

The Effectiveness of Internal Audit in Regional Public Hospitals as Regional Public Service Agencies

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ABSTRACT

Public hospitals as mandated by regulation, managed as a public service agency, which given the flexibility on financial and resources management to perform good business practices in order to improve community services. As a public enterprise, regional hospitals must conduct good corporate governance by optimizing resources and providing quality services. The internal audit function have important role in this area. The purpose of this study was to determine the effectiveness of the implementation of internal audit in regional public hospitals as public service agencies. The research method was descriptive with qualitative approach. Research data was collected by observation of documents and in-depth interviews in 2 hospital, regional public hospital in district and regional public hospital at Central Java Province. The research subjects consisted of directors, Internal Auditor Unit (SPI), service department, , finance and general affair. Data was processed and then content analyzed. Based on the research, internal audit unit structure were just formed to fully regulations. The internal audit team were incompetent, no training, job descriptions of staff had not been detailed and auditor team was double job as additional task. Audit function was more

focused on the compliance of financial aspects and accountability. The function of performance evaluation and compliance on regulations had not been carried out. The constraints are the limited number of personnel and double jobs. Hospital directors were usually immediately aware of problems that arise even without reports from the internal audit unit. Monitoring and evaluation of internal audit unit has not been carried out intensively. Internal audit function had not been effectively performed. It is need to appoint staff with appropriate competencies, the role and function of the internal audit unit have to be improved through the establishment of specific job descriptions and the granting of broader authority to audit in all units.

Keywords: *Internal audit, BLUD (Public Service Agency), Hospital governance*

INTRODUCTION

Hospital management needs a good governance that was supported by capability of hospital management and administration.¹ Based on Article 36 Law Number 44 year 2009 on Hospital Regulation, hospital obliged to organize the good clinical and management governance. To achieve these goals, hospital should be audited, which can be formed of

performance and medical audit. The good corporate governance concept contain of transparency, accountability, responsibility, independently, and appropriateness with the corporate principle and obey the regulation.²

Based on Minister of Home Affairs Regulation Number 61 year 2007 on Guideline of Finance Management in Regional Public Service Agencies (PPK BLUD) that was replaced by Minister of Home Affairs Regulation Number 79 year 2018, regional public hospital (RSUD) can manage the finance flexibility in order to implement the good business practice.³ Coaching and supervision of BLUD hospitals are carried out by technical and financial supervisors that include of Internal Audit Unit and Audit Board. The BLUD operational control is carried out by an internal controller who is directly under the BLUD leader.⁴ The internal control system aims to ensure that hospital management in accordance with the good corporate governance principles.

Beside of regulation compliance, there has been a significant shift in the role and strategy of internal audit in hospitals. Currently, internal audit should be positioned as a strategic partner for management to find solutions in increasing the effectiveness, efficiency, and optimization of the organization.⁵ The role of hospital internal supervisor as an audit officer serves as a supervisor, consultant, and can also be a catalyst for organizational performance.

According to the Consortium of Internal Audit Professional Organizations, internal audit is an independent and objective assurance and consulting activity designed to add value and improve the organization's operational activities.⁶ Internal audit will help organization to achieve the goals through systematic and orderly approach to improve governance process and control in hospital.

For regional hospital that implement PPK BLUD, an Internal Auditor Unit (SPI) is

form directly under the director. SPI is in charge of supervising the operations of BLUD hospital. In particular, the internal control function is carried out to assist regional public hospital management of securing assets, creating accurate financial information systems, creating efficiency and productivity, and also encouraging compliance with management policies in the term of good practice business. This means that SPI has a central role in achieving good governance to support hospital performance⁷

Regional hospital that implements PPK BLUD are obliged to improve the performance and operations of the hospital with their financial flexibility. The improvement of facilities and infrastructure can be fulfilled, and the quality can be increasing. RSUD leaders have tried to implement sound business practices with financial governance. With these developments, internal controls should have been implemented that support hospital performance.

This study aims to determine the effectiveness of the implementation of internal audit in regional public hospital that implement PPK BLUD.

