

Asset Management as Moderating Good Governance and Internal Control

by Yudi, Sri, Rahayu

Submission date: 22-Apr-2022 11:15AM (UTC+0700)

Submission ID: 1816991030

File name: 58468-62372-1-PB_RJFA_2022_yudi.pdf (291.68K)

Word count: 8367

Character count: 45608

Asset Management as Moderating Good Governance and Internal Control on Utilization Optimization Regional Fixed Assets

4 Yudi

Lecturer at the Faculty of Economics and Business, Jambi University
Jalan Raya Jambi Muara Bulian Km 15, Jambi, Indonesia
Tel: 0812-7405-411 E-mail: Yudi.telanai@gmail.com

4 Sri Rahayu

Lecturer at the Faculty of Economic and Business, Jambi University
Jalan Raya Jambi Muara Bulian Km 15, Jambi, Indonesia
E-mail: sri_rahayu@unja.ac.id

4 Rahayu

Lecturer at the Faculty of Economic and Business, Jambi University
Jalan Raya Jambi Muara Bulian Km 15, Jambi, Indonesia
E-mail: rahayu-fe@unja.ac.id

6 The research is financed by Universitas Jambi

Abstract

7 This study aims to empirically examine asset management as a moderating variable in the relationship between good governance and internal control system with the utilization of regional fixed assets using Partial Least Square (PLS) analysis techniques. The research sample is local government officials who are directly involved in the management of regional assets in the districts, cities, and provinces of Jambi. The test results empirically prove that the internal control system and good governance influence the optimization of asset utilization. In addition, asset management has proven to moderate good governance and internal control in optimizing the utilization of regional fixed assets in Jambi Province.

Keywords: Asset Management, Good Governance, Internal Control, Optimization of Fixed Assets

DOI: 10.7176/RJFA/13-6-02

Publication date: March 31st 2022

4 Introduction

Good governance can be divided into two groups, namely Good Corporate Governance (GCG) and Good Government Governance (GGG) (Rahayu et al. 2018a). GCG and GGG support each other to achieve success, like two sides of a coin that cannot be separated (Rahayu et al. 2018b). The basic principles of Good Governance in government organizations are participation, accountability, transparency, and integrity. The government is responsible for upholding financial accountability by publishing financial reports to its stakeholders. One form of local government financial accountability is local financial reports. Hoesada (2016) mentioned that of the 503 regional financial reports in 2009 only 13 local governments succeeded in obtaining a Fair Exception Examination opinion. Thus, Indonesia is practically in a blind spot position. What is meant by the blind spot position here is the large number of opinions other than the Unqualified opinion obtained by the local government or 97.41%. In 2009 the Central Government transferred 309 trillion rupiahs. One of the causes of the high audit findings by BPK on the financial statements is related to the issue of asset management (BPK 2017).

In the period 2013 - 2017, the opinion of the Regional Government Financial Statements (LKPD) improved. During this period, LKPDs that received Unqualified opinions increased by 46 percentage points, increasing from 30% in LKPD in 2013 to 76% in LKPD in 2017. Meanwhile, the number of LKPDs that obtained Disclaimer opinions decreased by 6 percentage points from 9% in LKPD in 2013 to 3% in LKPD in 2017. The development of opinion over the past 5 years can be seen in Figure 1 (BPK 2018).



Figure 1. Development of LKPD opinion in 2013 – 2017

The impact of implementing Laws 32 and 33 of 2004 is that regions have the authority to manage resources and optimize and utilize regional assets by implementing an asset management system. Healthy business performance can be determined by managing regional assets by analyzing the optimization of the utilization of fixed assets. Improving performance with an asset management system will have an effective impact because work transparency in asset management is guaranteed without fear of weak supervision and control (Siregar 2017).

Local governments that have a large number of assets have a large responsibility that is realized in the form of transparency over its management as a form of accountability to the public (Setyaningrum and Syafitri 2012). Potential problems related to assets are in line with these responsibilities, one of the problems that became a finding of BPK in the 2017 LKPD is the incompatibility of account presentation with SAP and/or inadequate evidence found, among others: 1) Problems in presenting fixed assets occur in 109 regional governments, in the form of recording of fixed assets of land, buildings, and buildings, equipment and machinery, roads, irrigation, and networks, as well as fixed assets sourced from BOS funds, have not been done or are inaccurate that occurs in Brebes Regency, Rembang Regency, Tegal Regency, Bungo Regency, Gunungsitoli Regency, West Nias Regency, Padangsidimpuan City Government, and South Buru Regency (BPK 2018).

The findings of BPK in 2017 are the recording of fixed assets carried out in a combined manner and not detailed per asset, and the addition of the value of fixed assets after the acquisition is not attributed/capitalized to the parent assets, including among others in the Langkat Regency, Tegal City Administration, Karo Regency, Belitung Regency, Regency North Nias, Gunungsitoli City Government, Bolaang Mongondow Regency Government, Nduga Regency Government, and Tolikara Regency Government (BPK 2017). Also related to the issue of fixed assets that were transferred to the provincial government are still recorded as regional government assets and depreciated to the Banggai Kepulauan Regency and Rote Ndao Regency (BPK 2017).

In general, the total assets of local governments in the regencies/cities in Jambi Province from 2014 to 2017 have increased.

Table 1. Development of Jambi Regency and City total assets in 2014-2017 (in trillions of Rupiah)

No.	Province / Regency / City	2014	2015	2016	2017
1	Jambi City	0	3.3896	2.8432	2,793
2	Muara Jambi Regency	2,798	2,1779	2,3235	2,1336
3	Batanghari Regency	2.2645	1.4826	2,011	1.6641
4	Sarolangun Regency	2,6174	1,9193	2,389	2,1771
5	Merangin Regency	2.2896	1.6274	1.9957	21,635
6	Tebo Regency	2,905	2,3386	2,5048	2,2192
7	Bungo Regency	2,1556	1.5964	1,9113	2,0984
8	Tanjung Jabung Timur Regency	0	2,863	0	2.6912
9	Tanjung Jabung Barat Regency	1.8885	1.7883	2,285	2,1664
10	Kerinci Regency	1,1433	1.3705	0	1.2737
11	Full River City	1,1128	1.0592	1,293	1.5942

SOURCE: LKPD data on regional government APBD Balance in Jambi Province

The increasing number of assets indicates that the greater the resources owned in the context of services to the community, the consequences of increasing the performance of local governments. However, there are still some weaknesses in asset management in Jambi Province.

