

The Role Of Capital Expenditure As A Determiner Of The Quality Of Human Development: Quality Of Internal Control Systems As Moderation

Peran Belanja Modal Sebagai Penentu Kualitas Pembangunan Manusia: Kualitas Sistem Pengendalian Internal Sebagai Pemoderasi

Ardiani Ika Sulistyawati¹, Nur Hidayat², Rr. Lulus Prapti Nugroho Setiasih Surjanti³, Arief Himmawan Dwi Nugroho⁴, Aprih Santoso^{5*}

Universitas Semarang^{1,2,3,5}

Universitas Stikubank Semarang⁴

ardiani@usm.ac.id¹, hidayat281112@gmail.com², lulusprapti@usm.ac.id³,

ariefhimmawan@edu.unisbank.ac.id⁴, aprihsantoso@usm.ac.id^{5*}

*Corresponding Author

ABSTRACT

This study examines the effect of capital expenditures and the moderating effect of the Internal Control System (SPI) quality on human development quality in district/city local governments in Indonesia. The analysis results through multiple linear regression find empirical evidence that capital expenditure has a positive effect on human development quality. Furthermore, the quality of SPI does not have a moderating effect on the relationship between capital expenditures and the quality of human development in Indonesian local governments. Based on the results, the researcher emphasizes the importance of increasing the amount of local government capital expenditure for infrastructure development, especially for relatively underdeveloped regions in Indonesia, for the sake of providing public services to support the improvement of human development quality in the regions. The researcher also recommends the Financial and Development Supervisory Agency (BPKP) to continuously develop the maturity of SPI in local governments in order to improve the quality of financial management supervision in local governments in ensuring the effectiveness, efficiency, and compliance with laws. Therefore, the government's development agenda can be achieved.

Keywords: capital expenditures, human development quality

ABSTRAK

Penelitian ini menguji pengaruh belanja modal dan pengaruh moderasi kualitas Sistem Pengendalian Intern (SPI) terhadap kualitas pembangunan manusia pada pemerintah daerah kabupaten/kota di Indonesia. Hasil analisis melalui regresi linier berganda menemukan bukti empiris bahwa belanja modal berpengaruh positif terhadap kualitas pembangunan manusia. Lebih lanjut, kualitas SPI tidak memiliki pengaruh moderasi terhadap hubungan antara belanja modal dan kualitas pembangunan manusia pada pemerintah daerah di Indonesia. Berdasarkan hasil penelitian, peneliti menekankan pentingnya peningkatan jumlah belanja modal pemerintah daerah untuk pembangunan infrastruktur, terutama untuk daerah-daerah yang relatif tertinggal di Indonesia, demi tersedianya pelayanan publik yang dapat mendukung peningkatan kualitas pembangunan manusia di daerah. Peneliti juga merekomendasikan Badan Pengawasan Keuangan dan Pembangunan (BPKP) untuk terus melakukan pembinaan maturitas SPI di pemerintah daerah guna meningkatkan kualitas pengawasan pengelolaan keuangan di pemerintah daerah dalam menjamin efektivitas, efisiensi, dan ketaatan terhadap peraturan perundang-undangan. Dengan demikian, agenda pembangunan pemerintah dapat tercapai.

Kata Kunci: Belanja Modal, Kualitas Pembangunan Manusia

1. Introduction

Human development has become the concern of many countries since the United Nations Development Program (UNDP) introduced the concept of human development in 1990 with the publication of the first Human Development Report (Mittal, 2016). Human development focuses on the extent to which aspects of people's needs are met in living their

lives (Cameron, 2002; Edeme and Nkalu, 2016) with three basic dimensions namely long and healthy life, knowledge, and a decent standard of living (UNDP, 2021). Human development is also an issue that continues to be studied in Indonesia and is of serious concern to the government. Indonesia is the largest country in the Southeast Asia region with an area of 1.9 million km² and consists of 17,504 islands (Central Bureau of Statistics, 2021). Indonesia is also the country with the most population in the Southeast Asia region with more than 250 million people and is ranked as the fourth most populous country in the world after China, India and the United States (United States Census Bureau, 2020). From 1990 to 2015, Indonesia's population ranged from around 40% of the total population in all ASEAN countries (UN, 2017).

