

# *Analysis of Internal Business Plan Control at the Regional Water Utility Company in Gianyar Regency*

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## **ABSTRACT**

This research is motivated by the importance of internal control in a business plan in planning procedures and policies to achieve operational efficiency and effectiveness and financial reports. This study aims to analyse the internal control of a business plan, so that internal control is carried out according to the need to create a conducive control environment in the hope that the work program of each unit and division can create an accountable system in achieving goals in accordance with the established work plan in the Business Plan and Annual Work Plan. The data was collected by means of observation, questionnaires and document recording. The method used is quantitative methods with an associative approach. The collected data were processed using a quantitative approach with a descriptive format. The analysis technique used to analyse the data is the Structural Equation Model-Partial Least Square analysis. The results of the research prove that in the financial aspect, a reliable business strategy is needed as an effort to increase income by allocating resources effectively. In the operational aspect, the management of source and production installations is optimized to increase the productivity of the installation and make efforts to reduce the level of water loss periodically as well. Performance on the financial and operational aspects as indicated by the health level of The Regional Water Utility Company which is assessed by the Agency for the Improvement of the Implementation of the Drinking Water Supply System, gets a score of 3.56 and is classified as "Healthy". Compared to 2017 there was an increase in the value of the health level by 0.18 from 3.38.

**Keywords:** *Financial aspects, Internal control, Operational aspect*

## **1. INTRODUCTION**

Internal control is a plan, method, procedure and policy designed by management to provide adequate assurance for the achievement of operational efficiency and effectiveness, reliability of financial reporting, security of assets, compliance with laws, policies and other regulations [1]. Reference [2] states that internal control is a process, which is influenced by the board of commissioners, management and other personnel in an entity, which is designed to provide sufficient assurance to achieve a goal. There are several objectives of internal control, which are to check the accuracy and reliability of financial reporting, safeguarding organizational assets and records, compliance with laws, effectiveness and efficiency of operations [2]. Management regulations should have accurate information and can be accounted for in carrying out activities and decision making. Company assets are a means for the success of the company, therefore it needs to be protected with

adequate supervision so as not to get lost or lost from misuse and theft. This can also occur at intangible prices such as: invoices, important documents (contracts and books). Each internal control is expected to provide reasonable assurance that rules and procedures are followed to achieve company goals. Control in a company is to prevent unnecessary work, waste in every effort and test any inefficient use of resources. The main objective of the internal control structure can be fulfilled by good control, with good accounting controls and administrative controls.

Water is a basic human need which must always be available in everyday life, both for consumption, washing and for bathing. The availability of clean water is highly expected by the community to support their daily activities which cannot be separated from water needs. To meet the needs of clean water, the community can use water sourced from wells and the services of Drinking Water Companies in various regions. The existence of Drinking Water Companies in various

regions is a government company whose management is under the responsibility of the local government which is expected to serve the community, but in reality not all government organizations engaged in drinking water services can meet the needs of clean water as expected by the community. This situation can occur because the purpose of the regional water utility company, apart from serving the community, must also carry out its function as a profit-oriented company. The success of management in the company's operational activities can be measured from the results of the company's operations which are often referred to as company performance. Reference [3] states that performance appraisal is an evaluation that is carried out periodically and systematically about work performance and potential development. Similarly, stated by [4] performance appraisal is an action taken from various activities in the value chain that exist within the company. Generally, performance appraisals use financial information which is widely used to measure company performance. In particular the regional water utility company must also submit a performance report in accordance with Kepmendagri No. 47 of 1999 concerning guidelines for assessing the performance of the Regional Water Utility Companies consisting of financial aspects, operational aspects, technical aspects and management aspects.