RESEARCH METHOD

The research method was descriptive with qualitative approach through in-depth interview and observation. This study was conducted at 1 regional public hospital in district area (RSUD X) and 1 public hospital in province area (RSUD Y) at Central Java Province. The research subject was SPI Team, service department, finance department, and general division as well as the board of the directors. Interview guidance was used as tool to collect the data. After interviewing every subject, the narrative text should be composed as soon as possible to avoid lost of memorization. Qualitatif data analysis was conducted by making tanscript of every subject.

pharmacy, radiology, ICU, IBS, nutrition and support processes.

RSUD Y is owned by Central Java Province was originally a special hospital for leprosy in 1952 and operated as a class C leprosy special hospital. In 2000, it was transformed into a class B general hospital belonging to the Central Java Provincial Government. RSUD Y has a capacity of 473 beds with a land area 37,361 m², a building area of 31, 096 m², which consists of an outpatient building, an Emergency Room (IGD) building, nursing wards, operating rooms, delivery rooms, support sections, offices, auditoriums and guest houses. In 2012, RSUD Y was designated as PPK BLUD, the quality approach was promoted in all levels of the hospital (Hospital Total Quality Improvement) with the vision of Prima, Independent and Leading Hospital in Services which will be described in the mission of RSUD Y i.e. providing quality health services and developing superior services, improve the professionalism of health resource that competitive in service and education, and also develop save and comfortable hospital facilities and infrastructure.

RESULT AND DISCUSSION

RSUD X is owned by Semarang Regency Government with a land area of 12.000m². It was founded in 1930 and initiated by Catholic Foundation during Dutch East Indies Government. Then it takes over by the Semarang Regency Government. In 2011, RSUD X as class C type hospital has 251 beds and designated as PPK or BLUD status. RSUD X is increasingly developing its services in line with the vision” to become quality, trusted and proud hospital for community”. This hospital mission is increasing competent human resources, providing adequate equipment, facilities, infrastructure, and organizing comprehensive, quality, responsible and beneficial health services for the community. It has accredited of 16 services in 2016. Another achievement that this hospital also gets first place in Image Competition for Excellent Service at Semarang Regency level. In 2014, RSUD X received ISO 9001: 2008 accreditation for medical records, emergency services, outpatient services including perinatology and gynecology, laboratories,

Research Informants

The main informant consisted of the SPI Team including the chairperson, secretary and team member. Meanwhile the triangulation informant consist of the general director, service division and the finance and planning division. The characteristics are as follows:

Table 1. Informant Characteristics of RSUD X

RSUD X Informant	Term of office	Education	Role in Supervision
SPI Chairman	6 years	Pharmacist	Chairman
SPI secretary	6 years	Vocational	Secretary
Director	6 years	Medical Doctor, master of health and master of management	Person in Charge
Head of Service Division	2 years	Medical Doctor	Service Manager
Head of finance and planning division	4 years	Public Health Graduate	Finance and Planning Executor

The characteristics of SPI chairman informant are the head of pharmacy installation in daily tasks, so the SPI chairman performs multiple tasks. The secretary of SPI as well as concurrently serving as executive staff in the service sector.

Table 2. Informant Characteristics of RSUD Y

RSUD Y Informant	Terms of office	Education	Role in Supervision
SPI Chairman	8 years	Medical Doctor, Forensic Specialist	Chairman
Coordinator	6 years	Master	Coordinator
Secretary 1	6 years	Accounting (Vocational)	General and Financing Supervisor
Secretary 2	6 years	Bachelor	Service Supervisor
Deputy Director of Services	26 years	Medical doctor, Master of Health	Person in Charge in Service
Head of Service Department	2 years	Medical doctor	Service manager
Financial department	9 years	Bachelor	Financial Excecutor
General department	26 years	Master	General affairs manager

Implementation of Internal Audit in Regional Public Hospital

SPI team in 2 RSUD that was established since 2012, with the legality of each director, in line with the stipulation of the Regional Public Service Agency (PPK BLUD) Financial Management Pattern, referring to Ministry of Home Affairs Regulation Number 61 year 2007 on Guidelines of Finance Management in Regional Public Service Agencies. In 2017, there is a Ministry of Health Regulation number 200 year 2017 that specifically regulates the institutions and duties of the SPI at the BLU.