However, Indonesia's Human Development Index (HDI) is still at the middle level as stated in the human development report published by UNDP in 2020. Indonesia is ranked 111th in the world out of 189 countries. When compared to its neighbors in the Southeast Asian region, Indonesia is still ranked 6th. Since 2010, HDI has continued to record growth. However, in the last five years the rate of increase in HDI growth has slowed somewhat compared to the 2011-2014 period. For the 2015-2019 period, the HDI rose by an average of 0.86% per year, while in 2011-2014 the HDI rose 0.88% per year. Both in ASEAN and in the world, Indonesia is ranked in the middle. In terms of HDI, Indonesia is still lagging behind in the Southeast Asian region, particularly from Singapore, Brunei Darussalam, Malaysia, Thailand and the Philippines. When compared with Singapore, Brunei and Malaysia, for all human development indicators measured by UNDP, Indonesia is still lagging behind. Meanwhile, when compared to Thailand, Indonesia only excels in the average length of schooling. Indonesia is superior in almost all aspects compared to the Philippines except in terms of the average length of time educated.

Table 1. Human Development Index in ASEAN Countries in 2019

Country	ASEAN Ranking	Global Ranking	HDI	LE (yr)	OSH (yr)	ASY (yr)	P/CI (US\$)
Singapore	1	9	0.935	83.5	16.3	11.5	83,793
Brunei Darussalam	2	43	0.845	75.7	14.4	9.1	76,389
Malaysia	3	61	0.804	76	13.5	10.2	27,227
Thailand	4	77	0.765	76.9	14.7	7.7	16,129
Philippines	5	106	0.712	71.1	12.7	9.4	9,540
Indonesia	6	111	0.707	71.5	12.9	8	11,256
Vietnamese	7	118	0.693	75.3	12.7	8.2	6,220
Laos	8	140	0.604	67.6	11.1	5.2	6,317
Myanmar	9	145	0.584	66.9	10.3	5	5,764
Cambodia	10	146	0.581	69.6	11.3	4.8	3,597

Description:

HDI = Human Development Index ; LE = Life Expectancy

OSH = Old School Hope ; RLS = Average School Years

P/CI = Population Per Capita Income

Source : UNDP Human Development Report

To advance human welfare, economic growth makes an important contribution to human development (Cameron, 2002). Apart from economic growth, the role of state institutions is also important in enhancing human development (Salkind, et al, 2009). Indonesia

has undergone massive and significant bureaucratic reform since 1998 following the fall of the New Order regime under President Suharto, the former President of Indonesia who had been in power for around 32 years (McLeod, 2008).

Significant reforms have changed the government from centralized to decentralized government so that the Unitary State of the Republic of Indonesia is a democratic country that implements regional autonomy in development. As a consequence, local governments play an important role in realizing development (Lewis, 2017), including human development. Based on the experiences of various developing countries, one of the factors in choosing government policies is physical development. Government institutional factors also play an important role following the widely accepted concept of public governance (UNDP, 2014).

The urgency of research in the field of human development needs to consider the unique characteristics of Indonesia in development and government institutions. Development research literature in Indonesia still has many limitations. This research seeks to answer the limitations of previous studies by increasing the scope of the research to all local governments in Indonesia, which consist of 514 district/city governments. Rahayu, et al (2016) examined the effect of local government spending on human development in Papua Province alone. Then Rinaldi et al (2020) researched in North Sumatra Province. The existence of some of these studies has not been able to answer the phenomenon in all governments because it was only carried out in a few local governments. This research contributes to government through policy recommendations for SPI management and supervision in Indonesia.

2. Literature Review

Agency Theory

Agency theory explains that agency relationships are contracts that arise when one or more people (principals) employ another person (agent) to provide services while simultaneously giving decision-making authority to the agent. Agency relationships can lead to conflict if there is a difference in the interests of the agent and the principal. Principal and agent problems arise when the principal does not know exactly what the agent is doing where the interests of the principal are not the same as those of the agent and information asymmetry. Agency conflict can also occur in the public sector which is influenced by the relationship of authority in local government. Agency conflict can be described as the decision of the local government as an agent not in accordance with the will of the people as the principal. To prevent agency conflicts, this can be done by implementing good governance so that irregularities can be minimized (Halim and Abdullah, 2006). Providing checks on the work of agents and information is provided to help maintain the trust of the principal which in the public sector is carried out by the regional inspectorate as the executor of the system that functions as a supervisor in the wheels of local government administration (Siwy, et al 2016).

