

RELATIONSHIP OF HR COMPETENCE, INTERNAL CONTROL SYSTEM ON EFFECTIVENESS OF MANAGEMENT FIXED ASSETS WITH ORGANIZATIONAL COMMITMENT AS A MODERATING VARIABLE

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ABSTRACT

This study aims to empirically examine the effect of human resource competencies, internal control systems on the effectiveness of fixed asset management with organizational commitment as a mediating variable. This research in Kupang regional government organizations with unit analysts is employees related to the management of fixed assets. Using 116 of the 22 official offices, 5 agencies, 2 secretariats, regional inspectorates, civil service police and fire extinguishers, local public broadcasting institutions, regional hospitals and 24 districts. The method of data analysis uses SEM-PLS with WarpPLS 6.0 application. The results of the study show that the internal control system has an effect on the effectiveness of the management of fixed assets but the competency of human resources does not affect the effectiveness of the management of fixed assets. Organizational commitment is able to strengthen the relationship of human resource competencies to the effectiveness of fixed asset management but is not able to moderate the relationship of the internal control system to the effectiveness of fixed asset management. The findings of this study have implications for the Kupang regency government to increase the internal control of the government added by organizational commitment to improve the effectiveness of asset management.

Keyword : Keyword: Competence of human resources, internal control systems, management of fixed assets and organizational commitment

BACKGROUND

Indonesian bureaucratic reform is currently driven by the application of the New Public Management, which gives authority to regional autonomy and fiscal decentralization. The authority obtained by the regional government gives a positive impact, the region has the power and discretion in the management of its resources for the welfare of the community. Bureaucratic reforms encourage the management of a modern government and are committed to realizing good governance, especially those related to the principles of transparency and accountability in regional financial and resource management. Transparency and accountability of local governments can be seen from the financial statements of local governments which are a form of accountability for the management of regional assets and resources managed under the principle of effective and efficient and avoid fraud (Younis and Knight, 2014).

Resources possessed by a region must be used optimally for the welfare of society. Regional fixed assets are a very important component of resources in public services, so they need to be managed properly and inevitably every year will increase in terms of quantity and quality of benefits. Regional assets are the main capital for regional governments in developing and developing potential of a region and as supporting the role and function of the government in providing services to the community. Regional fixed assets are Regional Property, which are goods purchased through the Local government budget or other legitimate acquisition (Wongwong, et.al, 2014).

Management of regional assets in Indonesia is regulated in the Minister of Home Affairs Regulation No. 19 of 2016. The regulation of the management of assets starting from needs planning and budgeting, procurement, use, utilization, security and maintenance, valuation, transfer, destruction, administration and guidance, supervision and control. Implementation of these regulations in local government organizations requires supervision and cooperation that is able to carry out the recording process at the local government level, work units or managers of the region-owned goods carefully and competently (Kurniati, et.al, 2017).

Fixed assets are components of the region-owned goods which are non-financial resources and are the largest component in financial statements (Sadjiarto, 2000) and have a very important role in the activities of local government organizations in carrying out the goals, functions, vision and mission of the organization (Halim and Kusufi, 2016) Good management of fixed assets is an important task of the local government, because effective and efficient management will create prosperity for the community and fixed assets have a large risk of fraud (Siregar, 2016). The problem that often occurs in the management of regional resources and assets is the low internal control, based on the results of the first semester examination in 2018, there are 542 regions in Indonesia that are still weak in internal control over regional assets and until the end of 2017 there were 2,083 issues related to management regional assets (www.djkn.kmenkeu.go.id, 2018).

Kupang Regency government obtained qualified opinion in the audit board report from 2013 to 2017. The exception that often arises is due to the ineffectiveness of the Kupang regency government internal control system in asset management (BPK, 2013-2017). Audit board findings on the problems of Kupang regency fixed assets: (1) there are assets of IDR 5,258,604,090 that have not been recorded and controlled by other parties, (2) the presentation of fixed assets in the balance sheet is not optimum,

because many assets belong to Kupang regency government which has not been inventoried, (3) fixed assets in the form of government-owned land do not have legality, (4) fixed assets in the form of roads that have not been recorded as regional assets and (5) negligence in significant internal control in the fixed land management, IDR 45 billion, IDR 87.80 million which are unknown, the addition of roads with a value of IDR 404.04 billion has not been recorded as a new asset and the construction of educational buildings is not the same as the real condition.

