

# Analysis of the Operational Cost Budget as a Tool for Planning and Controlling Operational Costs at the Regional Water Company of Donggala Regency

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## ABSTRACT

The purpose of this research is to find out and analyze the procedure/mechanism of budgeting and the causes of the difference (variance) between the budget and the realization of operational costs that the PDAM of Donggala Regency has determined. The research method used is the descriptive analysis method and analysis of variance. The analysis of variance shows that in 2015 the total operating costs occurred unfavorable deviations with the percentage of -1.96%. In 2016 the total operational costs occurred unfavorable deviations with the percentage of -5.41%. In 2017 the total operational cost deviation occurred favorable with the percentage of 14.38%. In 2018 z total operating costs occurred deviations favorable with the percentage of 14.45%. In 2019 the total operational costs occurred deviation favorable with the percentage of 24.6%. Based on the analysis results that the deviations that occur between the budget and the realization of operational costs are still within the control limits, management can anticipate that the realization does not deviate far from the budget that has been set.

**Keywords** – Budget; Operational Cost Realization; Management Control

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## INTRODUCTION

PDAM is a company owned by a province or district or city that is engaged in the management and provision of clean water; it is also a company that is not only community-oriented but also oriented to generating profits. government to increase local revenue (1).

The Company Regional Air Drinking (PDAM) Donggala Regency is a business unit (organization) owned by the regional government that provides services that each activity requires budget, including an operational cost budget. To support the smooth running of activities within the company, it is necessary to have a policy regarding the budget so that revenues and expenditures run according to the expected targets, so budget preparation procedure must be made to make it easier to determine the steps of activities to be achieved in the future (2). Basically, the preparation of the budget aims so that the resources in company can be (3).

In the 2016 budget report at PDAM Donggala Regency, there was an increase in operational costs so that the budget set was not sufficient for the current year, and it was also seen that in 2019 operational costs decreased so that this budget was excessive, and this was due to the estimated budget that was too large for the company, of course, this was very profitable. For PDAM Donggala Regency but this makes phenomenon that occurs in the budget realization report that has been set so that there is also the phenomenon of variant budget realization reports that have been set by PDAM Donggala Regency, the rise and fall of operational costs that occur cause the phenomenon of budget estimates that seem less mature for taken into account first, of course, this is due to spikes in non-operational costs that are not taken into account or miss the estimate of budget realization being used as efficiently and effectively as possible.

As for the operational costs incurred by the Donggala Regency PDAM for the last five years (2015-2019) from opengamat, it can be seen that in 2015 the budgeted operational costs were Rp. 20,836,819,155, while the realization was Rp. 20,161,488,311, so that it was profitable at Rp. 675,330,844, or 3.2%. In 2016 the budgeted operational costs were Rp. 23,317,790,320, while the realization was Rp. 24,571,085,430, so it was not profitable at Rp. 1,253,295,110 or -5.37%. In e2017 the budgeted operational cost was Rp. 24,764,537,249, while the realization was Rp. 20,924,100,664, so that it was profitable at Rp. 3,840,436,585 or 15.51%. In 2018 the budgeted operational cost is Rp. 24,301,967,962, while the actualization is Rp. 19,330,177,932, so it is profitable at Rp. 4,971,790,030 or 20.46%. In 2019, the budgeted operational costs were Rp. 22,655,609,839, while the realization was Rp. 16,300,541,758, so it was profitable at Rp. 6,355,068.081 or 28.05%.

## **METHODOLOGY**

This research uses a case study research design, namely research that only focuses on one research object. While the method used in the research is descriptive research, that is, describing and explaining an object that is used is relatively structured, formal, the information used and obtained is clear (4).

The methods of data analysis used in this research are descriptive analysis methods and analysis of variances. Data processing through descriptive analysis methods is carried out using time series analysis. Time series analysis is an analysis from time to time which is carried out by analyzing operating costs budgets and the realization of these budgets from year to year (5).

## **RESULTS AND DISCUSSION**

### **Analysis and Evaluation of Operational Cost Budget Deviations against Budget Realization at PDAM Kabupaten Donggala**

PDAM Donggala Regency controls operational costs by conducting supervision, comparing the budget with the realization that occurs. Then to find out the deviations that occur, the authors analyze and evaluate operational costs, namely the author will describe the deviations that occur by comparing the budget and the realization that occurs.

Based on an analysis of the company x-budget Workplan (RKAP), which is compared with its realization on the elements of operational costs in the period 2015 to 2019, there are some unfavorable variances because of the realization of operational costs is greater than the budget. If there is an unfavorable difference that is too material, management is responsible for the low cost. To follow up on these deviations, the standard deviation that is still tolerated in PDAM district Donggala is 15%, both for excess and deficiency on the budget. The significant level can be used as a control tool for further policy.

Water Source Operation Cost, the realization is Rp. 3,194,452,340 while the budgeted amount is Rp. 3,667,657,117; this is due to the lack of use of auxiliary materials such as lubricants in pump operation.

Water Source Installation Maintenance Cost, Realization of Rp. 346,073,544 while the budget is Rp. 444,000,000; this is because the company minimizes maintenance costs and takes care of water resources intake (reservoir).

Realized Water Resources Depreciation cost of Rp. 343,805,807 while the budgeted q is Rp. 388,317,090; this is due to the maintenance of water pump sources.

