital as an organization, it is also prone to irregularities. Deviations in managing finances can be a threat to theft or corruption. Any deviation can potentially cause harm to the hospital. Therefore, to overcome fraud, internal audit requires an internal control system within a company.

Internal control, according to Hery (2013), is a set of policies and procedures that are designed to safeguard company assets from misuse, ensure the accessibility of accurate financial information, and guarantee that all company employees have followed all legal requirements and management policies. For a business or organization, internal control is crucial. According to Handini (2021), if a company's internal control is insufficient, there is a chance that errors will also reduce the effectiveness of its health services. Conversely, if the company's internal control is strong, then the error rate that occurs can be minimized so that ineffective health service activities can be detected quickly and corrective actions can be taken as early as

possible. According to Bimantara et al (2017), this applies to all companies, both small and large scale companies, including hospitals.

A number of research findings have been made regarding the impact of internal control systems on financial management. For example, Njonjie et al.'s research from 2019 indicates that internal control systems have a negative and significant impact on fraudulent financial statements in village financial management, whereas Pujiono et al.'s research from 2016 indicates that internal control systems have a positive impact on regional financial management.

Law Number 44 of 2009 concerning Hospitals, Government Regulation No. 41 of 2007 about Regional Apparatus Organizations and Government Regulation No. 38 of 2007 on the Division of Government Affairs between Provincial Governments and Regency/City Governments have generally changed the paradigm of national health decentralization by renewal demands. In addition, with the Government Regulation number 23 of 2005 concerning the Pattern of Financial Management of the Public Service Agency and the Minister of Home Affairs Regulation Number 79 of 2018 concerning Regional Public Service Agencies, Government Hospitals are increasingly being pushed to become non-bureaucratic service institutions. The government regulation provides flexibility for Regional Public Service Bodies to manage finances independently and flexibly by highlighting the productivity, efficiency and effectiveness of government hospitals as service institutions that are not for profit, in the Regional Public Service Agency (BLUD) system.

These Government Regulations and Permendagri create opportunities as well as challenges for Petala Bumi Hospital, because in order to be able to manage finances according to the PPK-BLUD, Petala Bumi Hospital must be able to improve its performance both in terms of service, administration, financial resources as well as facilities and infrastructure. Petala Bumi Hospital is one of the hospitals owned by the Riau Provincial Government which is a referral hospital for first-level health facilities / health centers, pratama clinics in Pekanbaru city and surrounding districts, so Petala Bumi Hospital is a follow-up referral hospital.

In 2011 Petala Bumi Hospital was designated as a Class C Hospital through The Republic of Indonesia's Health Minister's Decree No. HK.03.05/I/8000/2010 regarding Class Determination of the Petala Bumi General Hospital of Riau Province which has duties and functions covering individual health services, referral centers and is a place of education for Health Education Institutions and has received accreditation at the "MAIN" level from the Accreditation Commission Hospital (KARS) Indonesia with the number KARS-SERT/611/V/2019 on 28 May 2019. As an advanced referral hospital, Petala Bumi Hospital is trying to improve services even better in the future. This is held with a mutual agreement in providing excellent services, namely "Services for Mother and Child Love". This service was chosen because of the available facilities and in order to realize the government's efforts to reduce maternal mortality and infant mortality in health facilities.

Petala Bumi Hospital through The Riau Governor's Decree Number: Kpts. 66/II/2014 dated February 18, 2014 was determined to be a Regional Public Service Agency (BLUD) after fulfilling the administrative requirements and other substantive requirements that have been determined and the implementation of PPK BLUD has been carried out since January 1, 2016. The consequences for Petala Bumi Hospital implementing PPK-BLUD are: able to manage the hospital's functional income (BLUD income) to finance all operational activities that are directly related to the provision of services to the community/patients, with the change in the pattern of financial management to become a BLUD, the hospital also really needs an internal audit to oversee the internal control system so that financial management can be managed run smoothly in accordance with established procedures and regulations. Therefore, The population of this study that the authors are most interested in studying is the Petala Bumi Hospital in the province of Riau.