The output of the system and procedures for regional financial management in Jambi Province is one of them in the form of regional financial reports which are published regularly once a year. The financial statements of the Jambi City Government, which is one of the city administrations in the Jambi Province region, in 2014 had a record of recommendations from the BPK, especially relating to the recording and valuation of regional assets, both in the form of fixed assets and other fixed assets. BPK reports through the Audit Report on the 2014 Jambi City Government Financial Report the available documents and records do not allow BPK to

carry out adequate inspection procedures to obtain confidence in the value of Fixed Assets and other fixed assets as of December 31, 2014. This BPK report provides a slight picture of weaknesses related to the measurement, recording, and reporting of assets owned by the Jambi City government. BPK does not yet know the cause of the weakness. The BPK's findings show that the position of the Jambi City government's financial statements is in the Hoesada's blind spot area (Hoesada 2016).

The application of GG is strongly influenced by the internal control system in the organization. For example, integrity can be demonstrated by the application of a good internal control system in the organization concerned. Internal control systems are very important to provide protection for entities against human weaknesses. In addition, the possibility of errors and actions that are not by the rules is also expected to be minimized. The internal control system is an integral process of actions and activities carried out continuously by the leadership and all employees to provide adequate confidence in the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, securing state assets, and adherence to laws and regulations (PP 60/2008, Chapter I Ps. 1 point 1). The five elements of the internal control system are the control environment, risk assessment, control activities, information and communication, and monitoring (INTOSAI 2004).

The research team has not yet found research related to government strategies in the framework of implementing internal control and asset management to optimize the utilization of regional fixed assets in Jambi Province. To accommodate this fact, the research team will try to see the effect of good governance and internal control on optimizing the utilization of regional fixed assets with asset management as moderating. The problem in this study is "Does asset management strengthen the influence of Good Governance and internal control on optimizing the utilization of regional fixed assets?"

2. Literature Review

Jensen and Meckling (1976) explain agency theory in which there is a relationship between the giver of authority (principal) to the recipient of the authority (agent) which is realized in the form of an employment contract (Jensen and Meckling 1976). Agency relations in the public sector can be interpreted that the community as a principal gives trust to the government to realize the public interest. Abdullah and Halim (2006) explained the existence of agency relationships in government organizations, both at the regional government level and Regional Apparatus Organizations (OPD). Agency relationships in government organizations wider scope than the private sector. Government organizations become agents about the community, DPR, or DPRD as representatives of the community and higher organizations.

Supervision of agent behavior to account for the resources entrusted to him through financial reporting mechanisms (Rohman 2007). Public officials as executors of regional governments through internal control and management of regional fixed assets have the intention of maximizing their interests to gain public trust and improve their welfare. Therefore, internal control and management of regional fixed assets are very important to ensure the achievement of local government performance that will be accountable to the community starting from the planning, implementation, and reporting processes.

By the assumptions in agency theory, agents can provide performance information that is not by actual reality, and this is a problem in agency relationships. This condition has an impact on the unhealthy management of fixed assets due to the lack of adequate accountability and transparency to honestly disclose the results of its performance (Hidayat 2015). Agency theory to analyze and find answers to the problem with a system of good governance (good governance). The mechanism of accountability for fixed assets between local government and the community through information on financial statements, performance reports can be balanced through good governance. The spirit of accountability and transparency is an appropriate control to reduce agency conflict.

Assets are one of the important elements in the administration of local government which must be managed properly in order to support the operational activities of the government in providing services to the community. Therefore, the management of regional assets is very important so that optimization in terms of the utilization of regional assets can really be used as much as possible for the sake of service to the community (Asman, et al, 2016). The ultimate goal and main objective of asset management within the Regional Government is to optimize the utilization of regional assets. Until now, regional assets are still managed modestly, and are only limited to mere inventory or accounting records. Regional assets are still consulted with negative cash flows, rather than as productive and income-generating assets. The condition of utilization of regional assets proves that regional assets as regional local resources show low utility, this happens because almost all local governments in Indonesia do not yet have a complete understanding of regional asset management within the asset management framework (Ardiani, 2020).

Siregar (2004) states that the study of optimizing regional government assets can be carried out by (1) identifying existing regional government assets, (2) developing a regional government asset database, (3) determining the use of assets with the best value for regional government assets and providing results and activity reports, both in the form of current data and in the form of recommendations, (4) formulating a strategy

for optimizing assets belonging to the Regional Government (Siregar 2017). Optimizing the use of local government assets can be done through the presence of investment intermediaries to market potential local government assets and cooperation with investors, create and integrate into an MOI (investment memorandum) between local governments and investors, and provide consulting services to local governments regarding investors. In implementing regional asset management, regional governments must pay attention to the requirements for asset planning, asset procurement, and asset control

Siregar (2004) states that asset optimization is a form of optimizing several things with the aim of optimizing the physical potential, location, value, amount/volume, legality and economics of assets (Siregar 2017). At this stage, assets owned by local governments are identified and classified as potential and non-potential assets. Assets that have potential are grouped based on the leading sectors that are the foundation of the national economic development strategy, both in the short, medium and long term.

Good governance is a performance management system to increase organizational productivity. This system is in the form of good governance based on professional ethics. Good governance is a process in which the creation of state power in the form of the provision of public goods and services is called governance (government or governance) while the more popular term good corporate governance is called good governance (good governance) (Umbora et al, 2018). A set of rules or good governance becomes important to regulate the relationships, functions, and interests of various parties in business affairs and public services Arthur et al. (2010, 155) explain the theory of governance principles as organizational governance that is built based on 9 (Nine) principles to achieve goals (Arthur et al. 2010). The nine principles are participation, law enforcement, transparency, responsibility, consensus, equal rights, effectiveness, efficiency, and accountability.