*Business Plan* for the local public company Tirta Sanjiwani Water Utility in Gianyar Regency which was prepared for 2019 to 2023 is a guide in running the company's operational wheels for the next five years as stipulated in the Minister of Home Affairs Regulation Number 118 of 2018 concerning *Business Plans*, Work Plans and Budget, Cooperation, Reporting and Evaluation of Regional Owned Enterprises. This Business Plan aims to guide stakeholders in implementing the Vision and Mission of the Tirta Sanjiwani Public Company in Gianyar Regency for the next five years. The role of the Business Plan will be very important when preparing the Company's Annual Work Plan and Budget, where the programs in the Business Plan will be implemented in the annual plan document. The preparation of the Business Plan involved the entire board of directors and all branch heads, the head of internal supervisor, the head of research and development and the head of the division as well as employees of the Tirta Sanjiwani regional public company, Gianyar Regency. The goal is that all management components, from the highest to the lowest managerial level, can understand and be able to use it as a guide so that operations remain in the direction of the vision and mission formulated by the board of directors.

*Business plans* are also very much needed as a guide in the preparation and control of operational work plans and annual budgets. With a good and integrated *Business Plan*, it is hoped that the operations of regional public companies for the next five years can achieve the desired

goals, while still paying attention to the principle of business going concern. The Business Plan is a guideline for company development that is drawn up for a period of five years which is prepared by taking into account the conditions, potentials, opportunities and constraints faced by the company as well as the dynamics of business development in its environment. The Business Plan contains the strategies and programs needed to realize the company's main vision and mission, which are determined by taking into account the external conditions and dynamics faced as well as the competencies, capacities and resources of the regional public Tirta Sanjiwani company water utility, Gianyar Regency. In addition, an adequate inter-environmental control system also needs to be implemented starting from the board of directors to the staff in order to create a conducive control environment in the hope that the work program of each unit and division can create an accountable system in achieving goals in accordance with the work plan stipulated in the Business Plan and Annual Work Plan. Careful planning according to the needs in each unit/branch is essential to realize the expectations of the entire board of directors and management so that the performance of the local public company Tirta Sanjiwani water utility, Gianyar Regency can be achieved in accordance with expectations which include financial aspects, operational aspects and administrative aspects also need to be rationally stated in the Business Plan.

So far, in carrying out and compiling and controlling operational work plans and annual budgets, internal control is also carried out in the implementation of the system. However, there is no reference to applied internal control. For this reason, this study aims to analyse the internal control of a business plan, so that internal control is carried out according to the need to create a conducive control environment in the hope that the work program of each unit and division can create an accountable system in achieving goals in accordance with the work plan stipulated in the Business Plan and Annual Work Plan.

## **2. LITERATURE REVIEW**

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### 3. METHOD

The data was collected by means of observation, questionnaires and document recording. The method used is a quantitative method with an associative approach, because there are variables to be examined and the purpose is to present a structured, factual and accurate picture of the facts of the relationship between the variables studied. The collected data were processed using a quantitative approach with a descriptive format. The quantitative method aims to test general theories to produce specific findings, the data collection process uses research instruments, quantitative data analysis, while the descriptive format aims to explain situations that arise in the research object [5] The analysis technique used to analyze the data is the Structural Equation Model-Partial Least Square (SEM-PLS) analysis.

The data used in this study can be divided into two, namely qualitative data and quantitative data. The qualitative data comes from conducting field surveys, both through research instruments and in-depth-interviews. The collection was collected directly by the researcher [6]. As for [7] ; [8] stated that qualitative data were obtained through in-depth interviews, observation and content analysis. This method is used in order to obtain data in accordance with the research objectives. Quantitative data is sourced from (1) primary data, namely the results of structured interviews with respondents using a prepared list of questions; (2) Secondary data, namely, data collected by agencies, especially agencies related to this research. Secondary data as supporting data in the form of existing statistical data. [9] states that secondary data is data that refers to information collected from existing sources. The sampling technique used purposive sampling, which is a sampling technique to determine the research sample with certain considerations in order that the data obtained later can be more representative, the sample is not taken randomly but the researcher determines the sampling himself because there are certain considerations [5] The samples in this study were the President Director, General Director, Technical Director, Three Supervisory Members, 50 Staff who had attended training in improving Human Resources and finance in the regional public company Tirta Sanjiwani Water Utility, Gianyar Regency Bali Indonesia, totalling 60 respondents.