Considering the previous description, the internal control system as an internal auditor function is very much needed by the Petala Bumi Hospital in Riau Province in controlling the internal control system for financial management so that it runs effectively and efficiently. Currently Petala Bumi Hospital already has an Internal Control System since January 24, 2021 with No. Kpts. 35/1/2021, to seek control over hospital management, but it is very important to know whether the unit has a significant influence on the hospital's financial management. However, until now, the Internal Control System Team at Petala Bumi Hospital has only carried out Monev activities for the laboratory and pharmacy departments. Then, it was discovered that for this year the Internal Control System Team at the Petala Bumi Hospital did not plan Monev activities for the finance department, only for the Pharmacy, Medical Records, Laboratory Agencies, Nutrition, Hospitalization and Logistics sections. The activities of the Internal Control System at the Petala Bumi Hospital also experienced many obstacles because the team that had been appointed to run the Internal Control System were ASN and they also had their own main tasks which they had to do outside of their work as a team. Based on this, researchers are interested in conducting research with the title "Effect of Internal Control Systems on Financial Management at the BLUD of Petala Bumi Hospital, Riau Province".

LITERATURE REVIEW

BLUD Financial Management

According to Sofyan et al (2015), The planning, implementation, administration, reporting, accountability, and oversight of regional funds are all included in regional financial management.

Internal Control System

Government Regulation No. 60 of 2008 states that the internal control system is a crucial component of a continuous process that is carried out by the leadership and all employees to give confidence in the accomplishment of an organization's goals through effective and efficient activities, the accuracy of financial reporting, the protection of state assets, and compliance with legal requirements.

Previous Research

Numerous studies have examined the impact of internal control systems on financial management. Njonjie et al. (2019) found that internal control systems have a significant negative impact on fraudulent financial reports on village financial management, while Pujiono et al.'s (2016) study found that internal control systems have a positive impact on regional financial management. A study by Turwirdani et al. (2015) demonstrates that the effectiveness of regional financial management is positively impacted by the government internal control system (SPIP). Saleba's (2014) research, which indicated that the government internal control system (SPIP) has an impact on the effectiveness of local government financial management, lends support to the findings of this study.

Hypothesis Development

Internal Control System and BLUD Financial Management

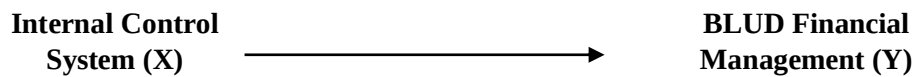
Government Regulation No. 60 of 2008, internal control systems are a crucial part of continuous actions taken by managers and all employees to ensure that organizational objectives are met through effective and efficient operations, the accuracy of financial reporting, the protection of state assets, and adherence to laws and regulations.

According to Sari et al (2021), the internal control system has a significant positive effect on financial management. This means that the internal control system has sufficient independence. The internal audit is carried out by people who have adequate education and

knowledge, and have an understanding of policies and regulations related to hospital implementation. And all abilities and expertise in presenting and providing financial information are very useful for interested parties, either directly or indirectly.

Ha: Internal Control System has an effect on BLUD Financial Management

Picture of the research model:



METHODS

Data

The Petala Bumi Hospital in Riau Province served as the study's population and sample, and it included 11 people from the Finance Section, 6 people from Casemix, 3 people from Cashiers, 4 people from Planning, 6 people from Logistics and Assets. The census method is utilized for the sample selection process, and the data used are quantitative data. Primary data were used as the study's data source.

Operational Definition of Variables and Variable Measurements

Financial management was the study's dependent variable. Regional financial management, as defined by Sofyan et al. (2015), is the whole process that encompasses regional financial planning, implementation, administration, reporting, accountability, and oversight. Six questions are used by financial management as variable indicators, including compliance, oversight, information, and communication.