Good governance is to create performance management excellence both for profit-oriented companies or service companies, as well as public service institutions/government (good government governance). Good organizational governance can be seen in the perspective of internally and externally. Where the context of the internal point of view focuses more on how the leadership of an organization regulates the course of the organization in accordance with established principles, while the external context focuses more on how the organization's interactions with external parties run in harmony without neglecting the achievement of organizational goals (Umbora et al. 2018).

Pratami and Rufaedah (2020) said to ensure the management and security of assets, a government internal control system is required which is regulated in Government Regulation of the Republic of Indonesia Number 60 of 2008. This system aims to achieve effectiveness and efficiency of government administration, reliability of financial reporting, security of state assets, and compliance with laws and regulations. Article 1 PP No. 60 of 2008 defines an internal control system as an integral process of actions and activities carried out continuously by the leadership and all employees to provide adequate confidence in the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, securing state assets and adherence to laws and regulations (Government 2008). Furthermore, it is emphasized in article 2 paragraph (1) regarding the obligation to exercise control over the administration of government activities.

Internal control includes five elements, namely: control environment, risk determination, control activities, accounting information and communication, and monitoring. To improve the quality of decision-making and accountability in assessing the success or failure of implementing activities (programs) in accordance with the goals and objectives, a management tool is needed, namely measuring the performance of government agencies. This was also carried out to realize the vision and mission of government (Marliana et al. 2012). Performance measurement is a way for government agencies to evaluate activities or programs that have been implemented based on the benchmarks that have been made (minimum standards of public services).

The government's internal control system must be implemented properly supported by quality resources, with the aim of ensuring the process of securing assets such as protecting the existence of assets, recording assets to produce complete information, and assets that must be accompanied by proof of ownership. Likewise, the asset security process must be carried out properly so that asset needs can be met optimally. If the government implements a good internal control system based on applicable regulations and provisions, it will certainly increase the success in securing assets, as well as if the government's internal control system is not implemented properly, it will affect asset security (Pratami and Rubaedah, 2020).

Safeguarding assets in terms of the internal control system must be reliable because it prevents the occurrence of adverse deviations or obstacles in achieving the entity's goals. Every government agency must be able to create and maintain an environment within the organization that can encourage positive behavior. Either by encouraging the availability of all asset managers who have a strong awareness of the importance of enforcing the internal control system. Namely through the enforcement of integrity and ethical values by all employees, commitment to the competence of each component of the organization, the implementation of conducive leadership, the preparation of an organizational structure that supports the strategy for achieving goals, the proper delegation of authority and responsibility, sound policies in developing human resources as the foundation for the entire security process in asset management (Pratami and Rubaedah, 2020).

Mahsun (2003) said that asset management is needed to overcome property problem³ in the local government environment to reflect economization, efficiency, and effectiveness. The classic problem that is often encountered in the management of property assets is the unclear property legal status. That is, who has ownership rights to these assets is often a dispute between existing units. The lack of an efficient culture for asset management results in various contractual relationships being suboptimal and in the absence of relevant relationships between LGs as owners and tenants and manage¹⁰

Government assets are classified into current assets and non-current assets, current assets include cash and cash equivalents, short-term investments, receivables and inventories, while non-current assets are classified into long-term¹¹ investments, fixed assets, reserve funds and other assets. Fixed assets as the main component¹¹ of regional assets, local governments must be able to take advantage of them because fixed assets are productive and useful assets, so that they have a positive impact on regional economic development and community welfare. In the regional financial balance, assets can become capital for local governments if these assets can generate¹² regional income. Optimal management of regional assets can encourage economic growth. On the other hand, if regional assets are not managed properly, it will have an impact on the wastage of regional finances themselves because the costs of maintaining assets are not balanced with the benefits generated (Hartati et al. 2019).

It must be understood by the Regional Government that the final goal or the main objective of asset management is the optimization of the utilization of regional assets. The fact is that until now regional assets are⁶ still being managed improvised, limited to mere inventory (accounting records). Regional asset management is one of the determinants of effective agency performance, so an analysis⁷ of optimizing the utilization of regional assets is needed, especially in Jambi Province.

The Thinking Framework is set based on factors that influence the effect of good governance and internal control on optimizing the utilization of regional fixed assets with asset management as moderating it can be described as follows.

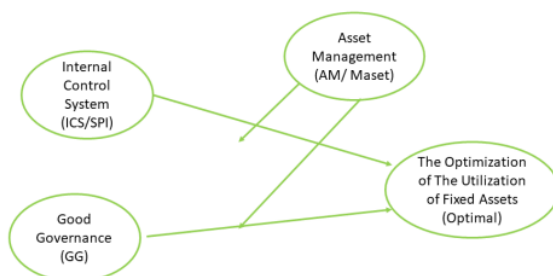


Figure 2. Research Model

The research model shows the direction of the relationship between variables. The direction of the internal control system (SPI) and good governance (GG) and asset management in moderating the relationship of the internal control system (SPI) and good governance (GG) to the optimization of the utilization of fixed assets.

Research related optimization of the utilization of fixed assets in private sectors rarely at local government, especially in Jambi Province. Pakiding (2006) study about management asset to optimization fixed asset (land and constructions) significantly influence the effect by asset inventaritation dan evaluation. Dependent variables such as legal audit showed results insignificant or unaffected. In contrast with Parking, Studied by Fazatin (2013) conclude that surveillance and control assets affected the optimization of the utilization of fixed assets.

Widayanti (2010) studied related optimization of the utilization of fixed assets at Sragen Regency. The resulting study showed it's affected significantly by inventaritation, identification asset management. Like Widayanti, Jusmin (2013) study about optimization of the utilization of fixed assets at Bau-Bau City showed the same result.

