

The Effect of Fixed Asset Accounting System, Internal Control System on the Quality of Financial Statements of the Regional Government of Sungai Penuh City

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ABSTRACT

This study aims to determine the effect of the fixed asset accounting system and internal control system on the quality of local government financial statements. The population in this study consists of 30 regional government agencies (OPD), with a sample of 72 individuals from these 30 agencies, selected using the purposive sampling method. This research is quantitative in nature, using primary data. The data were processed using IBM SPSS Statistics 29. The data analysis technique employed is multiple linear regression analysis. The results indicate that the fixed asset accounting and internal control system significantly affects the quality of financial statements. Additionally, according to the study, the internal control system and fixed asset accounting system both significantly affect the quality of financial statements at the same time.

INTRODUCTION

Government Regulation Number 71 of 2010 concerning Government Accounting Standards, contains a statement regarding the fixed asset accounting system. This standard is made to regulate fixed asset accounting related to the recording and disclosure of fixed assets in government agencies. Inconsistencies in the application of asset accounting by government agencies are often caused by inappropriate fixed asset management policies carried out by an agency and also the lack of supervision in the implementation of fixed asset accounting by the authorities (Sibuea, 2021).

Good accountability is the key to gaining public trust, one of which can be seen from the quality of the financial reports they present. With accurate and relevant data, it can help stakeholders make more informed decisions and minimize the risk of errors. The purpose of preparing financial reports is to be able to present information about the financial position, budget realization, cash flow, and financial performance of an entity in order to assist users in making decisions and evaluating resource allocation (Orlanda et al., 2021).

Financial reports from local governments must be of high quality, because the Government Accounting Standards (SAP) state that high quality financial reports meet the following characteristics: relevant, reliable, comparable, and understandable (Government Regulation Number 71 of 2010). Several factors that cause the low quality of government financial reports are weak internal control systems, unorganized state/regional ownership, and presentation of financial reports that are not in accordance with SAP (Gustina, 2021). The Internal Control System plays a role in improving performance, transparency, and accountability in state financial management. By implementing an internal control system, it will be able to guarantee the reliability of the information contained in the financial reports presented.

As government agencies develop, the systems within the agency will certainly develop, resulting in an increasingly high level of supervision of the components that form the agency, so that agency leaders always try to ensure that this agency always operates in accordance with the established guidelines. By implementing a good accounting system, the use of assets can be increased, so that the performance of government agencies in particular can be increased effectively ((Fimanto & Rani, 2021). Local governments need to have a strong accounting system to produce relevant, reliable, and trustworthy financial reports (Husna et al., 2022). In this study, the fixed asset accounting system uses a computer program SIMDA-ASET (Regional Management Information System developed) by the Financial and Development Supervisory Agency BPKP).

Sungai Penuh City itself has had a separation of assets between Kerinci Regency and Sungai Penuh City. Reported from BPK Representative of Jambi Province, (2021) states that the Jambi Province Government has completed the separation of assets between Kerinci Regency and Sungai Penuh City in accordance with the provision regulated in Law Number 25 of 2008 concerning the establishment of Sungai Penuh City in Jambi Province. This study has differences that distinguish it from previous studies, the addition of variable X,

namely the fixed asset accounting system and different research objects. So the researcher wants to prove whether the financial statements of the local government, especially the local government of Sungai Penuh City, are influenced by the asset accounting system or not, and whether the internal control system shows any influence. Therefore, the researcher really wants to conduct a study entitled "The Effect of the Fixed Asset Accounting System, Internal Control System on the Quality of Financial Reports of the Sungai Penuh City Regional Government".

LITERATURE REVIEW

Agency Theory

The agency was introduced by Alchian and Demsetz (1972) and Jansen and Meckling (1976). According to this agency theory, an agency relationship arises when one or more principals employ an agent to perform a service and give decision-making authority to agent (Lesmono & Siregar, 2021).

Regional Financial Accounting System

System " is a variety of steps involving data collection, recording, summarizing, and financial reporting as part of the accountability for the implementation of the Regional Revenue and Expenditure Budget (APBD), with the aim of creating financial reports, which can be created manually or using a computer program (Andrianto & Eforis, 2019).

Fixed Assets

PSAP 07 regarding fixed assets are tangible assets that have a useful life of more than 12 (twelve) months to be used in government operations or accessed by the general public. The categorization of fixed assets is determined by the functional relationship or nature of the fixed assets with the entity's operational activities. Some types of fixed assets include land, buildings or structures, equipment and machinery, roads, other fixed assets, construction in progress, and fixed assets that are not used for operational purposes.