Human Development Quality

The first Human Development Report in 1990 introduced HDI as an indicator to measure and monitor progress towards achieving human development. IPM focuses on assessing the development of people's capabilities in these countries. This index can also be used to see government policy choices. HDI is developed from several indicators that represent three dimensions of human development. The indicators and formula for measuring HDI have evolved over time to provide a better approach. The HDI indicators are (1) long and healthy life, (2) knowledge and (3) a decent standard of living.

Capital Expenditures

Capital expenditure is one component of expenditure expenditure in local government financial reporting. Government Regulation Number 71 of 2010 concerning Regional Government Accounting Standards states that capital expenditure is a budget expenditure for the acquisition of fixed assets and other assets that benefit more than one accounting period. Fixed assets and other assets which are intended to have tangible characteristics, add to government assets, have a useful life of more than one year and have a relatively material value.

Government Internal Control System

According to the concept developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO, 2013), internal control is a process carried out by an organization to ensure operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations. The elements of the internal control system developed by COSO include: (1) control environment, (2) risk assessment, (3) control activities, (3) information and communication, and (4) monitoring.

The Effect of Local Government Capital Expenditures on the Quality of Human Development

Local government spending has been seen as an important factor in development increasing access to services mandated by law such as education and health (Lewis, 2017). More specifically, capital expenditure is a budget expenditure that must be earmarked for public services (Hoesada, 2016) so that its realization can be expected to support the development of infrastructure and facilities in the regions (Muda and Naibaho, 2018) and further improve the overall quality of human development. Shafuda and De (2020) argue that growth in government spending in the long term has a positive impact on human development.

H1: Regional government capital expenditure has a positive effect on the quality of human development

The Influence of Local Government SPI Quality on the Quality of Human Development

SPI is an important element of regional financial management run by local governments. The SPI developed with the COSO concept aims to create accountable, well-performing and compliant local government administration with laws and regulations. The SPI quality can be reflected through the level of maturity achieved (Institute of Internal Auditors, 2014). High SPI quality can help ensure the effectiveness and efficiency of government development programs (Sarens, Allegrini, D'Onza, and Melville, 2011), including programs related to human development. This cannot be separated from a structured and consistent system supported by technological assistance (Smidt, Ahmi, Steenkamp, van der Nest, and Lubbe, 2019) so that implemented human development programs can be monitored on an ongoing basis. With optimal SPI quality, development carried out by local governments can be adequately supervised so that they are able to achieve the set performance benchmarks (Sutaryo and Sinaga, 2018), namely the increased quality of human development.

H2: The quality of local government SPI has a positive effect on the quality of human development

The Effect of SPI Quality Moderation in the Relationship between Regional Government Capital Expenditures and the Quality of Human Development

SPI as an institutional factor has the potential to have a wider influence on governance (Ayagre, 2015), including in overseeing the implementation of human development programs at the regional level. In previous research, the role of SPI proved to be influential in carrying out supervision of regional financial management, especially in the aspects of governance, risk management and fraud prevention (Purnomo, 2017). High SPI quality can help ensure the

effectiveness and efficiency of government development programs, including programs related to human development. With optimal SPI quality, the development carried out by the regional government can be adequately supervised. With adequate supervision, development achievements do not only reach the level of output but also outcomes (Christofzik & Kessing, 2018). In the end, a high SPI quality will strengthen the effect of capital expenditure on the quality of human development.

H3: The quality of SPI strengthens the effect of capital expenditure on the quality of human development