In the meantime, Halfawy (2008) also held research on various choices of an alternative form of management against the implementation of integrated with environmental and infrastructure management solutions to the problems and challenges to be faced in the form of the system and coordination process of working, a model that is integrated data, as well as the software. In other words, the implementation of supervision and control good by the development of asset management system gives predictions the existence of the level of optimization of the utilization of fixed assets. The hypothesis of this research is as follows:

1. The Internal Control System (SPI) has a positive effect on the Optimization of Utilization of Fixed Assets (Optimal).³
2. Good Governance has a positive effect on the Optimization of Utilization of Fixed Assets (Optimal).
3. Asset Management (Maset) influences in moderating the relationship between the Internal Control System (SPI) and Good Governance (GG) towards the Optimization of Utilization of Fixed Assets (Optimal).

3. Research Methodology

The population of this research is the Local Government Apparatus in Jambi Province. Samples represented official authorities taken from local government who related to the management of fixed assets in regencies/cities in Jambi Province. Determination of the number of each stratum is done by using proportional stratified random sampling which is proportional sample selection based on the number of elements of each stratum (Kuncoro 2009).

Table 2. List Population Research

No	Institution Name	Distributed Questionnaires	Questionnaires Response	Questionnaires Response no valid	Questionnaires Response Valid
1	Government of Jambi Province	14	14	2	12
2	Government of Jambi City	27	27	0	27
3	Government of Kerinci City	14	12	0	12
4	Government of Sungai Penuh Regency	14	14	0	14
5	Government of Merangin Regency	10	10	0	10
6	Government of Tebo Regency	8	6	0	6
7	Government of Bungo Regency	15	13	0	13
8	Government of Batanghari Regency	15	14	0	14
9	Government of Tanjabtim Regency	15	14	4	10
10	Government of Tanjabbar Regency	15	14	6	8
11	Government of Sarolangun Regency	18	18	0	18
12	Government of Muaro Jambi Regency	15	15	0	15
Jumlah		180	171	12	159

Source: Data Processed

The proportion of the number of samples taken is based on a comparison of the number of elements in each sample unit. In determining the sample size of a population, the Slovin formula is used (Riduwan and Akdon 2009). Selection of the sample in each stratum is done randomly, each element in the strata has an equal opportunity to be selected. Therefore, every civil servant who manages assets in the local government has the opportunity to be the respondent to this research.

The variables in this study are Exogenous Variables namely Good Governance and Internal Control, Moderation Variables namely Asset Management, and Endogenous Variables are Optimizing the Utilization of Regional Fixed Assets. The analytical method in this study revealed a description of the descriptive analysis, as well as a hypothesis testing method.

To determine the effect of the internal control system (SPI) and good governance (GG) and asset management in moderating the relationship of the internal control system (SPI) and good governance (GG) to the optimization of the utilization of fixed assets. The statistical analysis used in the following equation:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_1 * M + \beta_4 X_2 * M$$

Where:

Y = Optimization of Fixed Assets (Dependent Variable)

X1 = Internal Control System (Independent Variable)

X2 = Good Governance (Independent Variable)

M = Asset Management (Moderation Variable)

Based on the problems and hypotheses that have been put forward, this study aims to determine whether there is moderation of Asset Management in the effect of Good Governance and Internal Control on the Optimization of Utilization of Regional Assets. This study uses statistics as a method that can be used to conclude. The analysis method used is the descriptive, inferential analysis method, empirical research model, and hypothesis testing method.

Descriptive analysis is used to describe the characteristics of each variable as measured by some research indicators. The analysis technique used is descriptive statistics to produce a value of frequency, the average value (mean), median (middle value), maximum value, and minimum value of each research indicator. The PLS-SEM technique is currently developing very rapidly because PLS-SEM is a non-parametric statistical method which does not require assumptions in the data, then it can also be used on data that is not normally distributed with a small sample size (Marliana, 2021). In this regard, the PLS-SEM analysis technique has the advantage of being able to describe the complex relationship of each variable (Budiarsi, 2020).

To get a good model in SMART PLS, the Instrument Validity Test is carried out again, so that the instrument can measure what it should measure (Cooper and Schindler, 2014). Test the validity of this study using the method of Convergent validity and discriminant validity with the help of Smart PLS 3.0 and using the help of SPSS calculations. To manage the research results, the researchers conducted a retest using the help of

Smart PLS 3.0.1, the stages of data analysis can be carried out as follows.

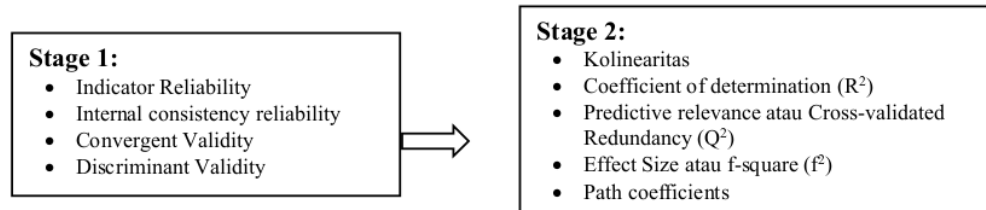


Figure 3. Stages of Model Evaluation in SEM - PLS (Hair et al, 2017)

SEM PLS works in stages to get a predictive model in the form of a final statistical report equipped with a number of statistical tests. SEM PLS works through two stages, namely the Measurement Model Evaluation Stage and the Structural Model Evaluation Stage or Inner Model. At the level of constructing the relationship framework between constructs and indicators, SmartPLS uses a Measurement Model Evaluation by looking at indicator reliability, internal consistency reliability, convergent validity, and discriminant validity from each instrument, because the data used are generally categorical data with a certain scale, such as a Likert scale. scale 4, scale 5, scale 7 or scale 9.

Before conducting the Instrument Validity Test, it can be said to be valid, if the instrument can measure what it should measure (Cheah et al, 2018). In this study, the validity test will use the Convergent validity and discriminant validity methods with the help of SmartPLS 3.2.7 and use the calculation assistance using SPSS. Based on the research method described in chapter 3, but in the management after the results of the research the author conducted a re-test using the help of smart PLS 3.2.7, before conducting further data analysis, the first step was to enter raw data with excel CSV format commadelimited, after the raw data is entered, the data analysis stage can be carried out.