The internal control system is one of the independent variables in this study. Government Regulation No. 60 of 2008 states that the internal control system is a continuous series of steps that leaders and all employees must take to ensure that organizational goals are met through effective and efficient operations, accurate financial reporting, the protection of state assets, and adherence to legal and regulatory requirements. The Internal Control System uses nine questions and two variable indicators, transparency and accountability.

Data Analysis

The SPSS 23 software program will help with the data analysis procedure in this investigation. The mean, standard deviation, maximum, and minimum values of the data are among the descriptive statistics included in this article to give the reader a general overview of the information. The validity and reliability tests are also utilized in this article to evaluate the data's overall quality. Additionally, the data is subjected to standard assumption tests, including the normality, multicollinearity, heteroscedasticity, and autocorrelation tests. A straightforward linear regression analysis is used in this investigation. Simple linear regression analysis uses the following mathematical equation: $Y = \alpha + \beta_1 X_1 + e$

Where: Y = BLUD Financial Management

α = Constant

β = Regression coefficient

X = Internal Control System

e = error

This article uses the coefficient of determination (R^2) to measure how far the model's ability to explain variations in the dependent variable is.

RESULT

Descriptive Statistic Results of Research Variables:

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
TOTAL_X	30	20.00	38.00	33.2667	4.74838
TOTAL_Y	30	14.00	29.00	23.8000	3.57578
Valid (listwise)	30				

The validity test results for each variable item are valid, because all item scores obtained have r value greater than r table of 0.3610 with a significance level of 5%.

BLUD Financial Management (Y)

Butir Pertanyaan	R hitung	R Tabel
Y.1	0.831	0,3610
Y.2	0.883	0,3610
Y.3	0.629	0,3610
Y.4	0.824	0,3610
Y.5	0.681	0,3610
Y.6	0.709	0,3610

Internal Control System (X)

Butir Pertanyaan	R hitung	R Tabel
X.1	0.543	0,3610
X.2	0.531	0,3610
X.3	0.760	0,3610
X.4	0.876	0,3610
X.5	0.621	0,3610
X.6	0.769	0,3610
X.7	0.570	0,3610
X.8	0.805	0,3610
X.9	0.619	0,3610

The results of testing the reliability of the BLUD Financial Management variable and the Internal Control System were above the Cronbach's alpha value (0.70).

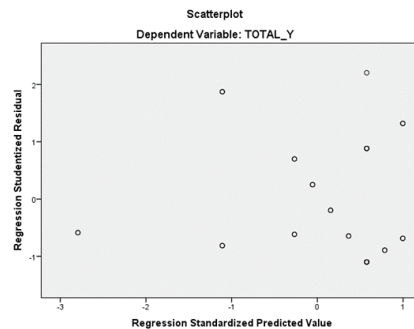
Reliability Test Results

Variabel	Jumlah Pertanyaan	Cronbach's α	Keterangan
Y	6	0.823	Reliabel
X	9	0.852	Reliabel

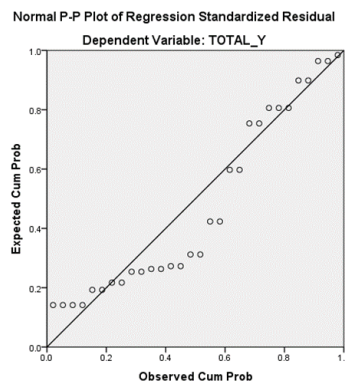
The multicollinearity test results with a VIF value for the Internal Control System variable of 1,000 with a tolerance value of 1,000. This shows that there is no multicollinearity. This can be seen from the VIF value which is smaller than 10 and the tolerance value which is greater than 0.1. Thus the regression model in this study can be said to be good because it does not show a correlation between the independent variables.

The results of the autocorrelation test using the Durbin Watson test with a d value of 1.593. it turns out to be greater than the upper limit (dU) of 1.4894 and smaller than 4-1.4894 (4 - dU) or $1.4894 < 1.593 < 4 - 1.4894$ so that the final result is $1.4894 < 1.593 < 2.5106$ or $dU < d < 4 - dU$. So it can be concluded that there is no autocorrelation, either positive or negative, so H_0 is accepted and suitable for use in research.