## 4. RESULTS AND DISCUSSION

### 4.1. Validity Test Results

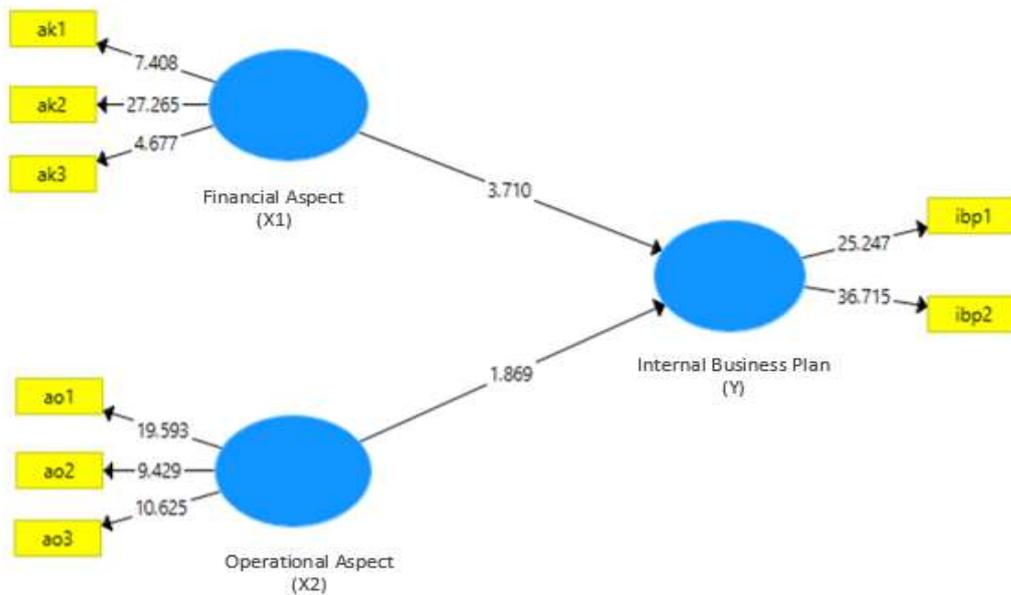
For the purposes of testing the validity and reliability, the questionnaire item can be tested on 20 to 30 prospective respondents. However, this study was determined by researchers as many as 30 prospective respondents. The criterion for testing the validity is to compare  $r_{\text{count}}$  dengan  $r_{\text{table}}$ , at a significant level of 95% or  $\alpha = 5\%$ . According to [10] The question item is called valid if the question item has  $r_{\text{count}} > r_{\text{standard}} = 0,30$ . In this case, that is meant  $r_{\text{count}}$  for each question item, is the correlation coefficient *product moment* between the scores of each item with the total score of all items denoted by *Corrected Item Total Correlation* on the calculation results of the SPSS program for each question item from a variable. [11] All research variables were measured by 18 statement items. Furthermore, based on the results of Statistical Product and Service Solutions version 26.0 processing, a coefficient is obtained  $r_{\text{count}}$  (*Corrected Item-Total Correlation*) of the 8 variable items are shown in Table 1.

**Table 1.** Corrected Item Total Correlation,  $r_{critical}$

Questionnaire Items	$r_{count}$ (Corrected Item-Total Correlation)	Score $r_{critical}$	Information
ak1	0,745	0,30	$r_{count} > r_{critical}$ ; Valid
ak2	0,799	0,30	$r_{count} > r_{critical}$ ; Valid
ak3	0,799	0,30	$r_{count} > r_{critical}$ ; Valid
ok1	0,853	0,30	$r_{count} > r_{critical}$ ; Valid
ok2	0,758	0,30	$r_{count} > r_{critical}$ ; Valid
ok3	0,790	0,30	$r_{count} > r_{critical}$ ; Valid
ibp1	0,842	0,30	$r_{count} > r_{critical}$ ; Valid
ibp2	0,842	0,30	$r_{count} > r_{critical}$ ; Valid