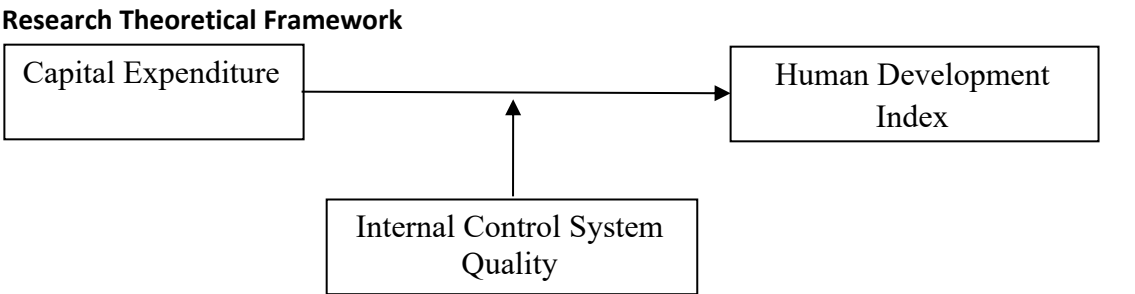


Figure 1. Research Theoretical Framework

3. Research Method

The population of this study is all local governments in Indonesia in 2019 consisting of 514 local governments. By eliminating regional governments with administrative city status and local governments with incomplete data, this study used 389 samples. This study uses secondary data from the Supreme Audit Agency (BPK in Indonesian language), the Financial and Development Supervisory Agency (BPKP in Indonesian language), the Ministry of Home Affairs, and the Central Bureau of Statistics (CBS). The variables of this study consist of dependent, independent and moderating variables.

Table 2. Operational Definition of Research Variables			
Variables	Notation	Measurement	Reference
Dependent			
Human Development Index	HDI	HDI scores on local governments	Fattah and Muji (2019) published by the Central Bureau of Statistics (CBS)
Independent			
Capital Expenditure	CE	Natural logarithm of total local government capital expenditure realization	Fattah & Muji(2012) Rinaldi, et al (2020)
Moderation			
Internal System Quality	ControlICSQ	The score of the ICS maturity assessment results for local governments carried out by BPKP	Sutaryo & Sinaga (2018)

Analysis Method

The secondary data of this study were analyzed using descriptive statistics to examine the quality of human development achievements in local governments in Indonesia

geographically and based on the type of local government. Furthermore, the Partial Least Square (PLS) analysis tool was carried out to test the role of capital expenditure and ICSQ on the quality of human development in local governments.

4. Results And Discussion

Descriptive statistics

The results of the descriptive statistical analysis show that the average quality of human development proxied by the HDI from the BPS in 389 samples of district/city local governments in Indonesia is 69.27 which is below the national average of 70.7. The local government with the highest HDI is Semarang City (HDI score of 83.19). The lowest HDI value in this study was Puncak Jaya Regency with an HDI value of 48.33. The standard deviation of the variable quality of human development is quite small at 4.98.

Data Analysis

Outer Model

The measurement model is assessed using reliability and validity. For reliability using Cronbach's Alpha. This value reflects the reliability of all indicators in the model. The minimum value is 0.7 while the ideal is 0.8 or 0.9. In addition to Cronbach's Alpha, the value of pc (composite reliability) is also used which is interpreted the same as the Cronbach's Alpha value. In this study the latent construct is represented by only 1 indicator, so the loading factor value is 1. Reliability testing shows how much an instrument can be trusted and used as a data collection tool.

Table 3. Hasil Uji Reliabilitas

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Capital Expenditure	1.000	1.000	1.000	1.000
HDI	1.000	1.000	1.000	1.000
Moderating Effect 1	1.000	1.000	1.000	1.000
ICS	1.000	1.000	1.000	1.000

Based on the results of the reliability test above, it shows that all variables used as instruments are reliable or can be trusted and can be used as a data collection tool. The higher the instrument reliability, the more reliable the measurement results obtained. This can be proven by a coefficient value greater than 0.7. Each variable in this study has a composite reliability value, rho_A which is greater than 0.7 and the AVE value is higher than 0.5 so that the questionnaire is declared valid and reliable. The PLS Algorithm, besides being able to produce Construct reliability and validity output, for reliability and validity tests, includes Cronbach's Alpha, Composite Reliability and Convergent validity, the following analysis results will open: path coefficient values or path coefficient values between each exogenous variable to endogenous variables, R Square and R Square Adjusted values to find out what percentage of exogenous variables are able to influence endogenous variables.

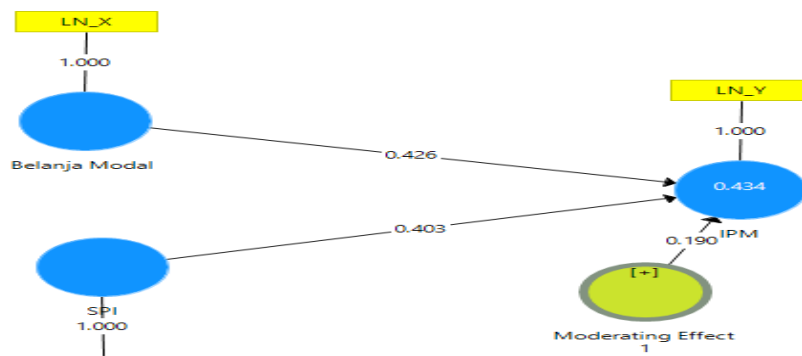


Figure 2. Structural Model of Algorithmic PLS Analysis

Based on Figure 2 above, the highest path coefficient value is obtained from the relationship between capital expenditure and the human development index (HDI) of 0.426. The lowest path coefficient value is obtained from the relationship between the moderating effect1 and the human development index (HDI) of 0.190