Basically, the SPI institutions in the two hospitals have fulfilled the established structure. The structure of RSUD X is determined by a Director's Decree of 2015 that consist of the chairman, secretary, and members of 2 people each for 3 affairs (administration and service administration). Then the structure of RSUD Y is determined by the 2016 Director's Decree and consisting of the chairman service coordinator, supervisory coordinator, general and financial

supervision secretary, and service supervision secretary.

The SPI team in both hospitals still lack of personnel and qualifications. The requirement to fulfill the mandated task according to Ministry of Health Regulation number 200 year 2017 that SPI hospital has many duties i.e. carry out the preparation and implementation of planned internal controls, test and evaluate the implementation of risk management and internal control system, checking and assessing the efficiency and effectiveness of finance, accounting, operations, human resource, marketing, information technology and other activities.⁷ Then provide information in the form of objective recommendation for improvement related to activities that are supervise at all levels of management.

The team also making reports on the results of internal supervision then delivered to the leader and supervisory board, improve governance processes and efforts to achieve business strategies, monitoring, analysis and follow up implementation of supervisory recommendation, carry out review of financial

statements, and if needed the SPI will carry out special examinations and perform other task of assigning provision to statutory regulations.

There are also authority and responsibilities of SPI i.e. to compile, change and carry out internal audits including determining the determination and scope of their work as an internal auditor, have access to all documents, records, personal and physical, as well as information regarding the object of the audit being carried out in order to obtain data and information, test carried out by the system, hold regular and incidental meetings, coordinating and assisting internal government and external supervisory officials. SPI is responsible for providing analysis, recommendations, consultation and information related activities being audited.

Lacking of personnel and qualifications in SPI team might affect the program implementation. According to previous research in Manado, SPI team have important role and function in hospital. Therefore, it is needed to fullfill the number of personnel on SPI team and also continuously improve their qualifications related to their role through training or workshop related to internal audit.⁸

SPI doing routine and special inspection program. In routine program, the program planned for a period of one year in the form of an annual examination plan that has been approved by the Head or Director of the hospital. In special inspection program, the program is not planned or is sudden outside the work plan on the orders of Head or Hospital Director.

After the establishment of the SPI in 2012, the next chairman and secretary were sent to take part on the technical guidance of SPI team in Malang with the theme "Increasing the competence of SPI Hospital". The follow-up after training was that order SPI Team member studied the SPI modules and guidelines, but this was felt to be insufficient.

The informant stated:

"After the appointment of personnel by the director, the chairperson and secretary attended technological training for training the SPI team to increase competence of SPI Hospital in 2012 in Malang. The members have read the guide but haven't taken action because there is no power and also because of double jobs " (Informant 1,2)

Informants complained that they had read the guidelines from the training results, but they did not understand well. This is because besides the audit material being studied is too technical in accounting, and they are busy with daily tasks at their respective installations.

In its operations, SPI is located and is responsible to the director, but in reality the duties of SPI have not been able to do well, because of it meets the institutional requirements of BLUD. Informant 1 and 2 stated :

" SPI is under the hospital director. Currently, the working mechanism with the director is limited to support because of the mandatory requirement as a BLUD hospital and the only important thing is SPI. The findings and recommendations will be delivered at the coordination meeting on Monday or Thursday as well as at structural meetings. But it hasn't been able to run yet...only the beginning of its establishment and in 2015 after there was a decree because there were new personnel.." (Informant 1 and 2)

" SPI is indeed assigned to carry out examinations according to its main duties and functions. However, at this time it is not going well. His job is still concurrent. If the establishment of a special team, it requires many consequences of new position and budget" (Informant 3)

The dual task load of the SPI team caused obstacles in the implementation of audit inspection activities, because all of team members were busy with daily task in their units. So that, the SPI activities have not happen until now.

“ SPI is an additional task because of each personel already has main duties, include of the finance, general, and staffing departments, planning, functional doctors, and nursing services. SPI in one semester only carries out one activity, for example evaluating goods procurement activities that are carried out between main jobs”

In practice, when supervision cannot done, only a risk analysis has been conducted, and other controls have not been carried out. The informat stated:

“ So far, SPI has only carried out the task of analyzing the risk plan but has not yet reached the map, only knowing that the risk has not reached its category, and SPI has not dared to develop human resources due to the constraints of authority and power of each SPI personnel “

Within the scope of SPI's work implementation, there are at least 3 audits and assesments i.e audit evaluation of compliance and quality effectiveness of operational management and support duties implementation, assessment of the effectiveness and efficient of the use of available infrastructure, and assessment of the use and benefits of an activity or program.⁹

However, in practice the SPI in RSUD X only focuses on administrative management and monitoring. This was confirmed by the director that the internal audit need to improved.

