

EVALUATION OF LOCAL PUBLIC SERVICE AGENCY FINANCIAL MANAGEMENT PATTERN (PPK-BLUD) IMPLEMENTATION AT PUSKESMAS IN KARANGANYAR REGENCY

Sutaryo^{1*}, Taufiq Arifin², Y Anni Aryani³, Isna Putri Rahmawati⁴, An Nurrahmawati⁵
Accounting Department, Faculty of Economics and Business, Universitas Sebelas Maret, Surakarta^{1,2,3,4,5}
E-mail: sutaryo@staff.uns.ac.id¹ taufiqar@staff.uns.ac.id² y_anniaryani@staff.uns.ac.id³
isnaputrirahmawati@gmail.com⁴ annurrahmawati@gmail.com⁵

Abstract: This study aims to evaluate the implementation of the Local Public Service Agency Financial Management Pattern (PPK-BLUD) at Community Health Center (Puskesmas) in Karanganyar Regency. This research uses secondary data from documentation of local financial management regulations, organizational structure and profile of BLUD, financial management documents, unaudited and audited financial statements, as well as management letters from the audit of BLUD financial statement. Our analysis was carried out with an in-depth overview of PPK-BLUD implementation that has been running until 2023 and evaluating its implementation based on the applicable regulations and best business practices. This research found that the implementation of PPK-BLUD at Puskesmas in Karanganyar Regency has been implemented quite well in terms of legality, human resources, and the BLUD financial management process. However, there are still several limitations in terms of human resources competency in the financial sector, there are no technical regulations, and coordination and review are not yet optimal. Due to the limitations still being faced, the BLUD Puskesmas in Karanganyar Regency is recommended to develop technical regulations for BLUD financial management guidelines, increase human resources and/or provide adequate training, as well as improve coordination, monitoring and review with vertical agencies. Finally, it can be expected that the implementation of PPK-BLUD will be more established, orderly, and accountable.

Keywords: *local government, BLUD, financial management, evaluation.*

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1. Introduction

In line with bureaucratic reform in Indonesian government, public service has become one of the main focuses considering that it is the main function of government both from the central to local government levels (Sandiasa & Agustana, 2018). At the local level, the Local Public Service Agency (BLUD) has been seen as a solution to improve the quality of public services, including in the health sector as a mandatory function. The Government of Karanganyar Regency has a great attention towards accountability in local government financial management. Following regulatory mandates from the Ministry of Home Affairs, the Government of Karanganyar Regency also set that the financial management pattern of Puskesmas, which initially had the status of a Working

Unit (*Unit Satuan Kerja* or *Unit Satker*), was changed to Local Public Service Agency Financial Management Pattern (PPK-BLUD). This policy has a significant impact on the way Puskesmas manage their financial resources by being given flexibility as compared to Working Units. The goal is to be more responsive in providing health services (Hakim, 2021). However, this policy carries several administrative consequences that must be fulfilled by the Puskesmas in taking responsibility for flexible financial management (Parianti et al., 2023). Implementing PPK-BLUD requires a series of ideal processes and preparations (Widaningtyas, 2018), especially to fulfill aspects of legality, human resources, and managing the implementation of BLUD financial management. In this case, BLUD Puskesmas as an agency with a small size is predicted to face various challenges from various aspects in implementing the BLUD financial management pattern. The existence of several significant regulations passed by the government in the last few years which BLUD Puskesmas must also follow also play a role in adding to the complexity of financial management of BLUD Puskesmas. These regulations include Minister of Home Affairs Regulation (Permendagri) Number 79 of 2018 concerning Local Public Service Bodies (BLUD), Minister of Home Affairs Regulation Number 77 of 2020 concerning Technical Guidelines for Local Financial Management, Decree of the Minister of Home Affairs Number 900 of 2023 concerning Verification and Validation Results of Classification Updates, Codification and Nomenclature of Local Development and Financial Planning. Apart from that, there are changes to the mechanism for managing Health Operational Assistance Funds (BOK) from the Ministry of Health as regulated in Minister of Home Affairs Regulation Number 12 of 2023 concerning Management of Puskesmas BOK Funds in Local Governments. These various regulations increasingly require BLUD Puskesmas to become an agency that is able to be accountable for its financial management independently in the context of health services for the community. Apart from that, BLUD Puskesmas are also required to prepare financial reports which are regulated in accordance with Government Accounting Standards (SAP) (Ramadhani & Sulistyowati, 2022). Furthermore, financial reports prepared by BLUD Puskesmas are also required to be audited by an external auditor, namely the Public Accounting Firm (KAP) (Abdullah et al., 2023).