In connection with the formulation of the problem, objectives, and research hypotheses, the data analysis used in this study is Partial Least Square (PLS), Coefficient (APC), Average R-squared (ARS), Average Adjusted R-Squared (AARS), Average Block Variance Inflation Factor (AVIF), Average Full Collinearity VIF (AFVIF), GoF Tanenhaus (GoF), Simpson's Paradox Ratio (SPR), R-Squared Contribution Ratio (RSCR), Statistical Suppression Ratio (SSR) (Ghozali and Latan 2014). Evaluation of the measurement model or outer model aims to assess the reliability and validity of the indicators forming latent constructs. The use of structural or inner model evaluation aims to predict the relationship between latent variables by looking at variance values through the significance value of the P-value.

Ghozali & Latan (2014) states that evaluating the fit of the model must follow the criteria that have been recommended. An explanation for each size fit model can be seen in Table 3. below:

Table 3. Rule of Thumb Structural Model Evaluation

Criteria	Rule of Thumb
R-Square Atau Adjusted R ²	$\leq 0,70$, $\leq 0,45$ & $\leq 0,25$ showed strong model, moderate, and weak.
Efek size (F ²)	$\geq 0,02$, $\geq 0,15$ & $\geq 0,35$ (small, middle and large)
Q ² predictive relevance	Q ² > model showed to have a predictive relevance and Q ² < model showed to have a weak predictive relevance.
Q ² predictive relevance	$\geq 0,012$, $\geq 0,15$, & $\geq 0,35$ (Iweak, moderate, and strong)
APC, ARS, dan, AARS	P – value $\leq 0,05$
AVIF dan AFVIF	$\leq 3,3$, yet value ≤ 5 can be accepted
Goodness Tenenhaus	$\geq 0,10$, $\geq 0,25$, & $\geq 0,36$ (small, middle and large)
SPR	Idealized = 1 yet value $\geq 0,7$ can be accepted
RSCR	Idealized = 1 yet value $\geq 0,7$ can be accepted
SSR	Must $\geq 0,7$

Source: Ghozali & Latan (2014)

4. Results and Discussion

The Jambi Provincial Government is led by a governor and a deputy governor. Their term of office is five years and can be re-elected for one period. The governor and deputy governor delegate a part of their authority to the Regional Secretariat to carry out the duties of the head of the region in formulating policies and coordinating the city government, district government, regional apparatus organizations, and regional technical institutions. The total number of questionnaires distributed to respondents was 180 questionnaires. The results of respondents' answers that deserve further analysis are 159 questionnaires according to the results in the table above. Twelve returned questionnaires were not used because some of the questionnaire statements were not filled out by

respondents.

The respondent's identity is obtained from the results of filling out personal data in the questionnaire which includes the characteristics of gender, age, position, length of service, and length of service in the field of assets.

Table 4. Sample Characteristics

No	Profile	Groups Characteristics	Sum of People	Percentage
1	Sexes	Male	96	60,38%
		Female	63	39,62%
	Sum	4	159	
2	Ages	≤ 30 years	33	20,75%
		31-35 years	31	19,50%
		36-40 years	40	25,16%
		41-45 years	28	17,61%
		46-50 years	18	11,32%
		> 50 years	9	5,66%
	Sum		159	
3	Job Characteristics	Regional Secretary	1	0,63%
		Head of Agency	1	0,63%
		Secretary of Agency	1	0,63%
		Head of Aset Sector	6	3,77%
		Head of Division	15	9,43%
		Head of Sub Divison	12	7,55%
		Section Chief	1	0,63%
		Goods Manager	26	16,35%
		Property Manager Assistant	1	0,63%
	Jumlah	Staff/Implementer/General Functional Asset Sector	95	59,75%
			159	

Descriptive statistics of variables provide a description of the mean (mean) and Standard Deviation (standard deviation) data used in research. Descriptive statistical data are displayed in table 3 below:

Table 5. Descriptive Statistics

	N	Minimum	Maximum	The mean	Std. Deviation
Optimal	159	2.00	5,00	4,3243	0.56145
SPI	159	2.92	5,00	4,3770	0.46974
GG	159	2.07	5,00	4,2139	0.54316
MAset	159	2.32	5,00	4,3122	0.44177
Valid N (listwise)	159				

Referring to the results of Table 3 above, Optimal (stands for Optimizing the Utilization of Fixed Assets) is measured from 11 indicator questions related to optimizing the utilization of assets, starting from planning the needs and budgeting of the smallest unit, utilization of fixed assets, up to reporting and securing fixed assets. Based on the results of descriptive statistical optimization of fixed assets has a minimum value of 2 (very rare category) and a maximum value of 5 (always category) and an average development of the optimization of regional fixed assets of 4.32, it can be concluded that indicators of optimizing the utilization of regional fixed assets are often carried out, and it can be seen that the deviation of data is relatively small at 0.56.

SPI (stands for Internal Control System variable) is measured from 22 indicator questions related to the internal control system, which includes the control environment, risk assessment, control activities, information and communication, and monitoring. Based on the results of descriptive statistics SPI has a minimum value of 2.92 (rare category) and a maximum value of 5 (always category) and an average SPI of 4.37 it can be concluded that the SPI indicator is often done, and it can be seen that the data deviation amounts relatively small to 0.47.

GG (stands for Good Governance variable) measured from 17 indicators of questions related to *good governance*, which include participation, accountability and, transparency. Based on the results of descriptive statistics GG has a minimum value of 2.07 (rare category) and a maximum value of 5 (always category) and an average GG of 4.21 can be concluded that the GG indicator is often done, and it can be seen that the data deviation is relatively small by 0.54. The Asset Management variable is measured from 25 indicators of questions related to asset management, which include asset inventory, legal audit, and asset valuation. Based on the results of the descriptive statistics Asset has a minimum value of 2.32 (rare category) and a maximum value of 5 (always category) and an average GG of 4.31 it can be concluded that the Asset indicator is often done, and it can be seen that the data deviation amounts relatively small to 0.44. The results of the model evaluation are done through data processing using WarpPLS 4.0. The results of a significant test of the relationship between paths and moderation relationships can be seen in Figure 3.