Fixed Asset Accounting System

The processes and procedures of a company or organization to record and report asset information are called asset accounting systems. The main components in this system include transaction evidence documents, recording tools, and transaction reports (Mahmudi, 2010). The files required in the fixed accounting system are Proof of Expenditure/Payment of GU/TU Fixed Assets, Minutes of Handover of Goods/Work, SP2D LS, Letter of proposal for deletion of Fixed Assets, Statement of Changes in Condition of Goods, Decree of the Mayor or Regional Secretary regarding the Deletion of Assets, Minutes of Inspection of Work Progress, Memorial Evidence, and other equivalent documents.

Internal Control System

Government Regulation of the Republic of Indonesia Number 60 of 2008 states that The Government Internal Control System (SPIP) is an internal control system carried out comprehensively by the central and regional governments. All audits, *review*, monitoring, evaluation, and other supervisory activities related to the implementation of an obligation and function of an organization, by ensuring that the activities concerned are carried out effectively and efficiently in

accordance with the benchmarks that have been to realize good governance, can also be called internal supervision.

Quality of Financial Reports

The process of documenting and compiling financial transactions that occur during a fiscal year is described in the regional financial report. This report serves as a form of public accountability regarding how public funds - obtained through taxes, levies, or other transactions - are managed by the government. (Mokoginta et al., 2017). The quality of financial reports in accordance with Government Regulation of the Republic of Indonesia Number 71 of 2010 can be measured through normative prerequisites, such as relevant, reliable, comparable, and understandable.

The Influence of Fixed Asset Accounting System on the Quality of Financial Reports

The purpose of implementing a regional financial accounting system is to increase the dependability and accountability of LKPD. However, financial reports that are not connected and cannot be trusted for use in decision making can arise from the implementation of a poor regional financial accounting system (Fauziyah, 2019).

H1: Fixed Asset Accounting System and Internal Control System have a simultaneous effect on the Quality of Financial Reports.

Influence Fixed Asset Accounting System and Internal Control System for Financial Report Quality

This system is a structure created with the aim of ensuring that government operations run efficiently, effectively and in accordance with applicable regulations (Kanti et al., 2023). The implementation of a good internal control system also directly contributes to improving the quality of local government financial reports by ensuring the accuracy, reliability and transparency of financial information conveyed to stakeholders, thus strengthening stakeholder trust in public financial management.

H2: Fixed Asset Accounting System has an effect on the Quality of Financial Reports

The Influence of Fixed Asset Accounting System and Internal Control System on the Quality of Financial Reports

Implementation of a good and correct Regional Financial Accounting System will have an impact on the quality of government financial reporting. Through more effective internal control, the risk of errors or fraud in the preparation of financial reports can be minimized, there by increasing trust and transparency in local government financial reporting. Therefore, people (SDM) in the organization act as the foundation of this control, thereby creating a positive control environment to achieve the goals and objectives that government institutions want to achieve (Gustina, 2021).

H3: Internal Control System has an effect on the Quality of Financial Reports

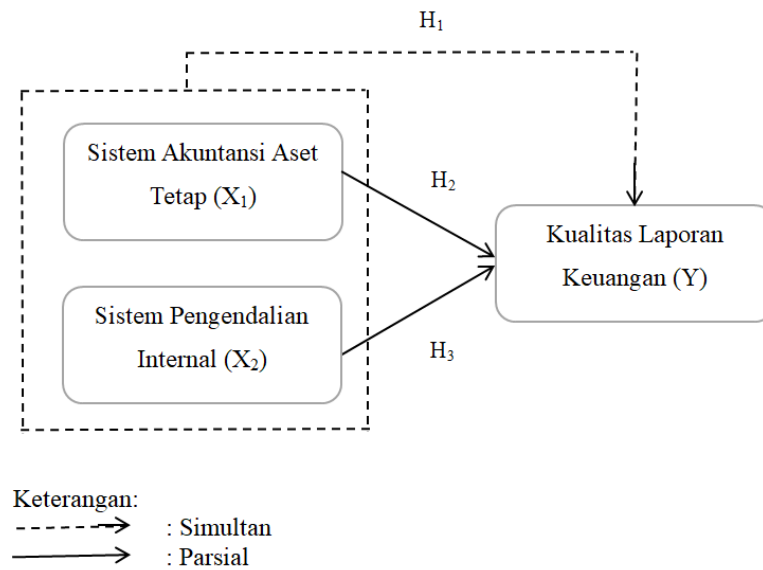


Figure 1. Research Model

METHODOLOGY

This study uses a quantitative approach with primary data, which is obtained through distributing questionnaires to respondents. The population in this study was 30 Regional Apparatus Organizations (OPD) in Sungai Penuh City, with a research sample of 90 obtained using purposive sampling.