Problems that encourage researchers to conduct research on optimizing the management of fixed assets in Kupang regency government. Fixed assets are one of the instruments used by local governments in an effort to organize good governance and be able to provide services to the community (Ramandei, 2009). Optimizing regional asset management is influenced by several factors including: human resources (Hanis, et. Al., 2011; Adhi and Suharjo, 2013; Yusuf, 2013; Wahyuni, et. Al, 2018), internal control systems (Bastian, 2014; Wicaksana, 2018; Suparman and Sangadji, 2018) and organizational commitment (Syaifullah, 2014; Erizul and Yulyani, 2014).

Human resources are one of the most important aspects in the work environment, the higher the competencies possessed by employees, the easier it is to achieve organizational goals (Adhi and Suhardjo, 2013). Hanis, et. al., (2011), describe human resources is the most important element in the organization that must be considered in developing of the region-owned goods management. Competent employees must have the knowledge, skills and attitudes that are appropriate to their field of work (Yusuf, 2013), employees have high competency, are able to complete work effectively, efficiently and on target (Pujanira and Taman, 2017). A good internal control system is also an element that must exist in the work environment, the better the internal control of the company, the fewer deviations that occur (Suparman and Sangadji, 2018) and good control will bring closer to organizational goals (Wicaksana, 2015).

In predicting the factors that influence the optimization of asset management in Kupang local government, researchers use moderation variables, which aim to strengthen the relationship of human resource competencies and internal control systems to the optimization of fixed assets. The moderating variable used in this study is organizational commitment. Organizational commitment is the attitude or form of a person's behavior towards the organization in the form of loyalty (Syaifullah, 2014). Organizational commitment is an emotion, identification and involvement of individuals with organizations and the desire to remain a part of the organization (Dunkam, et.al, 1994). Strong commitment in the organization can create confidence and support as well as employee loyalty to the values and objectives to be achieved by the organization (Mowday, et.al, 1979).

The research gap in this article is that there are still inconsistencies in previous research, Puspitarini, et. Al. (2017) and Wahyuni et al. (2018) found that competencies in human resources affect the effectiveness of asset management, but Azhar (2017) and Tauhid, et.al (2018) found that human resource competencies had no effect. Astini (2018) and Ekayanti, et. al. (2018) found that a good control system was able to improve the effectiveness of asset management, but studi Asman, et. al (2016) and Malau (2017) found a good internal control system had no impact on management asset effectiveness. This study uses a contingency approach that was not used by previous research. Contingency approach used is organizational commitment. Organizational commitment is used as a moderating variable based on contingency theory which states that an organization expects good performance, the organization must make adjustments to the system for uncertain conditions regarding the environment, size and business strategy. Study Puspitarini, et.al (2017) and Rosihan, et.al (2017) found that organizational commitment is one of the factors that influence asset management, but vice versa with research conducted by Gunawan (2017) and Ekayanti, et.al (2018).

Study aims to empirically examine the effect of human resources and internal control systems on optimizing fixed assets that are moderated by organizational commitment. This research was conducted in Indonesia and specifically in Kupang regency government, because Indonesia has committed to the implementation of new public management as a manifestation of bureaucratic reform, but the reality of regional financial and asset management is still managed unprofessionally and there is still a considerable amount of fraud.

LITERATURE REVIEW

Study uses stewardship theory and contingency theory to predicting relationships between variables. Stewardship theory is a theory that describes the situation of managers will behave according to mutual interests. Interests of the steward and the owner are not the same, the steward will try to work together rather than oppose it, because the steward feels the common interest and behaves according to the owner's behavior is a rational consideration because the steward looks more at the effort to achieve organizational goals (Raharjo, 2007). According to Podrug (2011) stewardship theory has several assumptions: management as a steward, governance approaches using sociology and psychology, manager's motivation is in line with the principal's goals, manager-principal's interests are convergence and the owner's attitude considers risk. Contingency theory argues that design and control systems depend on the context of the organization where the control is implemented or implemented (Purwati & Zulaikha, 2006). The contingency approach in accounting is based on the premise that there is no universal accounting system that applies equally to all organizations in all situations (Otley, 1980).