Determination Coefficient Test Results

SEM analysis of alternative methods, namely the Partial Least Square outer model also produces R Square values for endogenous constructs which are the Goodness Of Fit model test (Ghozali, 2014), t-test to assess the significance of the structural path parameter coefficients. There are three categories in the grouping of R-square values, namely 0.75 (strong), 0.50 (moderate) and 0.25 (weak) (Hair et al, 2010). The R-square value of the dependent variable obtained in this research model is as follows:

	R Square	R Square Adjusted
HDI	0.434	0.430

Based on the table it is known that the adjusted R-square value of the HDI latent construct is 0.430 (below 0.5 and above 0.25 indicates a moderate relationship). So the HDI latent construct can be explained by capital expenditure, SPI and a moderate latent construct of 43.0%, the remaining 57% is explained by other factors not examined in this analysis.

Discriminant validity

Discriminant validity is carried out to ensure that each concept from each latent model is different from other variables.

	Capital Expenditure	HDI	Moderating Effect 1	ICS
Capital Expenditure	1.000*			
HDI	0.520	1.000*		
Moderating Effect 1	0.109	0.162	1.000*	
ICS	0.186	0.460	-0.134	1.000*

The square root value of AVE (asterisk) in the capital expenditure variable (X) is 1.000, which is greater than the construct correlation value on other latent variables, as well as the correlation between other latent variables.

Goodness of fit

	Saturated Model	Estimated Model
SRMR	0.000	0.001

Chi-Square		0.010
NFI	1.000	1.000

The goodness of fit test of the PLS model aims to assess the quality of the model. The results of the Goodness Of Fit analysis model obtained an SRMR value of less than 0.1 and an NFI of more than 0.8 indicating that the model has a good Goodness Of Fit.

Inner Model

The next step is to re-execute the PLS model with bootstrapping analysis, in order to produce structural model equations so that the factors influencing endogenous latent constructs are identified. Structural model analysis in this study consisted of two, namely the direct influence test and the indirect effect test of mediation or intervening. The parameter significance test is indicated by the output in the PLS analysis, including: the original sample value, the t-statistic value and the p value.

If the original sample shows a positive value, it means the direction is positive, and if the original sample value is negative, it means the direction is negative. T-statistics is used to show significance. If the t-statistic value is > 1.96 and the p-value is < 0.05 , the hypothesis is accepted, meaning that there is an influence of the exogenous construct on the endogenous construct. The direct effect test aims to determine the effect of the work environment, workload and communication on work stress, the influence of the work environment, workload and communication and work stress on job satisfaction.

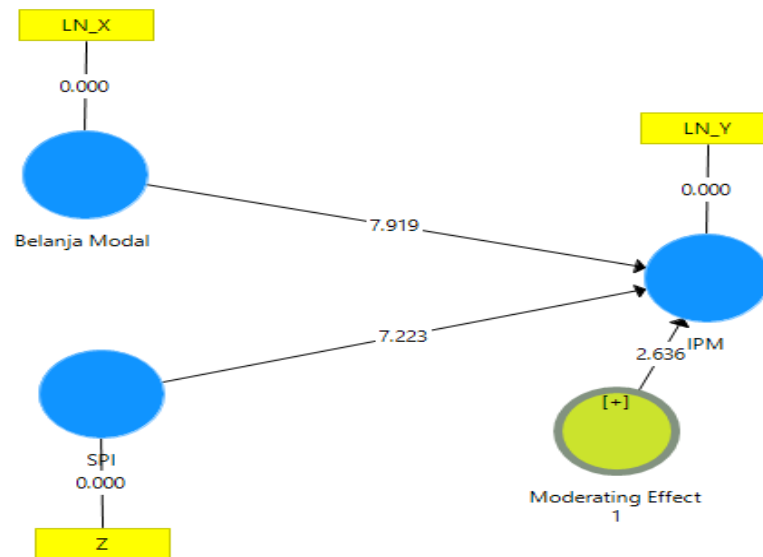


Figure 3. Structural Model of PLS Bootstrapping Analysis

Results of the Test of Direct Effect and Moderation Effect

	Original Sample (O)	T Statistics (O/STDEV)	P Values
Capital Expenditure -> HDM	0.426	7.919	0.000
Moderating Effect 1 -> HDM	0.190	2.636	0.003
ICS --> HDM	0.403	7.223	0.000