The method of data analysis used in this study is a statistical analysis method using the SPSS for Windows computer application version 29.0 (Statistical Package for Social Science). Data analysis in this study was carried out by grouping data according to variables and categorizing respondents, displaying data from each variable studied, and conducting analysis to answer research questions, and performing calculations to test the established hypotheses. This study also uses multiple linear regression methods.

RESEARCH RESULT

Descriptive Statistics

Descriptive statistical analysis presents data and relationships between variables through tables, graphs, means, medians, standard deviations, and percentage calculations for each descriptive variable.

Table 1. Results of Descriptive Statistical Analysis Test

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
QUALITY_Y	72	36	50	43.22	3,962
SYSTEM AKT_X1	72	35	50	42.33	3,936
SPI_X2	72	36	50	42.13	4,045
Valid N (listwise)	72				

Source: Processed data researcher, 2024

Based on the findings of descriptive statistical analysis in table 1, it is shown that the N value, minimum value, maximum value, mean value, and standard deviation of the Quality variable (Y) are the minimum value of 36, the maximum value of 50, the mean value of 43.22, and the standard deviation of 3.962, the Accounting System variable (X1) value is 36, the maximum value is 50, the mean value is 42.13, and the standard deviation is 4.045.

Classical Assumption Test

Table 2. Multicollinearity Test Results

Coefficients a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	SYSTEM AKT_X1	0.405	2,469
	SPI_X2	0.405	2,469

a. Dependent variable: QUALITY_Y
Source : Processed data researcher, 2024

It is proven that there is no multicollinearity between independent variables, because the tolerance value for each independent variable is not less than 0.1, and the results of the VIF calculation show that no independent variable has a value of more than 10.

Heteroscedasticity Test

Table 3. Heteroscedasticity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig
		B	Std. Error	Beta		
1	(Constant)	6,562	2,262		2,902	0.005
	SYSTEM AKT_X1	-0.095	0.080	-0.218	-1,184	0.241
	SPI_X2	-0.007	0.078	-0.017	-0.095	0.925

a. Dependent variable: ABRES
Source : Processed data researcher

It is known that the significance value of the Accounting System variable (X1) is 0.241 > 0.05, meaning that there is no symptom of heteroscedasticity. The significance value of the SPI variable (X2) is 0.925 > 0.05, meaning that there is no symptom of heteroscedasticity.

Hypothesis Testing

Multiple Linear Regression Test

Table 4. Multiple Linear Regression Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig
		B	Std. Error	Beta		
1	(Constant)	12,106	3,860		3,136	0.003
	SYSTEM AKT_X1	0.454	0.136	0.451	3,330	0.001
	SPI_X2	0.282	0.133	0.288	2,129	0.037

a. Dependent variable: QUALITY_Y
Source : Processed data researcher

Referring to the table above, then equality regression from the results that are:

$$\text{Quality} = 12.106 + 0.454.X1 + 0.282.X2$$

Simultaneous Test (F Test)

Table 5. Simultaneous Test Results (F Test)

ANOVA a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	542,996	2	271,498	32,782	< 0.001 b
	Residual	571,448	69	8,282		
	Total	1114,444	71			

a. Dependent Variable: QUALITY_Y
 b. Predictors: (Constant), SPI_X2, SYSTEM AKT_X1
 Source : Processed data researcher

Calculated F value is 32.782 > the F table value of 3.130 and the significant value is 0.001. The Sig. value is 0.001 < 0.05, which means that H0 is rejected and H1 is accepted, meaning that the accounting system and SPI variables have a simultaneous effect on quality.

Partial Test (t-Test)

Table 6. Significant Test Results Partial (t-test)

Coefficients a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	12.106	3,860		3,136	0.003
	SYSTEM AKT_X1	0.454	0.136	0.451	3,330	0.001
	SPI_X2	0.282	0.133	0.288	2,129	0.037

a. Dependent variable: QUALITY_Y
 Source: Processed data researcher

H0 is rejected H2 is accepted based on t - value accounting system variable (X1) of 3.330 which is higher than t table value of 1.994 and the value significance by 0.001 which is smaller than 0.05. This means that the accounting system variable itself has a significant influence on quality. Likewise, the calculated t value For SPI variable (X2) is 2.129, which is also higher than the t table value of 1.994, and the value significance of 0.037 which is less than 0.05, indicating that H0 is rejected and H3 is accepted . This indicates that SPI variables have a significant effect on quality.