Asset

Assets are goods which in the legal sense are called objects, which consist of immovable objects and movable objects. The intended goods include immovable property (land and buildings) and movable goods both tangible and intangible, which are covered by assets of a company, business entity, institution or individual (Siregar, 2004: 178). Fixed assets are tangible assets that have a useful life of more than 12 months that are used to support government activities or can be used by the general public to improve community welfare (Bastian, 2014: 65). Classification of fixed assets: (1) land, (2) equipment and machinery, (3) buildings, (4) roads and irrigation, (5) other fixed assets, (6) construction under construction. Asset optimization aims to

optimize the physical potential, location of the value, amount/ volume, legal and economic assets of the asset. In this case, assets controlled by regional governments are identified and grouped on assets that have potential and do not have potential based on leading sectors and look for potential sector causes. So the results can be made targets, strategies and programs to optimize assets.

Human Resource Competence

Human resources in regional government must have good quality so that they can carry out their duties and functions. Related to the quality or ability of human resources, Robbins (2008: 52) defines ability refers to the capacity of individuals to do various tasks in certain jobs. Ability is a whole person in essence composed of two factors, intellectual abilities and physical abilities. According to Siregar (2004: 56), human resources are all potentials that exist in humans, such as reason, art, skills that can be used to meet the needs of himself and other people or society in general. Ability is defined as an individual capacity to do a job. In the context of regional asset management, many tasks are carried out by local government human resources. Starting from planning, submitting the procurement of assets to the method of asset maintenance and the removal of the assets concerned. The pattern of maintaining these assets is not just an element of supervision but also includes aspects of optimizing its utilization to realize the vision and mission of the local government (Ishak, 2002: 6).

The quality of human resources is related to the quality of public services, providing good services to the public or broadly the responsibility that must be carried out by government employees is to provide the best service to the community (Sanapiah, 2005: 3). According to Tangkilisan (2005: 12), human resources need to be managed properly because humans always play an active and dominant role in every organization's activities. Humans are planners, actors, as well as determining the realization of organizational goals. Human resource competency is an important factor in preparing regional asset reports (Haryanto, 2013). Arini, et. Al. (2014) and Wahyuni, et. Al (2018) in their study found that employee competency had an effect on the management of regional property assets.

Internal Control System

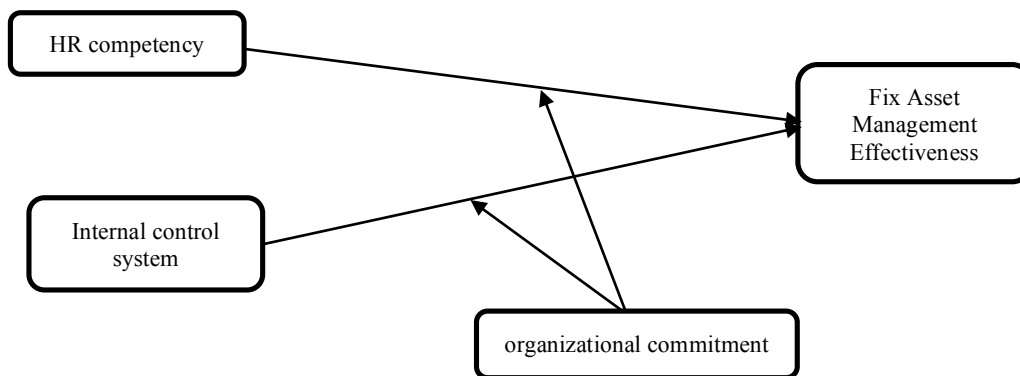
COSO (2013) defines internal control as a process carried out by the board of directors, management, and other personnel in an entity, which is designed to provide adequate confidence in achieving goals related to effectiveness and efficiency of operations, reliability of financial reporting and compliance with law and applicable regulation. According to Government Regulation No.60 of 2008, the Government's Internal Control System is an internal control system that is carried out thoroughly in the central government and regional government. Government internal control has several elements: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, (5) monitoring of internal controls. The internal control system is able to improve the effectiveness of regional asset management (Mainar, et.al, 2017; Ekayanti, et.al, 2018). According to the research of Nugraha (2011), Trisnani, et. Al (2017), Setyasari, (2017) and Subrata (2018), revealed that the internal control system in a work environment is more compliant, so it can improve the effectiveness of asset management.