Based on the results of the direct effect test it is known that the effect of capital expenditure on HDI has a positive original sample value of 0.426, a t-statistic value of 7.919 > 1.962 and a p value of 0.000, p value < 0.05 . These results indicate that capital expenditure has

a significant positive effect on HDI. The higher the capital expenditure, the higher the HDI, and vice versa.

The effect of SPI on HDI with a positive original sample value of 0.403, a t-statistic value of 7.223 > 1.962 and a p value of 0.000 with a p value <0.05. These results indicate ICS has a significant positive effect on HDI. The higher the ICS, the higher the HDI, and vice versa.

The moderating effect1 variable is the interaction variable between ICS and capital expenditure, the purpose of which is to determine the moderating effect of ICS on the relationship between capital expenditure and HDI. The effect of moderating effect1 on HDI with a positive original sample value of 0.190, a t-statistic value of 2.636 > 1.962 and a p value of 0.003 and a p value <0.05. These results indicate that the moderating effect1 has a positive and significant effect on HDI, or in other words ICS is proven to positively moderate the relationship between capital expenditure and HDI, so ICS strengthens the relationship between capital expenditure and HDI.

Discussion

The Effect of Local Government Capital Expenditures on the Quality of Human Development

The test results above have answered hypothesis 1, namely regional government capital spending has a positive effect on the quality of human development in the regions. The results of this study confirm that local government capital spending plays an important role in increasing life expectancy, access to education and a decent standard of living for the local people. The findings of this study are in line with the theoretical perspective and resource-based view (Zheng, et al, 2013), namely that local governments with financial resources in the form of higher capital expenditure budgets will of course maximize these advantages as much as possible to be realized as regional assets for supporting public services and facilities. Thus, the competitive advantage in the form of a larger capital expenditure budget can be used to support local governments in achieving another competitive advantage in the form of a high HDI.

In addition, the results of this study have also answered the fulfillment of strategic issues and development priorities planned by the government in the 2015-2019 National Medium-Term Development Plan and 2020-2024 RPJMN. Strategic issues and development priorities in question are an increase in Indonesia's HDI from year to year. With a budget and fiscal instruments that are focused on increasing life expectancy, the average length of schooling and a decent standard of living in the form of Indonesian Domestic Products per capita of the Indonesian people, it will certainly increase HDI people of Indonesia.

More specifically, capital expenditure will produce assets that are expected to support development such as infrastructure, health, education and other facilities in the region. Lewis (2019) in his follow-up research on Indonesia even emphasizes the importance of increasing the amount of local government capital spending for infrastructure development, especially for relatively underdeveloped regions in Indonesia. The results of this study are also in line with previous research conducted by Rahayu, et al (2016), Rinaldi, et al (2020) and Fattah and Muji (2012) which stated that local government spending has a positive effect on HDI.

The Influence of Local Government SPI Quality on the Quality of Human Development

The results of this test answer the second hypothesis, namely the quality of local government SPI has a positive effect on the quality of human development in the regions. The findings of this study confirm the understanding built into agency theory (Jensen & Meckling, 1976). The existence of ICS functions as a supervisory mechanism to be an important part in reducing agency problems that arise by ensuring that the executive as an agent carries out its

role properly in managing regional finances in accordance with the expectations of the people as principals (Halim and Abdullah, 2006).

The existence of SPI in regional government as an organ in governance plays a significant role in supervising regional financial management. Good regional financial management plays an important role in development goals in order to achieve effective and efficient output. Thus, SPI with high quality is able to carry out its function in reducing information asymmetry (information asymmetry) between principals and agents in the framework of regional development.

The results of this study answer one of the policy directions and national development strategies related to strengthening fiscal policy, namely increasing the quality of budget execution. One way to strengthen fiscal policy is by modernizing control and monitoring of budget execution. Monitoring the implementation is a form of ICS. With a better ICS, the implementation of the budget will be better so that it will have an impact on achieving one of the development targets, namely increasing the HDI.

