

**THE EFFECT OF THE GOVERNMENT INTERNAL CONTROL SYSTEM
IMPLEMENTATION EFFECTIVENESS TOWARDS THE FIXED ASSETS
ADMINISTRATION
(EMPIRICAL STUDY AT LOCAL GOVERNMENT IN INDONESIA)**

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ABSTRACT

The fixed assets administration at the West Bandung Regency Government, Indonesia is still not optimal. This is evidenced by the findings on examining the 2019 West Bandung Regency Government Financial Statements by the Audit Board of the Republic of Indonesia (BPK RI). These problems are caused, among other things, due to the inadequate internal control system of the government. The goal of the study is to assess the effect of the effectiveness of Government Internal Control System (GICS) implementation on the fixed assets administration. The population in this study was 43 Regional Work Units (SKPD) in West Bandung Regency. This type of research is quantitative research with a causality method. The data sources used are primary data and data collection techniques through questionnaires given to goods managers and operators from each SKPD with 76 respondents. The method of data analysis used is Partial Least Square which is processed using SmartPLS 3.2.9 software. The research findings showed that the effectiveness of the system execution of government internal control affected the fixed assets administration positively and significantly. This research is expected to contribute to the West Bandung Regency Government to strengthen the implementation of the government's internal control system by adding an element of fraud to the Risk Profile and Control Action Plan, the separation of duties and functions, increasing supervision, and providing guidance on the implementation of the government's internal control system. The results of this study are expected to contribute to SKPD in West Bandung Regency to improve the effectiveness of GICS implementation to overcome problems in the fixed assets administration.

Keywords: Government Internal Control System, Fixed Assets Administration

INTRODUCTION

State asset is a form of state wealth that must be managed and maintained correctly (Puspitoarum, 2016). Local governments are required to handle the regional property under their control correctly. One form of management of the regional property is administration. According to the Minister of Home Affairs Regulation No 19 of 2016, the administration is a series of activities that include bookkeeping, inventory, and reporting of regional property by applicable regulations. The results from the administration of regional property will be used as material for preparing regional government balances sheets. Fixed assets are an essential element of regional property because their value is significant in influencing financial statements (Pratami & Rufaedah, 2020). Therefore, fixed assets need to manage correctly. The orderly administration of fixed assets will result in presenting fixed assets on the balance sheet with adequate numbers (Trisnani et al., 2017).

The West Bandung Regency Government in Indonesia is a regional government that has obtained Unqualified Opinion for the first time on the Regional Government Financial Report for Fiscal Year 2019. However, based on the Examination Result Report on the Financial Statements of the West Bandung Regency Government in 2019 still found problems in fixed asset administration activities that were not yet optimal (Badan Pemeriksa Keuangan, 2020). The findings consist of a) There has not been a codification of regional property by the Regulation of the Minister of Home Affairs No. 108 of 2016; b) There are 1,680 tracts of land that have not been certified c) incomplete asset information data in the Atisisbada application, d) the recording of the Great Mosque of West Bandung Regency is not by the initial acquisition value; e) Presentation of Building at the Education Department from the Ministry of Public Works and Public Housing has not been supported by the record of transfer to the Regional Government.

The system of internal control influences the fixed assets administration. The existence of an adequate internal control system in the fixed asset administration implementation will encourage the creation of orderly administration (Trisnani et al., 2017). The administration of fixed assets problem in the Government of West Bandung Regency that was insufficient demonstrates that the applied internal control system is still weak. Following the West Java Province BPKP Performance Report 2020, the Government Internal Control System (GICS) maturity level at the West Bandung Regency Government is still at level 2 or developing, even though the local government is targeted at least reaching maturity level 3 or defined.

In addition, based on BPK's examination, one of the causes of problems in the fixed assets administration is that the Head of the related Regional Work Units (SKPD) as the user of the goods is not optimal in carrying out supervision and control over the management of regional goods under his control. The existence of problems in the fixed assets administration can result in the inadequate presentation of fixed assets, and the existence of assets cannot be identified due to incomplete information on asset data. Based on this, an adequate internal control system is needed to administer fixed assets because one of the objectives of implementing GICS is to secure assets.