The implementation of PPK-BLUD as a new policy requires an evaluation as an effort to correct and improve it so that it develops for the better. Having an evaluation is crucial for the implementation of PPK-BLUD, including the BLUD Puskesmas in Karanganyar Regency. This research aims to provide an overview of the implementation of PPK-BLUD at Puskesmas in Karanganyar Regency and evaluate its practice by referring to applicable regulations and best business practices.

2. Review of Literature

New Public Management (NPM) Concept

Paradigm changes in government management with the emergence of the new public management (NPM) concept have encouraged improvements in the performance of public service institutions (Sugiyono, 2021). The paradigm shift highlighted in the Osborne & Gaebler (1992) article emphasizes the concept of reinventing government. This concept encourages bureaucracy to be carried out with a corporate approach, which clarifies the relationship between service providers and recipients. In Indonesia, NPM is in line with decentralization policy that occurred after the implementation of the Local Autonomy Law, where this policy encourages more effective and efficient bureaucratic management by reducing obstacles in the bureaucratic chain (Harun et al., 2019). In practice, the manifestation of the NPM concept is realized through PPK-BLUD at the local level. With the PPK-BLUD system, financial management becomes more independent and flexible as an effort to improve public services quality.

Local Public Service Agency Financial Management Pattern (PPK-BLUD)

Minister of Home Affairs Regulation Number 79 of 2018 explains the definition of BLUD as a system implemented by technical units of local agencies/agencies in providing services to the community that has flexibility in financial management patterns as an exception to local management provisions in general. The main benefit of a technical/service unit that becomes a BLUD is the flexibility in financial management as an exception to local financial management regulations in general. The implementation of BLUD at Puskesmas can help health service providers to be more freely in implementing healthcare programs in accordance with the local need within the community in their working area (Sulistyowati et al., 2023).

3. Research Method

Research Design

This study is a qualitative descriptive research. The paper analyzes and presents information related to the systemic description of the research object to be more easily understood and concluded (Sekaran & Bougie, 2016). Descriptive research does not aim to test hypotheses, but is limited to descriptions of the objects that are being studied. This research seeks to provide an overview regarding the implementation of PPK-BLUD at Puskesmas in Karanganyar Regency. The analysis is carried out systematically covering several aspects, namely: legal, human resources, planning and budgeting, administration and financial reporting. We analyze the ongoing practices and evaluate the practices based on applicable regulations and best business practices. In this way, relevant recommendations can be developed and submitted to improve the implementation of PPK-BLUD at Puskesmas in Karanganyar Regency.

Research Objects and Data

Our research objects cover all BLUD Puskesmas in Karanganyar Regency with a total of 21 BLUD Puskesmas. The time setting of the study is limited from the beginning of PPK-BLUD implementation until 2023. This research data is secondary data obtained from BLUD Puskesmas in Karanganyar Regency in the form of local financial management regulations, organizational structure and profile of BLUD Puskesmas, financial management documents, unaudited financial statement, audited financial statement, and management letter as a supplement to BLUD financial statement audit.

4. Results and Discussion

Evaluation of Legal Aspects

Karanganyar Regency has established a regulation as a basis to implement PPK-BLUD at Puskesmas since 2018 with the issuance of Karanganyar Regent Regulation Number 82 of 2018 concerning Local Public Service Agency Financial Management Pattern for Community Health Centers. There are 21 Puskesmas in Karanganyar Regency, all of which are designated to implement PPK-BLUD referring to this regulation. The Government of Karanganyar Regency then also provided regulatory support for financial management using PPK-BLUD for Puskesmas by establishing local level regulations, namely Karanganyar Regent Regulation Number 124 of 2019 concerning Accounting Policies at Local Public Service Agencies (Local Public Hospitals and Community Health Centers). However, more detailed regulations on BLUD financial management still need to be prepared. It is recommended that the Government of Karanganyar Regency prepare more detailed regulations such as systems and procedures as well as technical guidelines/instructions for managing BLUD Puskesmas for a more orderly and consistent implementation of BLUD financial management.

Evaluation of Human Resources

Human resource is one of the most important aspects in financial management, including in government institution. The implementation of PPK-BLUD at BLUD Puskesmas in Karanganyar Regency has been followed up by the formal appointment of financial management personnels. The organizational structure has also been formally determined and implemented according to each respective task. However, there are still several limitations within the implementation. Human resources that perform financial management functions of BLUD Puskesmas are mostly performed by human resources with an educational background in the health sector such as doctors, pharmacists, and nurses. There are limited human resources with a background in accounting and public finance. Apart from that, not every BLUD Puskesmas has an accounting officer. Until 2023, the number of BLUD Puskesmas that has accounting officers is still at 15 BLUD from the existing 21 BLUD Puskesmas. Due to these limitations, financial management functions from planning, budgeting, administration, accounting, and reporting are carried out by the employees with non-accounting and public finance competency and capability. Apart from the issue of human resource competency and capability in the fields of accounting and public finance, the duty as BLUD financial management personnel is also an additional task. The main task for these employees is actually as public health service provider. Thus, performing financial management function as an additional task make it more likely to be hampered, either due to time constraints or lack of adequate understanding.