The results of this study also confirm the concept of COSO (2013) in the development of ICS which aims to realize organizational accountability, performance and legal compliance. The high quality of human development at the local level is also a manifestation of this objective. SPI which was built on the concept of COSO (2013) supports the achievement of local government accountability through control environment, risk assessment, control activities, information and communication, as well as adequate monitoring and covers various aspects of governance. In addition, the findings of this study also confirm empirical evidence from previous research which found the role of ICS in supporting organizational performance (Sutaryo and Sinaga, 2018).

SPI Quality Moderation in the Relationship between Regional Government Capital Expenditures and the Quality of Human Development

The moderation analysis in this study found that the quality of SPI shows a moderating effect in the relationship between capital expenditure and the quality of human development in local governments in Indonesia. This means that the quality of SPI can fully support the process of realization of regional government capital expenditures in ensuring compliance with implementation and the results to be achieved from capital expenditure activities effectively and efficiently in order to improve HDI quality.

In order to achieve comprehensive oversight of the implementation of capital expenditure in local governments starting from administration, compliance, effectiveness, efficiency to output and outcome, high ICS quality is required, supported by various characteristics and significant resources. It is undeniable that Indonesia as a developing country has not been able to realize capital expenditure supervision up to that level due to various limitations. The BPK continues to find SPI weaknesses in local governments every year which affect the opinion of local government financial reports. Thus, the quality of ICS in local governments in Indonesia needs to be improved, especially in supervising regional financial management. The process of overseeing financial management by internal audit requires significant resources, in the form of human or technological resources (DeSimone, et al, 2019), including in monitoring capital expenditures up to the outcome level. The aspects of SPI resources and quality in Indonesia are still in the developing stage. This is also supported by the results of the descriptive statistics which show the average maturity is at level 2. SPI in local governments in Indonesia also does not yet have technology that is evenly distributed between regional governments in carrying out supervision of regional financial management. Equal distribution of human resources for the government's internal control apparatus is also very necessary. In addition, the education, qualifications and expertise of auditors also need to be improved so that they are evenly distributed among local governments throughout Indonesia.

Thus, specific supervision on the realization of capital expenditures cannot be fully carried out up to the outcome level.

Improved oversight of the implementation of capital expenditures in local governments in Indonesia should be increased. In addition to ensuring the effectiveness, efficiency and outcomes of capital expenditures in accordance with their designation for the public, adequate internal supervision is necessary for risk management and prevention of fraud in the realization of capital expenditures (Purnomo, 2017).

5. Conclusion

From the results of hypothesis testing, it was found that capital expenditure and SPI quality had a significant positive effect on the quality of human development in the regions. Furthermore, the quality of SPI has proven capable of strengthening the relationship between capital expenditure and the quality of human development in the regions. The results of this study provide empirical support for the theory which shows that capital expenditure is a productive indicator of the use of the budget by local governments which in its implementation intersects with public services. The greater the realization of capital expenditure, the better public services in terms of public facilities and infrastructure such as education, health and infrastructure so that it has an impact on increasing the HDI.

Reference

- Abdullah, S., and Halim, A. (2006). Hubungan dan Masalah Keagenan di Pemerintah Daerah. *Jurnal Akuntansi Pemerintah*, Vol 2, No 1, 53-64
- Ayagre, P. (2015). *Internal Audit Capacity to Enhance Good Governance of Public Sector Organisations: Developing Countries Perspective*. *Journal of Governance and Development*, 11(1), 39–60.
- Cameron, N. (2002). *Human Growth and Development*. USA: Elsevier Science.
- Christofzik, D. I., & Kessing, S. G. (2018). *Does fiscal oversight matter?* *Journal of Urban Economics*, 105, 70–87. <https://doi.org/10.1016/j.jue.2018.03.002>
- COSO. (2013). *Internal Control — Integrated Framework Executive Summary*. In COSO.
- Edeme, R. K., & Nkalu, N. C. (2016). *Crowding-In and Crowding-Out Effects of Recurrent and Capital Expenditure on Human Capital Development in Nigeria*. *Asian Development Policy Review*, 4(3), 65–73. <https://doi.org/10.18488/journal.107/2016.4.3/107.3.65.73>
- Fattah, S., and Muji, A. (2012). *Local Government Expenditure Allocation toward Human Development Index at Jeneponto Regency, South Sulawesi, Indonesia*. *IOSR Journal of Humanities and Social Science*, 5(6), 40–50. <https://doi.org/10.9790/0837-0564050>
- Hoesada, J. (2016). *Akuntansi Pemerintahan (Bunga Rampai)*. Jakarta: Penerbit Salemba Empat.
- Jensen, M. C. and W. H. M. (1976). *Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure*. *Journal of Financial Economics*, V. 3 No. 4, 305–360.
- Kholmi, M. (2010). Akuntabilitas dalam Perspektif Teori Agensi. *Ekonomika Bisnis*, 02(02), hal. 357-370.
- Lewis, B. D. (2017). *Local government spending and service delivery in Indonesia: the perverse effects of substantial fiscal resources*. *Regional Studies*, 51(11), 1695–1707. <https://doi.org/10.1080/00343404.2016.1216957>
- McLeod, R. H. (2008). *Inadequate budgets and salaries as instruments for institutionalizing public sector corruption in Indonesia*. *South East Asia Research*, 16(2), 199–223. <https://doi.org/10.5367/000000008785260464>
- Mittal, P. (2016). *Social Sector Expenditure and Human Development of Indian States*. Munich Personal RePEc Archive, 7(75804).

