

Quality of Public Services in Local Governments in Indonesia : A Study of Capital Expenditures and Government Internal Control Systems



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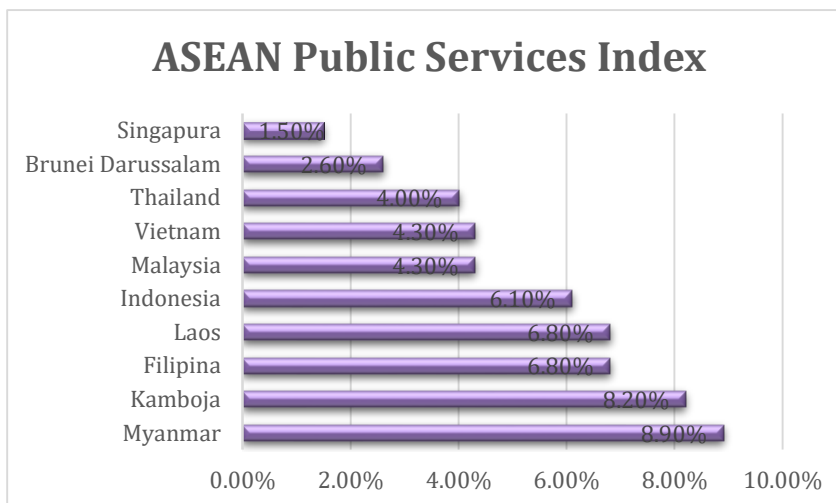
ABSTRACT: Regional autonomy is a policy the central government gives to local governments to regulate their regions. One of these authority policies is public service. Public services are a series of activities in the form of services following the law's mandate in the form of goods and services to fulfill general needs for the welfare of society. Public services for the community come from the realization of local government budgets with an internal control mechanism to regulate the fulfillment of public services. Increased budget realization can support regional infrastructure to provide better public services. Capital expenditure is not a service; if it is used as a service, it is necessary to have a supervisory mechanism such as an internal supervisor of the local government to support the fulfillment of better public services and improve the welfare of the community. The increase in capital expenditure, where the output is assets, is the most tangible thing that is felt by the community; it is necessary to have internal control within the local government, namely the maturity of the SPIP to run effectively and efficiently. This study examines the effect of capital expenditure and SPIP maturity on public services. The sample and population used in this study were 514 local governments with up to 1887 all local governments in Indonesia during 2016 – 2019. The results of this study are that capital expenditure variables have a positive effect on public services, and SPIP maturity has a positive effect on public services.

KEYWORDS : Quality of Public Services, Capital Expenditures, Maturity of SPIP, Monitoring Size, Regional Wealth

I. INTRODUCTION

Indonesia has implemented regional autonomy since the reformation and handed over authority to local governments, one of which is public services. *Public services* are services the government provides to serve and regulate what is needed by the community. Based on Law No. 22 of 1999, which explains that regional autonomy is in the interests of the community independently, the purpose of autonomy itself is the responsibility in the form of granting rights to authority to regions, such as the duties and obligations that regions must carry out to achieve autonomy. The autonomous provision is in the form of increasing good public services, improving public welfare, and supporting a democratic life, (Pratama, 2019; Rahman et al., 2021). The expectations of the community and the government are the achievement of public services and good infrastructure development. Public services are evidence of the Central and Regional Governments continue to strive and innovate to improve the quality of public services as a form of responsibility to the community (Pratama, 2019).

Seeing that public services still receive much criticism, one of them is because the government is lacking in managing fiscal resources. Based on the Minister of Home Affairs Regulation Number 54 of 2015, it is explained that in 2015–2019 efforts to implement local governments in decentralized regional autonomy in improving the public through the minimum service system (SPM) that has been set by local governments such as service standards in the health sector, environment, social, family planning, food security, education, employment, arts, transportation, investment, and domestic government. Public service standards carried out by local governments have not fully met the community's expectations (Rochmansjah 2019). In addition, improving the quality of the completion time of the *APBD* (Regional Expenditure Budget) has not been thoroughly followed by using a budget composition that is oriented toward the use of regional expenditures, which is used for the benefit of better public services. As evidenced again by Indonesia's ranking, which is still ranked fifth in ASEAN in public services, it can be concluded that Indonesia's public services are not yet optimal. The following is a chart of ASEAN public service rankings.