**Table 2.** Cronbach's coefficient

Variable	Koefisien Cronbach's Alpha	Critical value	Information
Financial Aspect (X1)	0,887	0,60	<i>Cronbach's Alpha</i> > critical value; <i>Reliable</i>
Operational Aspects (X2)	0,893	0,60	<i>Cronbach's Alpha</i> > critical value; <i>Reliable</i>
Internal Business Plan (Y)	0,913	0,60	<i>Cronbach's Alpha</i> > critical value; <i>Reliable</i>



**Figure 1.** Figure and Research Results

Based on Table 2, you can see the magnitude of the coefficient *Cronbach's Alpha* for all variables greater than 0.60. This means that a list of statements (questionnaire). Financial Aspects, Operational Aspects and Internal Control Business Plan is reliable.

Accordingly, it lists the variable statements *Financial Aspects*, *Operational Aspects* and the Internal Control Business Plan which consists of 8 statement items that are reliable for measuring research variables.

#### 4.2. Internal Business Plan Control

In the financial aspect, a reliable business strategy is needed as an effort to increase income by allocating resources effectively. In addition, a saving strategy is also needed as a form of efficiency in operating expenses in order to increase operational profit which is the hope in the financial aspect. The increase in the service aspect is realized by improving the promotion and socialization strategy that is more attractive in order to increase the number of new customers and the number of water users of the local public company Tirta Sanjiwani Water Utility, Gianyar Regency. In the operational aspect, the management of source and production installations is optimized to increase plant productivity and make efforts to reduce water losses (*Non-Revenue Water*) also periodically evaluated. Apart from that the scale zone selection *District Meter Area* The priority and optimization of procedures for handling physical and non-physical water losses are continuously improved. The improvement of the human resource aspect is carried out by planning, budgeting and implementing a clear and directed improvement of the competence of human resources through both internal and external competency development programs.

Other steps taken to improve the financial and operational aspects are by; (1) To evaluate and reformulate business strategies that are more effective in optimizing the use of resources to increase revenue; (2) Making a comprehensive business plan to realize drinking water service in stages according to the available resources; (3) Efforts to mitigate the risk of cessation of production due to pump failure through careful planning efforts regarding backup pumps; (4) Plan and endeavour to build storage and treatment water production installations; (5) Carry out a more in-depth analysis of the distribution system/reservoir and distribution pipes required and identify system conditions and plan/budget for necessary repairs; and (6) Making strategic planning and implementing the process stages of applying new tariffs to minimize the difference between the selling price and the production price per cubic of water sold to customers.

The results of observations also show that internal control is an identification of internal capabilities,

namely the weaknesses and strengths of the local public company Tirta Sanjiwani Water Utility, Gianyar Regency. The identification of internal conditions is reviewed through performance conditions as well as evaluating several internal aspects such as evaluation of internal conditions, both financial and operational aspects. The financial aspects consist of; (1) Profit/Loss Statement, (2) Balance Sheet, (3) Cash Flow, (4) Return On Equity (ROE), (5) Operating Ratio, (6) Cash Ratio, (7) Billing Effectiveness, (8) Solvency, and (9) Government Participation which has not yet been determined. In the operational aspect, it consists of; (1) Raw Water, (2) Water Treatment Plant, (3) Transmission Unit, (4) Reservoir, (5) Production Efficiency, (6) Water Loss, (7) Service Operational Hours, (8) Water Pressure for Customer Connection and (9) Change of Water Meter. To ensure that water distributed to consumers meets health standards in accordance with the Decree of the Minister of Health 492/Menkes/Per/IV/2010, disinfection is carried out. In general, the disinfection process carried out in the drinking water supply system consists of 2 types, namely by injection of chlorine gas and adding chlorine. Chlorine dosing is usually done in reservoir and/or broncaptering. The chlorine injector (disinfectant) process is carried out in the Pump/Gravity Springs and Drilling Well systems in direct or gravity pumping systems. In an effort to ensure the quality of water for customers by monitoring water quality both in the production unit and in the customer unit. The results of the assessment of the work of the Tirta Sanjiwani Regional Water Utility Company in Gianyar Regency for 2018 were 69.38 with categories "Good" Compared to 2017 there was an increase in the performance value of 4.60 from 64.78. Details can be seen in Table 3.