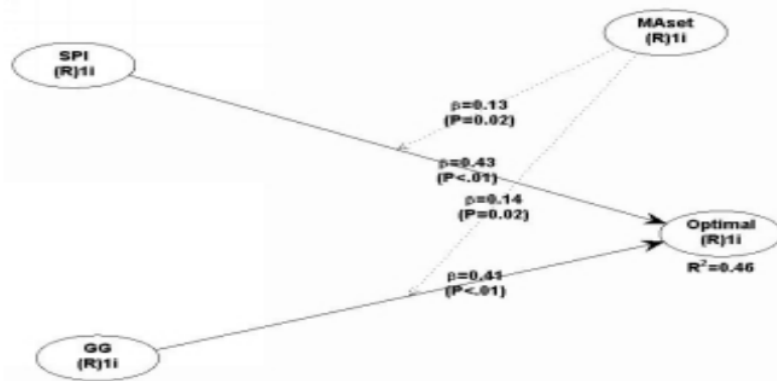


Figure 4. Full Research Model

Source: WrapPLS 4.0 output

The model picture explains the direction of the relationship between variables. Rated R-squared (R^2) produced 0.46 Optimal dependent variable indicates that the variable SPI and GG against Optimal has the effect of 46%, while 54% is influenced by other variables. Furthermore, the fit model obtained from the data processing results is explained in table 4.

Table 4. Descriptive Statistics

Criteria	Cut of Value	Results	Evaluation
Average path coefficient (APC)	P-value ≤ 0.05	.276	Weak
Average R squared (ARS)	P-value ≤ 0.05	0.460	Weak
Average adjusted R-squared (AARS)	P-value ≤ 0.05	.446	Weak
Average block VIF (AVIF)	≤ 3.3 , but the value ≤ 5 is still acceptable	1,913	Fit Model
Tenenhaus GoF (GoF)	≥ 0.10 , ≥ 0.25 , and ≥ 0.36 (small, medium, and large)	.678	Big
Simpson paradox ratio (SPR)	Ideally = 1 but the value ≥ 0.7 is still acceptable	0.500	Fit Model
R-squared contribution ratio (SCR)	Ideally = 0.9 - 1 but the value ≥ 0.7 is still acceptable	0.862	Fit Model
Statistical suppression ratio (SSR)	Must be ≥ 0.7	1,000	Fit Model

Source: WrapPLS 4.0 output

Table 4 explains that all the criteria are met, although some criteria have a weak relationship. Average Adjusted R-Squared (AARS), Average R Squared (ARS), and Average Path Coefficient (APC) output values are weak, meaning that the path analysis model constructed is weak between relationships between variables. Calculation of Average Block VIF (AVIF) as a whole has a value below the threshold (cut of value) with a value of 1.930, meaning that the model built is a fit model. It can be said that the constructed model has no symptoms of multicollinearity.

The Tenenhaus GoF (Gof) output value of 0.678 explains the predictive power of the model built in predicting the relationship between variables (the path that is built) is large or strong. The Simpsons Paradox Ratio (SPR) output value of 0.500 means that the model constructed has no causality problem, while the R-squared contribution ratio of 0.862 explains the positive R-squared contribution, and a Statistical Suppression Ratio of 1,000 can be interpreted that the model in this study is free from statistical suppression.

Gazelle & Latan (years) see the evaluation of hypotheses from the WrapPLS application output results in the view path coefficients and P-values section. Significant values are used with the P-value of 0.10 (significance level = 10%), 0.05 (significance level = 5%) and 0.01 (significance level = 1%). This study uses a P-value of 0.05 (significance level = 5%). The results of the path evaluation are presented in Table 5.

Table 5. Path Evaluation Results

Path	Direct effect		Conclusion
	Coefficient	P-value	
SPI $\rightarrow$ Optimal	0.43	0.02	Be accepted
GG $\rightarrow$ Optimal	0.41	0.01	Be accepted

Source: WrapPLS 4.0 output

Table 5 explains the path evaluation results, there are 2 (two) pathways that are proven to have a mutually

influential relationship between variables, namely the relationship of SPI to Optimal and GG to Optimal.

The moderating effect shows a weakening or strengthening of the relationship between the independent and dependent variables which aims to see the power relations of the moderating variable (Sholihin & Ratmono, 2013). Testing the moderating effect in the WarpPLS program can be seen from the results of the output view path coefficient and P value on the multiplication results between the independent variable and the moderating variable on the dependent variable Ghazali and Latan (2015). Significant values are used with P-values of 0.10 (significance level = 10%), 0.05 (significance level = 5%) and 0.01 (significance level = 1%). This study uses a P-value of 0.05 (significance level = 5%). The results of the moderating path evaluation are presented in Table 5.

Table 6. Moderating Relationship Evaluation Results

Mediated Pathway	Path coefficients	P-value	Conclusion
The moderation relationship between MAsset and SPI to Optimal	0.13	0.02	Be accepted
The moderation relationship between MAsset and GG to Optimal	0.14	0.02	Be accepted

Source: WarpPLS 4.0 output

Table 6 explains that the Asset Management variable is proven as a moderating variable in the relationship of the Internal Control System and Good Governance to the Optimization of the Utilization of Regional Fixed Assets.