The research is supported by Trisnani et al. (2017) that the system of internal control impacts fixed asset administration. Another study concludes that the administration of fixed assets is influenced by elements of the government's internal control system simultaneously and significantly positively (Kurniadi et al., 2021). Likewise, the study of Ekayanti et al. (2018) and Bria et al. (2019) stated that the internal control system affects fixed-asset management effectiveness.

Based on the problems above, the goal of this study is to assess the effect of the effectiveness of GICS implementation on the fixed assets administration in the Regional Work Units of West Bandung Regency.

LITERATURE REVIEW

The administration is one of the activities in the management of the regional property. According to the Minister of Home Affairs Regulation No 19 of 2016, the definition of administration is "a series of activities that include bookkeeping, inventory, and reporting of regional property by applicable regulations". Based on this definition, fixed asset administration consists of 3 dimensions: bookkeeping, inventory and reporting. The results of the regional property administration will later be used as material for preparing regional government balances, planning for procurement and maintenance needs of the regional property, and as a form of securing regional property administration.

Internal control is an organizational plan and business method used to safeguard assets, provide accurate and reliable information, encourage and improve the efficiency of the organization's operations and encourage conformity with established policies (Fauzi, 2017). Following the Government Regulation No 60 of 2008, the meaning of internal control system is "an integral process of continuous action and activity by the leader and all employees to provide adequate assurance on the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, securing state assets, and compliance with laws and regulations". According to the Government Regulation No 60 of 2008 the effectiveness of CIGS implementation is measured based on five dimensions, such as the control environment, risk assessment, control activities, information and communication, and monitoring.

The system of internal control affects the administration of fixed assets so that the existence of an adequate internal control system in the implementation of fixed asset administration will encourage the creation of orderly administration (Trisnani et al., 2017). The results of the administrative activities will be used as the basis for the presentation of fixed assets in the regional government's balance sheet. The problem of inadequate fixed asset administration shows that there are still weaknesses in the implemented internal control system. Therefore, fixed assets administration needs to be carried out correctly and according to the established internal control system to realize transparency and accountability in regional financial management (Trisnani et al., 2017). Subrata et al., (2018) revealed that the internal control system positively affects the quality of regional property reports. An exemplary internal control system implementation can prevent abuse in the regional property management to improve the quality of regional property reports produced. Ekayanti et al. (2018) and Bria et al., (2019) stated that the system of internal controls has a positive impact on fixed assets management effectiveness. This indicates that an appropriate system of internal control will enhance the quality of the effective fixed assets administration. From the explanation above, the following can be formulated for the hypothesis.

H₁ : The effectiveness of the CIGS implementation affected the administration of fixed assets positively and significantly.

METHODOLOGY

The kind of this study is quantitative research with a causal method. The effectiveness of the CIGS implementation is measured based on Government Regulation No 60 of 2008 and consists of 5 dimensions, such as the control environment, risk assessment, control activities, information and communication, and monitoring. The fixed asset administration is measured based on the Minister of Home Affairs Regulation No 19 of 2016 and consists of 3 dimensions, such as bookkeeping, inventory and reporting.

Population in this research were all Regional Work Units (SKPD) in the West Bandung Regency Government, totalling 43 SKPD. Research data sources use primary data. The study uses a data collection method in the form of a questionnaire distributed to 43 SKPD in the West Bandung Regency. The respondents in this study are goods managers and goods operators, with 76 respondents in total.

This study employs a Partial Least Square (PLS) technique for data analysis. PLS is a variable structural equation analysis that can simultaneously test the measurement model (outer model) and the structural model (inner model) (Abdillah & Hartono, 2015). Measurement model testing consists of convergent validity, discriminant validity, and reliability tests. Structural model testing is done by testing the value of R square, the value of the parameter coefficient and the value of the t statistical significance (Ghozali, 2021). The data is processed using SmartPLS 3.2.9 software.

RESULT AND DISCUSSION

1. Convergent Validity

a. Government Internal Control System

The government's internal control system consists of 5 dimensions which are divided into 12 statements. Below are the results of the convergent validity test of the GICS variable.