Organizational Commitment

Organizational commitment is the level of an employee identifying an organization, its goals and expectations to remain a member of the organization (Robbins & Judge, 2015: 47). Luthans, (2006: 249) organizational commitment is: (1) a strong desire to remain a member of an organization, (2) the desire to strive in accordance with the wishes of the organization, (3) certain beliefs, and acceptance of values and goals of the organization. Organizational commitment has several characteristics, such as organizational acceptance and desire to maintain the organization. Organizational commitment is an employee's spikological ties to the organization which are characterized by: (1) strong trust and acceptance of organizational goals and values, (2) willingness to try to achieve organizational interests, and (3) a strong desire to maintain position as a member of the organization. Halim (2012) explains employee commitment to the organization to be a factor that influences regional financial management. Organizational commitment is able to strengthen the relationship of capacity to the effectiveness of asset management (Erizul and Yuliani, 2014; Puspitarini, et.al, 2017; Rosihan et.al, 2017). Studi Mowday, et.al (1979) describes that organizational commitment can strengthen the relationship between internal control and the effectiveness of asset management.

Conceptual Framework

Based on the literature review, this study put forwards the conceptual framework of this study as depicted in Figure 1.



Figur 1. Conseptual framework

Following the literature review and the conceptual framework, this study proposed five major hypotheses as follows:

H1: Competence of human resources has a positive effect on the effectiveness of fixed asset management

H2: The internal control system has a positive effect on the effectiveness of fixed asset management

H3: Organizational commitment strengthens the influence of human resource competencies on the effectiveness of fixed asset management

H4: Organizational Commitment strengthens the influence of the internal control system on the effectiveness of fixed asset management

RESEARCH METHODOLOGY

This study is explanatory research, study conducted with the aim of explaining the relationship between variables through testing hypotheses. An explanatory study was conducted to provide an explanation and description of the phenomena developed to make a model. Research uses primary data obtained through survey by sending questionnaires to research respondents. Survey method is used because it can get respondents answers which are geographically spread out, respondents feel comfortable and in no hurry to answer and are able to avoid bias.

Research population is all employees involved in the management of fixed assets in the local government organization Kupang regency government, which consists of 22 official offices, 5 agencies, 2 secretariats, regional inspectorates, civil service police and fire extinguishers, local public broadcasting institutions, houses regional hospital and 24 districts. Sampling method used was nonprobability sampling with convenience sampling technique. Convenience sampling is available from the members of the population who are conveniently available to provide it, so convenience sampling is a collection of information from members of the population that are easily obtained and able to provide that information. Thus anyone who can provide information either accidentally or accidentally meet with the researcher, can be used as a sample, if seen by the person who provided the information it is suitable as a source of data (Abdillah and Hartono, 2015: 120).

The construct of this study was measured using the research indicators used by previous research. The asset management construct uses the Juliadi (2017) research indicator. Human resource competencies are measured using Tanihatu, et.al (2019) research indicators. The internal control system is measured using the Astini (2018) research indicator. Organizational commitment is measured using the Ekayanti, et.al (2018) research indicator. Data analysis method, this study uses SEM-PLS with WarpPLS 6.0 software. The use of PLS is based on several considerations that PLS is an analytical method that can be applied to all data scales, does not require many assumptions, and sample size does not have to be large. PLS besides being used to confirm theories can also be used to build relationships that have no theoretical basis for testing propositions (Abdillah and Hartono, 2015: 165). The research model evaluation was carried out by evaluating the structural model measurement and evaluation model.

Evaluation of the measurement model is used to measure the validity and reliability of the research construct. Contruk is valid if it has AVE values above 0.5 (> 0.5), loading factors above 0.7 (> 0.7), AVE squares are greater than the correlation between variables and cross loading values under factor loading. Reliable construct if it has composite reliability values and cronbach's alpha above 0.6 (> 0.6) (Abdillah and Hartono, 2015: 196). Evaluation of the structural model uses R-Square (R^2) to predict the research model. Hypothesis testing uses a significance value (p-value) below 0.05 and the path coefficient (β) value. Hypothesis accepted if it has a p-value < 0.05 and the path coefficient > 0 . Constructions strengthen or weaken relationships between variables if they have a significance value (p-value) below 0.05 (< 0.05) (Sugiono, 2004).

RESEARCH RESULT

The population of this study is employees of local government organizations involved in the management of fixed assets. The research questionnaire was sent to 121 respondents who were selected based on the sampling technique. Based on the questionnaire distributed there were 3 questionnaires that did not return and 2 questionnaires that were not complete, so that the return questionnaire that could be used was 116 questionnaires.