Based on the performance report of the Tirta Sanjiwani Public Water Company in Gianyar Regency for 2018, it can be explained that the health level of the Drinking Water Company which is assessed based on the Agency for the Improvement of the Implementation of the Drinking Water Supply System, gets a score of 3.56 and is classified as "Healthy". Compared to 2017 there was an increase in the value of the health level by 0.18 from 3.38. Details can be seen in Table 4.

**Table 3.** Performance of the Tirta Sanjiwani Regional Water Utility Company in Gianyar Regency Based on the Assessed Aspects

Aspect	2018 grades	2017 grades	2016 grades
Finance	32,25	28,50	29,25
Operational	21,28	21,28	24,68
Administration	14,58	15,00	15,00
Amount	68,11	64,78	68,93

Source: Performance Report (2018)

**Table 4.** Performance of Tirta Sanjiwani Regional Water Utility Company Gianyar Regency Based on Assessed Aspects

Aspect	2018 grades	2017 grades	2016 grades
Finance	0,98	0,92	0,92
Service	0,80	0,85	0,85
Operational	1,27	1,14	1,14
Human Resources	0,51	0,47	0,47
Amount	3,56	3,38	3,38

Source: Performance Report (2018)

Good management in the financial aspect and in the operational aspect shows that the internal control of a business plan which is used as the basis for determining company strategies is by; (1) Providing the best service to the community by producing and distributing quality clean water in accordance with the provisions of the prevailing laws and regulations; (2) Improve company performance through efficiency management so that it can become an alternative source of Regional Original Income, without neglecting company development without burdening the community; and (3) Making use of developments in Information and Technology to improve the professionalism of Human Resources [12] states that the financial report is the final result of the accounting process which includes two main reports, namely the balance sheet which shows the financial position of a company at a certain time and the profit and loss report which shows the results of the company's activities in the long term certain time. [13] states that financial statements are basically the result of an accounting process that can be used as a tool to communicate between financial data or activities of a company and parties with an interest in company data or activities that are prepared with the intention of providing financial information for a company as a consideration in making decisions. These interested parties include management, owners, creditors, investors, government and other parties.

## 5. CONCLUSION

In the financial aspect, a reliable business strategy is needed as an effort to increase income by allocating resources effectively. Besides that, a saving strategy is also needed as a form of efficiency in operating expenses in order to realize an increase in operating profit which is the hope in the financial aspect. The increase in the service aspect is realized by improving the promotion and socialization strategy that is more attractive in order to increase the number of new customers and the number of water users of the local public company Tirta Sanjiwani Water Utility, Gianyar Regency. In the operational aspect, the management of source and production installations is optimized to increase the productivity of the installation as well as to periodically reduce the level of water loss (*Non Revenue Water*). In addition, the selection of priority zone scale *District Meter Area* and optimization of procedures for

handling physical and non-physical water loss is continuously improved. Good management in the financial aspect and in the operational aspect shows the internal control of the business plan which is used as the basis for determining the company's strategies, namely providing the best service to the community by producing and distributing high quality clean water in accordance with the provisions of the applicable laws and regulations, improving company performance through efficiency management so that it can become an alternative source of Regional Original Income, without neglecting company development without burdening the community and by taking advantage of developments in Information and Technology to increase the professionalism of Human Resources. Performance on the financial and operational aspects as indicated by the health level of the Drinking Water Company which is assessed by the Agency for the Improvement of the Implementation of the Drinking Water Supply System, gets a score of 3.56 and is classified as **“Healthy”**. Compared to 2017 there was an increase in the value of the health level by 0.18 from 3.38.

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