Limited human resources in the government accounting/finance field is indeed one of the obstacles to public sector reform in Indonesia (McLeod & Harun, 2014). This limitation is also experienced by other regions in implementing PPK-BLUD for Puskesmas (Maulia et al., 2022). The limitations in human resources aspects that are still experienced by the BLUD Puskesmas in Karanganyar Regency can certainly hinder efforts to carry out the ideal financial management implementation process. Thus, this matter needs to be a significant concern for the BLUD Puskesmas and the coordinating vertical agencies. First, adequate knowledge regarding government accounting and finance is needed in financial management such as Financial Management Officers, Revenue Treasurers, Expenditure Treasurers, Property Managers, and Accounting Officers. Secondly, having double duties as a health service provider and financial management personnel is also not ideal for BLUD financial management.

Due to the limitations that exist in the human resource aspect of the BLUD Puskesmas in Karanganyar Regency, relevant solutions are needed to accommodate the obstacles. In this case, BLUD Puskesmas in Karanganyar Regency can consider recruiting additional human resources with accounting and public finance competency if the budget is available. Apart from that, BLUD Puskesmas in Karanganyar Regency can also provide relevant training and education for current human resources, either through self-organized training and education or inviting external experts. More specifically, the trainings can be emphasized on the areas of government accounting and finance competency.

Evaluation of Financial Planning and Budgeting

The budget (RBA) preparation in BLUD Puskesmas in Karanganyar Regency is not fully adequate regarding both the revenue and expenditure budgets. Several aspects are needed to be improved because of the following reasons: (a) The budget does not fully include the PPPK salary expenditure component of which funding comes from local government budget (APBD) so that the budgeting process need to be communicated better with the Karanganyar Health Service Office; (b) The budget for expenditure on goods and services does not fully include expenditure on goods (medicines) or transfer of supplies from the Karanganyar Health Service Office, which

is realized through the APBD mechanism; and (c) The capital expenditure budget has not included fixed asset capital expenditure which is transferred by the Karanganyar Health Service Office whose expenditure funding is through the APBD.

These limitations in planning and budgeting should be followed up by improving the quality of coordination between BLUD Puskesmas in Karanganyar Regency with the Karanganyar Health Service for budgeting of expenditures, both goods and services expenditures and capital expenditures of which funding is from the APBD. Thus, the budget of BLUD Puskesmas in Karanganyar Regency can cover the entire expenditure budget, whether funded by BLUD or APBD funds.

Evaluation of the Implementation and Administration of Revenue and Expenditures

The administration of BLUD Puskesmas revenue and expenditure in Karanganyar Regency is based on SE DIRJEN KEUDA Number: 981/4092/Keuda of 2020 concerning the Financial Management Guidelines for BLUD. However, administratively, the implementation and administration of BLUD Puskesmas expenditure in Karanganyar Regency has not fully meet the regulation because it has not implemented expenditure mechanisms using petty cash (*UP* and *GU*) and direct transfer (*LS*). Apart from that, BLUD Puskesmas in Karanganyar Regency are also not yet equipped with local level regulations governing Systems and Procedures or Technical Instructions for managing BLUD finances. It is necessary to regulate consistent procedures for administering revenue, expenditure, and assets. Furthermore, BLUD Puskesmas in Karanganyar Regency still does not have a specific bank account for expenditure treasurers.

Due to the limitations in expenditure administration, it is recommended that BLUD Puskesmas in Karanganyar Regency to fully implement the expenditure mechanism following the regulation. BLUD Puskesmas in Karanganyar Regency are also recommended to prepare guidelines or technical instructions for managing BLUD finances. The preparation of these regulations can be coordinated with the Karanganyar Regency Health Service. With these guidelines, it is hoped that the implementation of revenue and expenditure can be fully in accordance with the SE DIRJEN KEUDA Number: 981/4092/KEUDA of 2020 concerning Guidelines for BLUD Financial Management. In addition, it is recommended that the Community Health Center BLUD in Karanganyar Regency open a bank account for the expenditure treasurer which is very important to carry out urgent expenditure which must be paid immediately by the expenditure treasurer.