- Muda, I., and Naibaho, R. (2018). *Variables influencing allocation of capital expenditure in Indonesia*. *IOP Conference Series: Earth and Environmental Science*, 126(1), 1–8. <https://doi.org/10.1088/1755-1315/126/1/012066>
- Nuraeni. (2017). *The impact of local governments characteristics to audit quality Indonesia perspectives*. *Jurnal Keuangan Dan Perbankan*, 16(1), 87–103.
- Purnomo, B. H. (2017). *The role of internal audit in governance, risk management, and controls for fraud prevention at PPATK*. *Asia Pacific Fraud Journal*, 2(1), 15–26. <https://doi.org/10.21532/apfj.001.17.02.01.02>
- Rahayu, S., Raviyanti, A. A., and Mahardika, D. P. K. (2016). *Local government revenue, general allocation fund, special allocation fund, capital expenditure to human development index (HDI) in Papua, Indonesia*. *Advanced Science Letters*, 22(12), 4077–4081. <https://doi.org/10.1166/asl.2016.8199>
- Rinaldi, M., Arifin, Z., Maipita, I., and Hutasuht, S. (2020). *the Effect of Capital Expenditure and Economic Growth on the Human Development Index of the District City in North Sumatera*. *Advances in Social Sciences Research Journal*, 7(1), 585–594. <https://doi.org/10.14738/assrj.71.7741>
- Salkind, N. J., Margolis, L., DeRuyck, K., & Rasmussen, K. (2009). *Encyclopedia of Human Development*. California: SAGE Publication.
- Sarens, G., Allegrini, M., D’Onza, G., and Melville, R. (2011). *Are internal auditing practices related to the age of the internal audit function?: Exploratory evidence and directions for future research*. *Managerial Auditing Journal*, 26 (1), 51–64. <https://doi.org/10.1108/02686901111090835>
- Shafuda, C. P. P., and De, U. K. (2020). *Government expenditure on human capital and growth in Namibia: a time series analysis*. *Journal of Economic Structures*, 9(1). <https://doi.org/10.1186/s40008-020-00196-3>
- Siwy, M. I., Saerang, D. P. E., dan Karamoy, H. (2016). *Pelaksanaan fungsi Aparat Pengawas Intern Pemerintah (APIP) untuk menunjang tingkat kewajaran laporan keuangan Pemerintah Kota Manado*. *Jurnal Riset Akuntansi dan Auditing*, 7(2), 1–12. <https://doi.org/10.35800/jjs.v7i2.13549>
- Sutaryo, S., and Sinaga, D. (2018). *Government internal control system maturity: The role of internal guidance and external control of local government in Indonesia*. *Jurnal Akuntansi Dan Investasi*, 19 (1), 24–35. <https://doi.org/10.18196/jai.190189>
- UNDP (2014). *Discussion Paper: Governance for Sustainable Development*. Washington DC: United Nations Development Program.
- UNDP (2021). *World's Human Development Report 2020*, Washington DC: United Nations Development Program.
- Zheng, D., Chen, J., Huang, L., & Zhang, C. (2013). *E-government adoption in public administration organizations: integrating institutional theory perspective and resource-based view*. *European Journal of Information Systems*, 22(2), 221–234