The quality of a local government public service can be measured by how well the organizers of government agencies carry out their duties and authority to the community and the level of community satisfaction with services provided by local and central governments. Service quality is also essential in implementing a public service in Indonesia (Hadian, 2017; Martani et al., 2014) A poor public service reputation is permanently attached to the reputation of the Indonesian government's public service providers; it can be concluded that local government public services are vital for the community, so measurement is needed to measure the quality of public services (McLaren et al., 2019; Winarna et al., 2021a). The practice of maladministration in government public services does not only lead to corruption and bribery, but this practice can hinder government investment and development, especially in the area of local government. Public complaints about several cases, namely protracted service delays, reached 33.62%, procedure deviations 28.97%, and did not provide services as much as 17.7%, equal to 967 complaints (Gosanna Oktavia 2020; Ratna Dewi. 2020). Several forms of maladministration practices are under article 11 in the RI Ombudsman Regulation No. 26 of 2017 in the form of behavior in services. These behaviors include delaying the completion of services and providing services beyond the proper time, neglecting service duties, incompetence in providing services, abusing authority for other purposes in progress, performing public services not according to the existing procedures, and asking for compensation when the service has been performed (Fernandes & Fresly, 2017). The lack of public services for local governments in Indonesia is a serious issue that has been confirmed by the community (Ratna Dewi. 2020) and international institutions (The Global Economy). The achievement of the quality of public services in Indonesia, which has not met these expectations, is not in line with the objectives of regional autonomy. Thus, the issue of public services in Indonesia has become very interesting to study, so research is needed that comprehensively examines public services in Indonesia (Huque & Vyas, 2008; Konte & Vincent, 2021; Tshiyoyo & Koma, 2011).

This study focuses on the overall quality of public services measured by SPM, mandatory, and elective. One tangible form of local government efforts financially in improving public services in Indonesia can be realized with Capital Expenditures, where capital expenditures produce fixed assets according to PP 71 2010 concerning SAP which supports public facilities in all service sectors. In line with this goal, the Ministry of Home Affairs has set a target for public service-oriented capital expenditures in 2019 to be 25%, according to *Permendagri* Number 54 of 2015. However, the realization of local government capital expenditures up to 2019 only reached 24.93%. This case proves that the realization of capital expenditures to realize public services has not been fulfilled. Thus, capital expenditure is an essential factor in assessing its impact on public services for local governments in Indonesia. By looking at the output of capital expenditures are fixed assets such as buildings, it is proven that there are still many uneven implementations of equitable development, so it is necessary to build and develop regional development such as management regional planning and improvement of community welfare.

This study was conducted to fill the research gap that arose from the limitations of previous research. Previous research has several limitations; the first is that many previous studies still test public services using theoretical studies and have not used empirical studies with observations using data (Aritonang, 2017; Ayu & Karyani, 2020; McLaren et al., 2019; Pratama, 2019). Then the limitations of the two previous studies that examined public services in Indonesia were still very limited in the number of local governments; previous studies only focused on several or one islands of local government in Indonesia. This study was conducted to examine public services using observation materials that cover 80% of local governments in Indonesia. The novelty of the subsequent research is that many previous studies used survey methods using questionnaires where measurement bias might occur.(Asogwa, 2013; Chih-Pei et al., 2021; Fernandes & Fresly, 2017; Konte & Vincent, 2021; Nadjib, 2020; Tangi et al., 2021)

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Then the novelty of the research is data processing using time lag in the data processing process examining public services for the first year with capital expenditures the following year, which is a limitation of research conducted by (Furqan et al., 2021). This research was conducted to examine public services using supporting data from official data from the assessment results from authorized institutions such as the Ministry of Home Affairs and the *BPK* (Financial Audit Board). The purpose of this study was to determine the effect of local government capital expenditures on public services provided by the government and to find out if the legislative characteristics and capital expenditures are linked to the public service system and whether they can improve the government's public service system to the community. Research benefits for the government are used as material for evaluating and considering public services in Indonesia. Many factors must be done and not done to improve public services that are more efficient and improve the welfare of the community and improve the performance management of local and central governments to be more transparent in financial and non-financial reports. Research benefits for researchers make this research a new insight, experience, and learning on the factors that can improve and support the public service system, especially in Indonesia. The benefits for the development of this research literature are expected to be able to add to the literature and become a support for the theory that will be raised and can do this research into additional literacy for further research.