### **Water Treatment Fee**

This group of estimates includes all operational and maintenance costs related to water treatment activities x treated:

Water treatment operating costs, 2015 the realization of water treatment operating costs was Rp. 717,224,034 greater than the budget of Rp. 674,330,047, this is due to the high cost of chemicals in the water treatment process and the use of fuel in its operations.

Water Treatment Plant Maintenance Costs, 2015 the realization of water treatment plant maintenance was Rp. 370,293,640 larger than the budget, which is Rp. 54,000,000; this thing happened because, in 2015, the company carried out maintenance on the installation and processing of liquids caused by flooding.

Depreciation Cost of Water Treatment Plant, the realized depreciation cost in 2015 was Rp.77,820,110 while the budget was Rp. 166,702,902, halwiniw caused by the absence of additional water treatment plants.

### **Transmission & distribution costs**

Transmission & distribution operational costs, in 2017, the realized transmission and distribution costs were Rp. 1,266,133,830 while the budget is Rp. 1,355,221,937; in 2015, the use of fuel costs was not realized, which was quite large in its operation.

Transmission & distribution maintenance costs in 2015 realized maintenance costs of Rp. 2,129,848,847 while the budget is Rp. 909,500,000; this is because the company did a lot of repairs for maintenance on service pipes, transmission distribution pipes. Transmission & distribution depreciation expense, the realization of Rp. 1,055,713,534 while the budget is Rp. 1,245,008,758; this is caused by the lack of damage to service pipes.

### **Administration and general fee**

Team member Cost, the realization of Rp. 6,012,026,957 while the budgeted amount is Rp. 6,168,764,557; this happened because, in 2015, the company reduced incentive payments for PDAM Donggala Regency employees.

Office costs, the realization is Rp. 521,640,657 while the budget is Rp. 411.600.000, this happened because of the procurement of atk and printed materials and high electricity costs.

Subscription Relationship Fee, this year's realization is Rp. 300,363,663 while the budgeted Rp. 387,136,779, this is due to the minimal account collection fees and meter maintenance costs.

Allowance for Receivables, allowance for receivables is a cost to accommodate the risk of uncollectible receivables such as water and non-water bills in the future. Realization in 2015 amounted to Rp. 1,242,751,594 while the budget is Rp. 1,495,014,560; this is due to the full collection of water arrears.

Research and Development Costs, in 2015, the realized research and development costs were Rp. 37,686,167 while the budgeted Rp. 42,000,000, this is because, in 2015, the company reduced the cost of mental and spiritual development of employees.

Maintenance costs, the realization of Rp. 742,710,950 while the budgeted Rp. 834 million, this is because the company does not perform maintenance on office buildings.

General costs, the realization of Rp. 1,151,349,406 while the budgeted Rp. 1,242,300,000, this is due to the non-realization of the increase in the salary of the Donggala Regency PDAM supervisory body.

Costs outside the business, this estimate accommodates the costs obtained from non-water factory fixed costs calculation, for example, bank administration costs and losses on the write-off of water receivables. This year's realization is Rp. 6,229,698, while the budget is 23,400,000 due to the lack of bank fees.

General Depreciation Cost, the realization of Rp. 651,593,231 while the budget is Rp. 271,864,442; the company does not perform maintenance on office buildings.

Based on the results above, it can be seen that the deviation of operational costs in 2015 was Rp. -386,899,821 or -1.96% of the budget.

Beneficial deviation : Cost of water source Rp. 615,642,516 Administration & general fee Rp. 209,728.015 Total favorable Rp. 825,370,531 Adverse deviation : The cost of water treatment is Rp. 270,304,835 Transmission & distribution costs Rp. 941,965,516 Total unfavorables Rp. 1,212,270,352 The comparison between the total favorable and unfavorable becomes the unfavorable deviation of (Rp. 825,370,531 - Rp. 1,212,270,352 = Rp. -386,899,821).

### **CONCLUSION**

The study concluded that the operational cost budget is a control tool to avoid wasting costs, in other words, to create cost efficiency. Then, the procedure for preparing the budget for PDAM Kabupaten Donggala using the Bottom-Up method is compiled based

on the results of subordinate decisions. From the results of the analysis of variance, it is known that in 2015 and 2016, there was an unfavorable deviation with a percentage of -1.96%, and the amount of the difference was Rp. -286,899,821 (in 2015), and the percentage of -5.4% and the amount of the difference is Rp. -1,261,587,997 (in 2016). This unfavorable deviation occurs due to several costs that exceed the budget, namely the cost of maintaining water sources, operating costs for water treatment, maintenance costs for water treatment and transmission and distribution maintenance costs, office costs, and general depreciation costs. Then from the results of the analysis of variance in 2017 to 2019, there were favorable deviations with a percentage of 14.83%, and the amount of the difference was Rp. 3,645,040,394 (in 2017), the percentage is 14.45%, and the difference is Rp. 3,265,342,949 (in 2018), and a percentage of 24.6% and the amount of the difference is Rp. 5,540,572,619 (in 2019). This favorable deviation occurs because some operational costs are less than the budget.

### **SUGGESTION**

Recommendations are suggestions that there is a need for a joint commitment at all levels of company management to the budget that has been set so that the company's goals from the determination of the budget can be achieved. And the necessary improvements to the annual budget must be completed by mid-December, and the board of directors then submits the final annual budget to the Supervisory Board for approval.

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