Table 1 Demographics of Research Respondents

Characteristic	Jumlah	%
Gender		
Male	71	61%
Female	45	39%
Age		
Below 30 years	6	5%
31- 40 years	57	49%
41- 65 years	53	46%
Exsperience		
Below 5 years	13	11%
6-10 years	40	34%
over 10 years	63	54%
Education		

Low level high school	36	31%
High level high school/BSc	67	58%
High School/MSc	13	11%

Table 1 describes, the research respondents were dominated by 71 men (61%) and 45 women (39%), gender working in fixed asset management showed that men were more dominant in fixed asset management. The age of employees working in the management of fixed assets is dominated by employees aged 31 years and over (95%). Management of fixed assets is dominated by employees aged over 31 years because they are considered experienced and have good work productivity in government organizations. Employees working on company fixed assets have an average level of experience above 10 years (54%), it can be concluded that employees who are experienced in managing the assets of the Kupang regional government will create good management and be able to optimize the use of fixed assets and finance. Management of fixed assets in Kupang regency is dominated by employees with undergraduate education levels (58%), this explains that local governments are concerned about the level of education of their employees, because they are related to their competence.

Measurement Model Analysis

Analysis of the measurement model is used to assess a valid and reliable construct. The construct of this study uses a reflective type with a measurement of the variable first order construct. Convergent validity test of the value of outer loading factor, p value and AVE. Results in table 2, all constructs have an outer loading value above 0.7 (HR competency: 0.749, internal control system: 0.725, organizational commitment: 0.746 and management of fixed assets: 0.734), p value for all constructs below 0.001 and value AVE, for all constructs above 0.5 (HR competence: 0.573, Internal control system: 0.547, organizational commitment: 0.581 and management of fixed assets: 0.583). Discriminant validity test for the research construct is seen from the value of cross loading factor and AVE square. Based on table 2 the value of all cross loading is smaller than the value of the outer loading factor and the value of the quadrad AVE is greater than the correlation between variables. So it can be concluded that the construct of this study has fulfilled the test of convergent and discriminant validity.

Table 2. Validity and Reliability Test Results

Instrumen	Validity					Reliability	
	P Value	AVE	Outer Loading Factor	Cross Loading	AVE Square	Composite Reability	Cronbach Alpha
HR competence	<0.001	0,573	0,749	0,451	0,757	8,000	0,625
Internal control system	<0.001	0,547	0,725	0,364	0,740	0,858	0,793
organization commitment	<0.001	0,581	0,746	0,671	0,763	0,874	0,819
Management fix asset	<0.001	0,583	0,734	0,211	0,734	0,874	0,827

Reliability testing is used to assess the consistency of respondents' answers to each indicator in the research instruction. The reliability test of the research construct was measured using the composite reliability and cronbach alpha. The results of table 2 the composite reliability and cronbach alpha values for all constructs have a value above 0.7, so that all constructs in this study have met the reliability test.

Goodness of Fit

This test is used to see whether the research model is fit or robust, so that it can be used to test hypotheses. The assessment of goodness of fit on PLS using warpPLS can be seen from the rule of tumb proposed by Kock (2013) with the cut-off found in table 3. Table 3 describes the construct in this research model fit and robust. All criteria or rule of tumb in determining the fit model in table 3 all indicators have a cut-off value, so based on these seven criteria, it can be concluded that this research model is good and can be used for further testing.

Tabel 3. Goodness of Fit Test

Kriteria	Cut-off	Value
Average Path Coefficient (APC)	p value < 0,05	0,023
Average Adjusted R-Square (AARS)		0,001
Average Block Varian Inflation Factor (AVIF)	< 3,30	2,106
Average Full Collinearity Average Path Coefficient (AFVIF)		1,818
Tenenhaus Goodness of Fit (GoF)	>0,36	0,372
Syimpson's Paradox Ratio (SPR)	>0,70	1,000
Statistical Supression Ratio (SSR)		1,000

Structural Model Testing

Evaluation of structural models or inner models is used to predict latent variable relationships. Results of testing the structural model (inner model) on the R-Square value (R^2) and the path coefficient value. Results of testing structural models using WarpPLS are shown in table 4. Testing of direct effects shows that HR competence does not affect the optimization of fixed asset management (path coefficient: 0.600, p-value 0.270 and R^2 0.28), hypothesis 1 is rejected. HR competency does not affect the effectiveness of fixed asset management because employees working in the fixed asset management division of Kupang regency have education in addition to accounting and economics, so they have difficulty doing work or need training and workshops. Results of this study are in line with research conducted by Azhar, et.al (2013), Pakei, et.al (2014), Azhar (2017) and Pituringsih and Sakti, (2018) finding HR competencies have no effect on the effectiveness of fixed asset management. Results of this study do not support the theory of stewardship regulating the tasks and functions of local governments that manage resources (steward) to the community as resource owners (principal).