Table 1 Convergent Validity Test Result – GICS

Statement	Outer Loadings	AVE	Description
1	0,725	0,506	Valid
2	0,741		Valid
3	0,642		Valid
4	0,747		Valid
5	0,719		Valid
6	0,705		Valid
7	0,753		Valid
9	0,667		Valid
11	0,699		Valid
12	0,736		Valid
13	0,669		Valid
14	0,724		Valid

Based on Table 1, all Government Internal Control System variable statements has Outer Loadings values > 0.50 and AVE > 0.50. This shows that the convergent validity requirements have been fulfilled, and all indicators are declared valid.

b. The Administration of Fixed Assets

The Administration of Fixed Assets consists of 3 dimensions which are divided into seven statements. Below are the findings of the validity test convergent of the Administration of Fixed Assets variable.

Table 2 Convergent Validity Test Result - The Administration of Fixed Assets

Statement	Outer Loadings	AVE	Description
1	0,735	0,515	Valid
2	0,670		Valid
3	0,619		Valid
6	0,751		Valid
8	0,780		Valid
9	0,699		Valid
10	0,757		Valid

Based on Table 2, all the administration of fixed assets variable statements has Outer Loadings values > 0.50 and AVE > 0.50. This shows that the convergent validity requirements have been fulfilled, and all indicators are declared valid.

2. Discriminant Validity

Table 3 Cross Loadings

	X	Y
X1	0,725	0,478
X2	0,741	0,572
X3	0,642	0,452
X4	0,747	0,500
X5	0,719	0,491
X6	0,705	0,544
X7	0,753	0,721
X9	0,667	0,439
X11	0,699	0,565
X12	0,736	0,554
X13	0,669	0,528
X14	0,724	0,620
Y1	0,506	0,735
Y2	0,536	0,670
Y3	0,550	0,619
Y6	0,471	0,751
Y8	0,625	0,780
Y9	0,608	0,699
Y10	0,529	0,747

Based on Table 3, it shows that Construct X (GICS) correlation with its indicators is higher than that of indicator X and other constructs (Y). Likewise, the Y-construct correlation with its indicators is also greater than the Y-indicator correlation with another construct. As a result, the study model can be considered to have good discriminant validity.

3. Reliability Test

Table 4 Construct Reliability and Validity

	Cronbach's Alpha	Composite Reliability
X (GICS)	0,911	0,925
Y (Fixed Assets Administration)	0,842	0,881

According to table 4, the Cronbach's Alpha had value exceeds 0.7 for every construct and the composite reliability had value exceeds 0.7. This shows that the research instrument used is a reliable and consistent instrument.

4. Structural Model Testing (Inner Model)

Table 5 R Square

	R Square	R Square Adjusted
Y	0,593	0,587

By table 5, it showed that the R Square had a value of 0.593. It means that the fixed-assets administration is influenced by the effective system execution of the Government Internal Control 59.3%, while the remaining 40.7% is explained by factors outside the research. The value of R Square which is getting closer to 1 indicates the change in the dependent variable caused by the variance of the change in the independent variable is high (Abdillah & Hartono, 2015).

Table 6 Path Coefficients

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
X-> Y	0,770	0,786	0,030	25,352	0,000