Hypothesis 1 test results (Table 5) show the magnitude of the influence of the Internal Control System on the Optimization of Utilization of Regional Fixed Assets by 0.43 with a P-value of $0.01 \leq 0.05$. Thus, the first hypothesis (H1) is accepted. It can be concluded that the Internal Control System has a significant positive effect on the Optimization of the Utilization of Regional Fixed Assets. It can be said that the implementation of the five elements of the internal control system such as the control environment, risk assessment, control activities, information and communication, and monitoring can improve the Optimization of Utilization of Regional Fixed Assets. This research is consistent with research conducted by Astini (2018) the results of his research indicate that the internal control system has a positive effect on the effectiveness of asset management, one of which is measured by optimizing the utilization of regional fixed assets (Astini 2018). The results of this study are not in line with Korniyanta, Rozik and Sularso (2018) who found that SPIP did not affect asset optimization (Astini 2018). In addition, this research is also not in line with Ratmono and Rochmawati (2018) which proves that supervision, which is a part of internal control activities does not affect the optimization of fixed assets (Astini 2018).

Hypothesis 2 test results (Table 5) show the magnitude of the effect of Good Governance on the Optimization of Utilization of Regional Fixed Assets by 0.41 with a P-value of $0.01 \leq 0.05$. Thus, the second hypothesis (H1) is accepted. It can be concluded that Good Governance has a significant positive effect on the Optimization of Utilization of Regional Fixed Assets. It can be said that participation, accountability, and transparency activities can improve the Optimization of Utilization of Regional Fixed Assets. The application of the principles of good governance, including transparency and accountability, will be able to optimize management, including the utilization of fixed assets [6]. Rahayu, S, et.al (2018) states that the accountability of fixed assets, both legal accountability and accountability of fixed assets is an important thing that must be considered by each local government (Astini 2018).

Test results on hypothesis 3 (table 6) can be explained as follows:

- Asset Management moderates the relationship of the Internal Control System to the Optimization of Utilization of Regional Fixed Assets with a value of 0.13 with a P-value of $0.02 \geq 0.05$. As such, it is evident that the Asset Management variable moderates the relationship of the Internal Control System to the Optimization of the Utilization of Regional Fixed Assets.
- Asset Management moderates the relationship of Good Governance to the Optimization of Utilization of Regional Fixed Assets with a value of 0.13 with a P-value of $0.02 \geq 0.05$. As such, it is evident that the Asset Management variable moderates the relationship of Good Governance to the Optimization of the Utilization of Regional Fixed Assets.

The logical relationship that can be put forward is that asset management has the main area to regulate the cost of using or using assets in supporting local government operations. There are several stages to regulating and managing assets that can be carried out by local governments with the aim of increasing their assets, namely asset inventory, legal audits, asset valuation, asset optimization, and asset monitoring and control (Astini 2018), in connection with this the five stages Good asset management will have a great impact or benefit for the government in increasing efficiency, effectiveness and of course can create added value in asset management that is more orderly, accountable and transparent.

Some local government fixed assets problems that are often found include proof of ownership, such as land certificates are no longer found, use of assets between regions, administration of asset management that has not been optimal (BPK 2016, Rahayu, S, et.al (2018) will be resolved. Another problem found in the field is the

discovery of fixed assets that are not utilized (idle *assets*). This untapped asset certainly reduces the performance of regional asset optimization. Asset management that is well managed and supported by an optimal internal control system and good governance will be able to support asset optimization. Finally, it leads to an increase in regional income which is used to improve public services and public welfare.

5. Conclusion

This paper examines asset management as moderating good governance and internal control system towards optimizing the utilization of regional fixed assets through 159 samples of local government officials who are directly involved in the management of regional assets in the districts, cities, and provinces of Jambi. Partial Least Square (PLS) analysis empirically proved that the internal control system and good governance had a positive effect on optimizing the use of assets. This means that the better level of implementation of internal control systems and good governance, the better the level of optimization of the utilization of fixed assets of the local government in Jambi Province.

Acknowledgment

We are very grateful to the Economic and Business Faculty of Jambi University for funding this research through the DIPA PNPB for Group Research at 2019.

References

- Abdullah, S., and A. Halim. 2006. Study of Capital Expenditures on Local Government Budgets about Maintenance Expenditures and Sources of Revenue. *Journal of Government Accounting* 2:17-32.
- Ardiani, Susi. 2020. The Influence of Asset Management on Optimizing the Utilization of the Palembang City Government's Fixed Assets. *Journal of Applied Accounting Research*, Vol.4 No.1, 2020, Sriwijaya State Polytechnic.
- Aronggear, C. J. 2015. The Effect of Asset Management on Optimizing the Utilization of Fixed Assets (Land and Buildings) (Study in Gunung Bintang Regency). *Journal of Economic Research and Management* 2 (2):1-7.
- Arthur, J. K., J. D. Martin, J. W. Petty, and D. F. Scoot Jr. 2010. *Financial Management, Principles and Applications*: PT. Index, Jakarta.
- Asman, Auliah, Akram, H., and MT, Alamsyah. 2016. Factors Affecting Optimization of Fixed Asset Management in the Sumbawa Regency Government. Mataram University.
- Astini, Y. 2018. Kualitas Aparatur, Quality of Apparatus, Information System, Internal Control System and Effectiveness of Fixed Asset Management. *Scientific Journal of Accounting and Business* 13 (2 (July)):173-184.
- Bertovic, H., O. Kaganova, and J. Rutledge. 2002. Asset Management Model for Local Governments, Local Government Reform Project (LGRP), The Urban Institute.
- Bohn, H. 2002. Government Asset and Liability Management in an Era of Vanishing Public Debt, Department of Economics, University of California, Santa Barbara.
- BPK. 2017. Summary of the results of the 2017 BPK RI first semester examination, edited by B. P. Finance. Jakarta: BPK RI.
- Budiarsi, Sri Yunan. 2020. Assistance in the Introduction of the SEM-PLS Program at the Faculty of Economics, Universitas Merdeka Surabaya. Wisya Mandala Catholic University Surabaya.
- . 2018. Summary of the results of the 2018 BPK RI semester I examination, edited by B. P. Finance. Jakarta: BPK RI.
- Cooper and Schindler. (2014). *Bussiners Research Method*. New York: McGraw-Hill
- Fazatin, S. 2013. Analysis of the Factors Affecting the Optimization of the Utilization of Fixed Assets of the Regional Government of Jepara. Jepara: Nahdlatul Ulama Islamic University:15.
- Ghozali, I., and H. Latan. 2014. *Partial Least Squares Concepts, Methods and Applications Using the WarpPLS 4.0 Program*. Semarang: UNDIP Publishing Agency.
- Government, R. 2008. Government Regulation Number 60 of 2008 concerning the Government's Internal Control System.
- Halfawy, M. R. 2008. Integration of municipal infrastructure asset management processes: challenges and solutions. *Journal of Computing in Civil Engineering* 22 (3).
- Hair, J.F., Anderson, R.F., Tatham, R.L. and Black, W.C., 2013. *Multivariate Data Analysis*, 7th, Inter ed.
- Hartati, Sukmini., Martini, Rita., and Winarko, Hadi. 2019. Asset Management for Optimizing Fixed Asset Management (Study on Palembang City Government). *Journal of Applied Accounting Research*, Sriwijaya State Polytechnic.
- Hidayat, R. 2015. The Effect of Regional Financial Management and Regional Financial Accounting System on Regional Government Performance (Empirical Study on Regional Work Units in Padang Pariaman Regency). *Journal of Accounting* 3 (1).