Determination Coefficient Test (R 2)

Table 7. Coefficient Test Results Determination (R 2)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.698 a	0.487	0.472	2,878

a. Predictors: (Constant), SPI_X2, SYSTEM AKT_X1

b. Dependent Variable: QUALITY_Y

Source : Processed data researcher

The Adjusted R Square (R2) value is 0.472 or 47.2%. The Adjusted R Square value shows that the independent variables, namely the accounting system, and SPI are only able to explain the dependent variable, namely quality, by 47.2%.

DISCUSSION

Influence System Fixed Asset Accounting, Asset Accounting System Internal Control over Quality Report Finance

The results of the data obtained through simultaneous test (F test) shows that variable fixed asset accounting system (X1) and internal control system (X2) has a simultaneous effect on quality report finance area (Y) with F value count of 32,782 (Table 4.12) meaning bigger than F table value of 3.130 and the significant value of 0.001, so that can be concluded hypothesis first (H1) accepted .

Shown that the asset accounting system is still, the internal control system provides influence in a simultaneous way to quality report finance government Sungai Penuh City area . This is an indication that improvement and effectiveness of the asset remaining and internal control accounting system will contribute to quality report more finances good, appropriate with the characteristics of report finance. Findings Similar results were also obtained by Ismail et al, (2021) and Rahayu & Kanita, (2023), in their research say quality report finance government area in a way simultaneous influence by variables system accounting finance area, which consists of from system accounting fixed assets and internal control systems. Influence System Fixed Asset Accounting for Quality Report Finance

The results of the data obtained through partial testing (t-test) shows that the accounting system variable (X1) has a calculated t value of 3.330, meaning that the value is greater than the t table of 1.994 and Sig. of 0.001, meaning that the value is smaller than the significance value of 0.05, so it can be interpreted that the fixed asset accounting system has a positive effect on the quality of local government financial reports, so it can be concluded that the second hypothesis (H2) is accepted.

The quality of local government financial reports will increase along with the improvement of the fixed asset accounting system. This shows that the betterthe fixed asset accounting system, the more effective the system is in providing useful information to improve the quality of financial reports. The results of similar studies conducted by Mokoginta et al., (2017) andHusna et al., (2022) which stated that the fixed asset accounting system plays an important role in determining the quality of local government financial reports, and the

variable of the local financial accounting system (X2) also has a significant influence individually on the quality of financial reports.

The Influence of Internal Control Systems on the Quality of Financial Reports

The results of the data obtained from the partial test (t-test) shows that the SPI variable (X2) has a calculated t value of 2.129, meaning that the value is greater than the t table of 1.994 and Sig. of 0.037, meaning that the value is smaller than the significance value of 0.05, so it can be interpreted that the internal control system has a positive effect on the quality of local government financial reports, so it can be concluded that the third hypothesis (H3) is accepted.

The quality of local government financial reports will improve along with the increasing strength of the internal control system. This shows that the quality of financial reports will improve along with the strengthening of the internal control system. This result is in line with research by The Secret Life of the Unknown (2021) and Mulyati et al., (2019) which found that the internal control system is very important for producing quality financial reports.

CONCLUSION AND RECOMMENDATIONS

This study reveals that both the fixed asset accounting system and the internal control system collective impact the quality of the financial reports of the local government of Sungai Penuh City. The fixed asset accounting system significantly affects the quality of the financial reports of the local government of Sungai Penuh City because the implementation of the system produces quality financial reports in accordance with the characteristics of the financial reports. In addition, the internal control system also has a significant influence on the quality of financial reports, because the better the internal control is implemented, the more effective the agency is in avoiding fraud or errors, both caused by employees and computer systems, then it will produce quality financial reports and in accordance with the characteristics of the financial reports. For the Sungai Penuh City government, it is hoped that the implementation that has been implemented in the OPD of Sungai Penuh City in the future can be maintained and continuously improved.

ADVANCED RESEARCH

Future research could expand by exploring the impact of fixed asset accounting systems and internal control systems in other regional or national government settings to provide a comparative analysis. Additionally, incorporating qualitative methods, such as interviews or case studies, would offer deeper insights into the challenges and effectiveness of these systems from the perspective of practitioners. A longitudinal study could assess the long-term effects of these systems on financial statement quality. Researchers might also investigate how factors like government size, complexity, or digitalization influence these relationships, shedding light on potential enhancements in public financial management.

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