Evaluation Financial Reporting

BLUD Puskesmas in Karanganyar Regency has been preparing financial statement since 2019. The financial statement prepared refer to PSAP Number 13 concerning Presentation of BLU Financial Statement. The financial statement of BLUD Puskesmas in Karanganyar Regency have also been audited by external auditors, namely by the Public Accounting Firm (KAP) since 2019. The opinions given on the financial statement of BLUD Puskesmas in Karanganyar Regency are Qualified Opinion (WDP) in 2019, Unqualified Opinion with Explanatory Paragraphs (WTP-DPP) in 2020 and 2021, and Unqualified Opinion (WTP) in 2022 and 2023. Even though it has obtain a unqualified opinion. Since 2020, financial reporting at BLUD Puskesmas in Karanganyar Regency has begun to be supported by the EBLUD information system to help with more accurate and timely reporting. In practice, financial reporting at BLUD Puskesmas in Karanganyar Regency has been well established in preparing cash basis financial statement with the EBLUD information system. Thus, all cash basis transactions have been properly recorded and reported. However, reporting on an accrual basis is not completely established.

One of the reasons why accrual-based reporting has not yet been established is the long process of inventory and fixed assets reconciliation between BLUD Puskesmas, Karanganyar Regency Health Service Office, and Local Financial Agency (BKD). There are several consequences of the long reconciliation process. The reconciliation process that has not been completed until the preparation of unaudited financial statement means that several items in the Operation Statement and Balance Sheet has not presented the most update balance. Therefore, several adjustments are required in the audit process of the BLUD financial statement due to the following reasons:

1. There are supplies provided by the Karanganyar Regency Health Service Office that has not been recognized by BLUD Puskesmas in the unaudited financial statement. It is because the inventory reconciliation process has not been completed. This causes the amount of Revenue-LO presented in the Operation Statement to be too small (*understated*).
2. The calculation of the inventory expense in BLUD Puskesmas in Karanganyar Regency has not been conducted through full reconciliation so that the inventory items presented in the Operation Statement and the inventory presented in the Balance Sheet may be too large/small (*overstated/understated*).
3. BLUD Puskesmas in Karanganyar Regency has not fully recorded the transfer of fixed assets from other Working Units because the fixed asset reconciliation process has not been completed. As a result, the presentation of several financial statement items is too small (*understated*), namely the Revenue-LO item presented in the Operation Statement and the fixed assets item presented in the Balance Sheet.
4. The amount of depreciation and amortization expenses presented in the Operation Statement of BLUD Puskesmas in Karanganyar Regency is still too small (*understated*) because reconciliation process has not been completed with the Health Service Office and the Karanganyar Regency Local Finance Agency.
5. There was a write-off of fixed assets that has not been recorded by BLUD Puskesmas in Karanganyar Regency because the reconciliation of fixed assets had not been completed. Specifically for this point, the case only occurred in a few Puskesmas of which fixed assets were written off.

Furthermore, several minor errors were still found in the presentation of BLUD financial statement at several Puskesmas. One of the examples is the presentation of current liability because the recording is still based on nominal bills that have not been *updated*. Apart from that, errors in the recording service expense accounts sometimes still occur which require reclassification. These things still happen because of the limited understanding in the fields of accounting and government finance by the human resources. Moreover, the review of financial statement is also still inadequate. The review of accounting and financial reporting processes is very important to ensure accountability of financial statement. However, the review process has not been carried out adequately, either by the Karanganyar Health Service Office or by the Local Finance Agency. BLUD Puskesmas in Karanganyar Regency need more review in the process of planning, administration, accounting and financial reporting. Therefore, it is recommended to increase the financial reporting review to minimize errors that may occur.

5. Conclusion

The Government of Karanganyar Regency has implemented PPK-BLUD for all Puskesmas under its authority. The legal aspect of PPK-BLUD implementation has been fulfilled by local level regulations. The existing supporting regulations still only cover BLUD accounting policies as they are not yet equipped with more technical regulations. In terms of human resources, all required

financial management human resources have been formally appointed but still face limited competency in the field of accounting and financial reporting. BLUD Puskesmas also still experiences a few obstacles in planning and budgeting. Nevertheless, the administration of revenue and expenditure has been carried out quite well although BLUD Puskesmas has not implemented the use of petty cash (*UP* and *GU*) and direct transfer (*LS*) mechanisms in processing the expenditure. Furthermore, financial reporting has been carried out quite well as indicated by the unqualified opinion from auditors in the last 2 years.

Based on the evaluation results, the BLUD Puskesmas in Karanganyar Regency is recommended to: (a) prepare technical regulations related to the implementation of PPK-BLUD such as systems and procedures as well as technical guidelines/instructions for BLUD financial management; (b) recruit new human resources with competency in government accounting/finance to fill financial management positions and provide training for BLUD financial management human resources; (c) open a bank account for treasurer's expenditure and implement *UP*, *GU* and *LS* expenditure mechanisms; and (d) improving coordination, monitoring and review between BLUD, Karanganyar Health Service Office, Local Finance Authority, and Local Inspectorates within financial reporting process.

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