The internal control system influences the effectiveness of fixed asset management (path coefficient: 0.300, p-value <0.001 and R^2 0.28), hypothesis 2 is accepted. A good internal control system will increase the effectiveness of fixed asset management. Stewardship theory reveals that the government as a steward is entrusted by the community (principal) must provide accountability, present, report and disclose all activities and activities that become the scope of their responsibilities to the trustee. Results of the study support the research of Nugraha (2011), Hamidah (2014), Trisnani, et.al (2017), Juliadi (2017), Mainar, et.al (2017), Setyasari (2017), Astini (2018) and Ekayanti, et.al (2018) found that the internal control system has a positive effect on the effectiveness of asset management.

Table 4 Results of Testing Research Hypotheses

Variable	Direct Effect			Mederation Effect	
	Path Coef	p value	R^2	Path Coef	p value
HR Competence	0,600	0,270	0,280		
Internal Control System	0,300	<0,001			
OrgCom *HR C				0,190	0,010
OrgCom *ICS				0,060	0,250

OrgCom : Organization commitment, HR C : Human resource competence, ICS : Internal control system.

Table 4 shows the organizational commitment to strengthen the relationship of human resource competencies with the effectiveness of Kupang regency fixed assets management (path coefficient: 0.190, p-value 0.010), hypothesis 3 is accepted. Employees have a high organizational commitment to organizational goals so that it affects actions and productivity of performance by using their competencies to improve management of fixed assets. Results of this study support the research of Simamora and Halim (2012), Erizul and Yuliani (2014), Puspitarini, et.al (2017) and Rosihan, et.al (2017) found that organizational commitment can improve the effectiveness of fixed asset management. Organizational commitment is not able to strengthen the relationship of the internal control system with the effectiveness of fixed asset management in Kupang regency (path coefficient: 0.060, p-value 0.250), hypothesis 4 is rejected, meaning that the commitment level of asset management employees in Kupang regency has no influence on the relationship of internal control systems on the effectiveness of the management of fixed assets. The interaction between organizational commitment and the internal control system does not affect the effectiveness of fixed asset management. It may also be due to a lack of rewards for employees who excel, promotion is not in accordance with the provisions, income received does not match the workload, and a work environment that is not conducive to support employees in their work so that employees in implementing the internal control system lack high commitment.

Research implications

The findings generated in this study can provide implications both theoretically, practically and in policy. From the theoretical aspect, this research can contribute to the development of research on the public sector that needs to be developed continuously, especially those related to the management of fixed assets. Practically the results of this study contribute to the implementation of better management of fixed assets and to produce quality fixed assets information, especially in the presentation of accrual-based balance sheets. In policy terms, the results of this study can be used as a reference to assist leaders in taking further policy directions, especially those related to the management of fixed assets, including the creation of appropriate standard operating procedures for managing regional fixed assets such as asset recognition procedures, asset assessment, asset write-offs, securing assets, and depreciating regional fixed assets.

CONCLUSION

This study aims to empirically examine the effect of competency of human resources and internal control systems on the effectiveness of fixed asset management which is moderated by organizational commitment to the Kupang regency government. This test was carried out on 116 respondents representing all regional device organizations in the kupang regency government. Results of the study prove that a good internal control system is able to increase the effectiveness of fixed asset management, but good human resource competencies and high education cannot improve the effectiveness of fixed asset management because they have education other than accounting and economics. Organizational commitment is able to strengthen the relationship of human resource competencies with the effectiveness of fixed asset management, meaning that employees have high competence

and are supported by organizational commitment will increase the effectiveness of fixed asset management, but organizational commitment cannot strengthen the relationship of human resources to the effectiveness of fixed asset management.

Limitation of this study is the scope of the study only in Kupang regency, so it has a small sample size. The results showed that small R-Square 28% means that the endogenous construct is only able to explain 28% by exogenous variables while the other 72% is explained by other variables. Organizational commitment is not able to moderate the relationship of the internal control system to the effectiveness of fixed asset management. Suggestions for future research to expand the scope of research, use other variables that are considered to affect the effectiveness of fixed asset management and use other moderating variables.

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