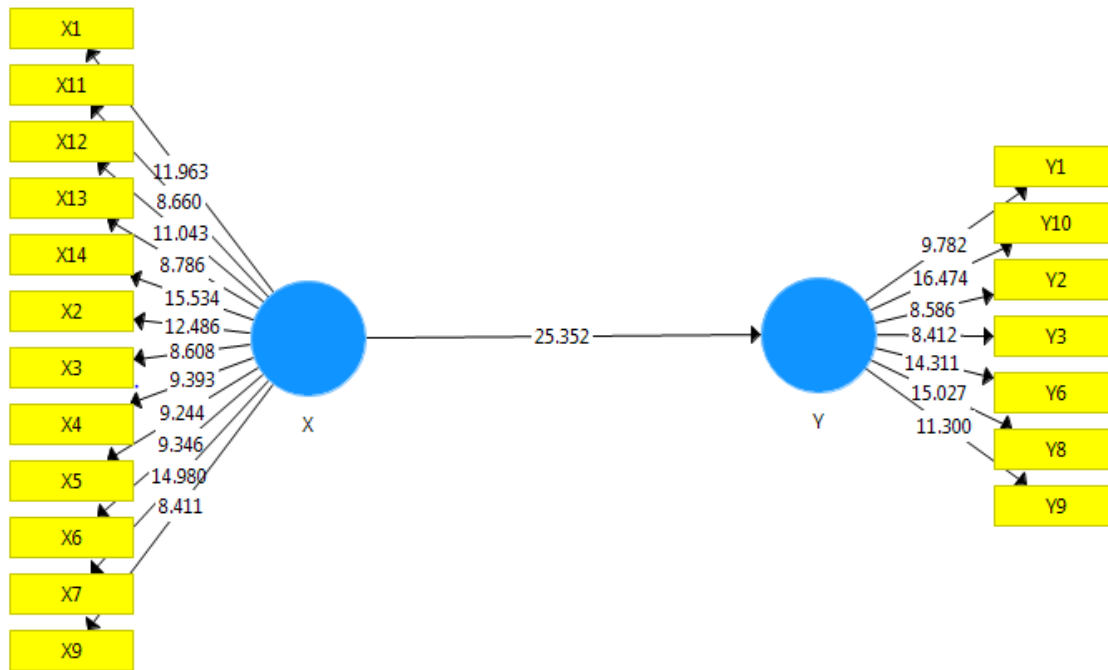


Figure 1 Research Model

Based on Table 6, the variable effectiveness of GICS implementation has a parameter coefficient value of 0.770, t statistic of $25.352 > 1.96$, and p-value of $0.000 > 0.050$. So it can be concluded that H_1 is accepted, which means the effectiveness of the CIGS implementation affected the fixed-assets administration positively and significantly. The better and more effective the CIGS implementation will increase fixed-assets administration effectiveness. Creating a strong environmental control, risk assessment, optimal activities of control, good communication and information, and monitoring in carrying out fixed asset administration will encourage better-fixed asset administration. It is expected to reduce errors in recording fixed assets and overcome incomplete asset data. The outcomes of this study support Trisnani et al., (2017) research, which reveals that the system of internal control had a major positive impact on the fixed-assets administration. Likewise, the findings research of Ekayanti et al., (2018) and Bria et al., (2019) states that the internal control system affects fixed-asset management effectiveness.

The West Bandung Regency Government has made efforts to improve the quality of GICS implementation in the administration of fixed assets. Based on the report on the results of the BPK RI examination, the West Bandung Regency Government has carried out several things as a follow-up to problems in the administration of fixed assets, such as changing the codification of regional property and collaborating with the National Land Agency (BPN) of the West Java Regional Office and the West Bandung Regency Land Office regarding land asset certification and handling the issue of land assets belonging to West Bandung Regency. They also complete asset information data in the Atisisbada Application, trace source documents for double recorded assets and trace documents for construction of the Great Mosque of West Bandung Regency.

CONCLUSION

The effectiveness of the CIGS implementation affected the administration of fixed assets positively and significantly. The better and more effective the system execution of internal government control will increase fixed-assets administration effectiveness. Creating a strong environmental control, risk assessment, optimal activities of control, good communication and information, and monitoring in carrying out fixed asset administration will encourage better-fixed asset administration.

The results of this study are expected to contribute to Regional Work Units in West Bandung Regency to improve the effectiveness of CIGS implementation to overcome problems in the fixed assets administration. The suggestions for West Bandung Regency Government are to strengthen the system execution of internal government control by adding an element of fraud to the Risk Profile and Control Action Plan, the separation of duties and functions, increasing supervision, and conducting guidance on the system execution of internal government control.

The research's limitations are only focused on the internal government control system execution and some SKPDs return questionnaires are not according to the amount distributed. The suggestion for further study is to add other factors related to the administration of fixed assets, such as human asset competence, utilization of information systems, organizational commitment, etc.

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