There is no heteroscedasticity in the regression model, because the picture shows that the points spread randomly, not forming a certain clear pattern so that the regression model is suitable for predicting BLUD Financial Management based on input from independent variables.



Normality Test Results The data presented in the normality probability plot graph:



The results of the regression analysis are presented:

Results of Regression Analysis Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.129	2.034		.555	.583
TOTAL_X	.681	.061	.905	11.254	.000

a. Dependent Variable: TOTAL_Y

Regression equation: $Y = 1.129 + 0.681 X$

The coefficient of determination is 0.812, meaning that 81.2% of BLUD Financial Management is influenced by the internal control system while the remaining 18.8% is influenced by other variables. In this study, the calculated F value is 126.660 with sig at p-value = 0. This figure is smaller than 0.05.

DISCUSSION

The Effect of Internal Control System on BLUD Financial Management

$T_{\text{count}} > T_{\text{table}}$ ($11,254 > 2.0484$) with a significance value of 0.000 and an error rate (alpha) of 0.05 can be seen from the results of testing the hypothesis of the influence of the Internal Control System (X) on Financial Management (Y). As a result, H_0 is refused while H_a gets approved. This demonstrates that BLUD Financial Management is significantly impacted by the Internal Control System.

This finding is consistent with the results of previous research by Sari et al (2021), which stated that the Internal Control System has an effect on Financial Management. This shows that the internal control system as an internal audit at the BLUD of the Petala Bumi Hospital is expected to be able to influence the financial management process so that it can run effectively and efficiently, therefore the internal control system must have the following elements:

Independence, internal audit must have an attitude of independence or impartiality, based on the results of research conducted showing that the internal control system in the Petala Bumi Hospital has adequate independence. This is because the internal control system is a separate or independent unit and is responsible to the director, as well as the auditors who are in the internal control system free from operational work or activities to be audited. **Professional Ability**, Based on the results of research conducted, it shows that the internal audit at Petala Bumi Hospital is carried out by people who have adequate education and knowledge, and have an understanding of policies and regulations related to hospital implementation. This is in line with research conducted by Nugrahini (2015) which states that a good and quality audit process will run well if the auditor who does it has good competence where the auditor has the knowledge, expertise, experience and skills in conducting the audit process. **Scope of work**, internal audit includes testing and evaluating the adequacy and effectiveness of the organization's internal control system. Based on the results of the research conducted, it was found that the internal control system at Petala Bumi Hospital is responsible for determining whether an operational standard has been set to measure the economy and efficiency of the internal control system. This is in line with research conducted by Sugiman (2017) that the role of internal audit always evaluates the effectiveness of the control system and provides recommendations if weaknesses are found.

According to Sari et al (2017), the control system for the regional financial management process can be carried out by the leadership and all employees properly, it will produce reliable and informative financial reports, create security for state assets and ensure the compliance and compliance of each agency with laws and regulations. According to Tuwirdani (2015), one of the important elements in regional financial management is the Internal Control System, each government institution must have an internal control system in order to minimize the risks.

CONCLUSIONS AND SUGGESTIONS

Conclusion

The Internal Control System has a significant effect on Financial Management at the BLUD of the Petala Bumi Hospital, Riau Province. This explains that the control system for the regional financial management process can be carried out by the leadership and all employees properly, it will produce reliable and informative financial reports, create state asset security and ensure the compliance and compliance of each agency with the laws and regulations.

Suggestion

For further research to try to use a wider sample with a larger number of respondents and add other factors that affect BLUD Financial Management so that it can provide a more complete picture of BLUD Financial Management. Petala Bumi Hospital is advised to increase competent human resources in carrying out tasks, especially in the implementation of the Internal Control System and the presentation of financial statements. Then, further improve control and supervision of work duties and functions so as to have an impact on better organizational governance.

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