“ The focus of SPI implementation is on administrative management, providing alternative suggestions and monitoring “ (Informant 1)

“ In the future we will empower the SPI function even more....it takes time and preparation. The hope of the existence of SPI is to have a chairman who is authorized and has power to carry out the main tasks and functions properly. Because currently SPI still cannot enter all units because it is still considered not important and especially regarding the doctors performance, it is not brave. So that the hope SPI can be held from management and more authorized. It also requires affirmation and authority from director.”

The development of an internal inspection is important for RSUD that implement BLUD. The Association of Healthcare Internal Auditors (AIHA) determines that the capacity of the SPI staff should ideally have capabilities in the scope of able to carry out risk assessments and determine the level of risk, understand laws and regulation, establish policies for specific issues or areas, educate and make awareness of policies and procedures, monitor legal compliance, regulations, and policies, auditing the highest risk areas, and educate staff on the regulations and issues identified in the audit.¹⁰ During pandemic, the internal audit team also responsible to prevent fraud especially related to the healthcare services, financial activities, and also the implementation of health protocols among the healthcare workers in the hospital.¹¹ While in Soeharso Ortopedic Hospital Surakarta, the internal audit team also have important role to prevent corruption in the hospital.¹²

The role of internal audit for hospital good governance will function as the main control to prevent early symptoms or problems that occur to be given improvements in order to improve services to the community.¹³ A well executed management audit is proven to have an effect on hospital employees performance.¹⁴ This role will ultimately ensure the achievement of organizational goals i.e operational effectiveness and efficiency, financial reporting reliability and compliance with laws and regulations.¹⁵ The SPI team which working well will support the implementation of good governance regional public hospital as mandated by Public Service Agency. Beside the internal audit team in the hospitals, it is important to build good collaboration with other stakeholder to optimize the internal audit program in hospital. Research in Yogyakarta stated that the high commitment and good cooperatition between internal audit team in hospital and the

Provincial/District Supervisory Agency is needed to achieve the objective of internal audit in hospital also improving the service quality in hospital.¹⁶

By conducting internal audit will improve the quality of service. So, It is important for every hospital management to increase the quality of service. This fact that internal audit in principle is to increase effective implementation, presenting reports and recommendations on improving efficiency and effectiveness of budgetary organizations.¹⁷ Previous research in RSUD Kota Banjar also stated that implementation of internal audit in hospital have positive influence towards the quality of hospital financial report. If the internal audit were managed well, it would improve the quality of the hospital financial report.¹⁸ Therefore, the internal audit department is fundamental in the performance of the internal control systems of public hospitals.¹⁹

As this result stated before that SPI only carried out the task but they not dared to develop human resources due to the constraints of authority and power. So, the management should to encourage all the members of SPI. *It is because of* audit can be posited to increase accountability and improve the quality of hospital care through systematic monitoring and evaluation. And on the other hands that audit can be an instrument that encourages healthcare professionals to provide each other with feedback, as well as to raise issues with leaders and become engaged in the governance of the organisation.²⁰

CONCLUSION

Based on the research, it can be concluded that SPI in regional public hospitals play very important role in supporting operational governance towards good governance as mandated by BLUD regulations. However, it is known that the existence of SPI has not functioned ideally

because the establishment of SPI is more aimed to fulfill the the legality of the organization as a BLUD and SPI team does not have sufficient competence as an auditor. The other problem are double jobs in SPI team, lack of authority and power, and the existence of obstacles in psychological burden in conducting inspection. There is no special award as an SPI team and no specific instructions from the director to active and do the SPI function and role. For recommendation, it should specific SPI team, providing award in the form of honorarium or incentives, improve the SPI team competence, improve the openness from all staff to provide the SPI team work on auditing all units. It also requires to empower the SPI team through reporting of work results in monitoring and coordination meetings.

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