- Hoesada, J. 2016. *Interests on Government Accounting*. Jakarta: Salemba Empat.
- INTOSAI. 2004. Implementation Guidelines for Performance Auditing—Standards and Guidelines for Performance Auditing Based on INTOSAI's Auditing Standards and Practical Experience.
- Jensen, M. C., and W. H. Meckling. 1976. Theory of The Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of financial economics* 3 (4):305-360.
- Jusmin. 2013. The Effect of Asset Management on the Optimization Level of Fixed Assets, Masters in Development Economics, Gajah Mada University, Yogyakarta.
- Kuncoro, M. 2009. *Research Methods for Business & Economics* edited by E. 3. Jakarta: Erlangga.
- Mahsun, M. 2003. Analysis of the Effectiveness of Local Government Real Property Asset Management (Case Study on Yogyakarta City Government Fiscal Year 2001/2002). *Journal of Public Sector Accounting and Finance* 4 (2):1-9.
- Marliana, H., S. Rahayu, and Yudi. 2012. Budget Performance Analysis at the Jambi Berbak National Park Balai Satker. *e-Jurnal Binar Accounting* 1 (1).
- Marliana, Reny Rian. 2021. PLS-SEM Training Using SMARTPLS 3.0 Lecturer of Statistics Course at FISIP UIN SUNAN GUNUNG DJATI Bandung. Sebelas April University
- Pakiding, Y. 2006. Relationship of Asset Management in Optimizing Fixed and Building Assets) Local Government (Case Study in Bantul Regency), Masters in Development Economics, Gajah Mada University, Yogyakarta.
- Pratami, Raisa Anggita., and Rufaedah, Yanti. 2020. Effect of Government Internal Control System Implementation (SPIP) on Safeguarding Fixed Assets. Bandung State Polytechnic.
- Rahayu, S., Yudi, and Rahayu. 2018a. How to Improve Accountability of Fixed Assets of Local Government? *Journal of Regional Development and Financing Perspectives* 6 (2 (September-October)):195-204.
- . 2018b. Shifting In The Role Of The Government Internal Auditors, How To Achieve It? Paper read at International Conference Economics, Bussiness And Management, at Bali.
- Riduwan, and Akdon. 2009. *Formulas and Data in Statistical Analysis*. Bandung: Alfabeta.
- Rohman, A. 2007. The Influence of the Managerial Role of Regional Financial Managers and Internal Audit Functions on the Performance of Local Governments (Survey of City, Regency, and Provincial Governments in Central Java). *MAKSI* 7.
- Setyaningrum, D., and F. Syafitri. 2012. Analysis of the Effect of Local Government Characteristics on the Level of Disclosure of Financial Statements. *Indonesian Journal of Accounting and Finance* 9 (2):15-170.
- Siregar, D. 2017. *Asset Management Strategy for Structuring the Concept of National Sustainable Development in the Context of Regional Heads as CEO's in the Era of Globalization and Regional Autonomy*. Jakarta: PT. Gramedia Pustaka Utama.
- Umbara, Edwin., Falah, Dr. Syaikhul., and Pangayow, Bill J.C. 2018. The Effect of Asset Management on Optimizing the Utilization of Local Government Fixed Assets (Study on Waropen District Government). *Journal of Accounting, Auditing & Assets*. Cenderawasih University.
- Widayanti, E. 2010. The Effect of Asset Management on Optimizing the Utilization of Local Government Fixed Assets, Masters in Accounting, Sebelas Maret University, Semarang.

Asset Management as Moderating Good Governance and Internal Control

ORIGINALITY REPORT

15%

SIMILARITY INDEX

16%

INTERNET SOURCES

10%

PUBLICATIONS

7%

STUDENT PAPERS

PRIMARY SOURCES

1	iiste.org Internet Source	3%
2	www.scribd.com Internet Source	2%
3	seajbel.com Internet Source	1%
4	repository.unja.ac.id Internet Source	1%
5	www.econstor.eu Internet Source	1%
6	productivitymanagement.org Internet Source	1%
7	sipeg.unj.ac.id Internet Source	1%
8	seresc.org Internet Source	1%
9	jurnal.narotama.ac.id Internet Source	1%

10	www.ksap.org Internet Source	1 %
11	Sri Suharsih, I Ketut Nama, Rini Dwi Astuti. "Determinants of Asset Utilization of Yogyakarta Special Region Government", Jurnal Ekonomi Pembangunan: Kajian Masalah Ekonomi dan Pembangunan, 2021 Publication	1 %
12	Sri Rahayu, Yudi Yudi, Rahayu Rahayu. "How to improve accountability of fixed assets of local government?", Jurnal Perspektif Pembiayaan dan Pembangunan Daerah, 2018 Publication	1 %
13	www.internationaljournalssrg.org Internet Source	1 %
14	docplayer.net Internet Source	1 %
15	Submitted to Sriwijaya University Student Paper	1 %
16	online-journal.unja.ac.id Internet Source	1 %