II. LITERATURE REVIEW

A. Agency Theory

Agency theory explains the possibility of a relationship conflict between the agent and the principal (Jensen & Meckling, 1976). The agency relationship also occurs in the public sector of the Indonesian government. It can be explained that the public is the principal who delegates authority to local governments and the central government to act as agents (Setyaningrum et al., 2017a) delegating authority to agents through general elections, which is meant by agents here like regents, mayors, and their staff where elections are carried out with the welfare of the community through public services. However, after being elected as leaders of the people, they maximize the interests of the party rather than the public interest, and thus, the delegation of authority is not following the community's expectations. The agency problem occurs between the people (principal) and the regent/mayor (agent).

Agency problems occur between the community as the principal and the government as an agent. In order to reduce the agent's problem, good governance emerges from the government. In government administration, there must be a supervisory mechanism carried out by the legislature to monitor whether the executive is correct, in which case the public interest is sacrificed for individual interests (Furqan et al., 2021; Setyaningrum et al., 2017b). According to the explanation of the agency theory basis, several variables were derived from reducing existing problems and the form of delegation of authority from the community or agents for exemplary public service and expectations. The delegation of authority includes the management of regional wealth, with the management being realized by capital expenditure which is used as an effort to improve public services.

B. Public Service Through Minimum Service System (SPM)

Based on Law Number 25 of 2009 concerning public services, it is explained that public service is a detail of activities carried out by local and central governments that refer to public services in the form of goods and services to meet all public needs. For these public services, it depends on Law No. 23 of 2014 concerning local government, where public services are carried out based on public interest, legal certainty, the balance of rights and obligations, and accountability. Local government public services consist of mandatory and optional affairs following the Performance Evaluation of Regional Government Administration.

C. Regional Government Capital Expenditure

According to the Regulation of the Minister of Finance Number 101/PMK.02/2011 concerning budget classification which explains that capital expenditure is an expenditure to pay for the acquisition of assets and increase the value of fixed assets or other assets to provide benefits for more than one accounting period or can exceed the minimum capitalization limit of fixed assets set by the government. Capital expenditures are used to facilitate economic growth and development (Emmanuel, 2021; Waryanto, 2017). Capital expenditure is a means to provide financing for new facilities and development renewals for more than one year, where the benefits are generated from capital expenditures beyond the year of payment (Emmanuel, 2021; Haraldsson, 2021; Waryanto, 2017). Capital expenditures are government spending on long-term assets used to provide goods or services, for example, the purchase of a new hospital (Digdowiseiso, 2021).

D. SPIP Maturity (Government Internal Control System)

Based Government Regulation No. 60 of 2008 is a control system, risk assessment, and information and communication between local governments and the central government. SPIP is an accounting factor that is part of good governance as an internal control tasked with overseeing the administration of government internally (Latif Prahesta, 2021; Sucitra & Supriatna, 2020). SPIP

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was developed by the COSO (Committee Of Sponsoring Organizations) with the main objectives of asset security, reliable financial reports, and accountable government performance (Verissimo Nai Sia and 2019). SPIP maturity is internal control in which the organ is inseparable from the ideal financial management process. One method to measure the effectiveness of internal control is SPIP maturity (Sutaryo and Sinaga 2018).

According to the Regulation of the Head of the Republic of Indonesia Financial and Development Supervisory Agency (BPKP) number 4 of 2016 concerning assessment guidelines and strategies for increasing the maturity of the government's internal control system, which explains the maturity level of the implementation of SPIP activities with different characteristics (Sucitra & Supriatna, 2020). The concept of maturity in an organization is used as an organizational direction to optimally achieve its organizational goals (Andersen & Jessen, 2003). Maturity Level explains that if the maturity level is low, the probability of achieving organizational goals is lower, but if the maturity level is high, the probability of success rate will be higher. The characteristics of the SPIP maturity level consist of six patterns: existing, pioneering, developing, defined, managed, measurable and optimum. These levels are equivalent to the numbers 0 to 5.

Table 1. Characteristics of Maturity Level of SPIP Implementation

Level	Characteristics of SPIP
None (0 < score < 1,0)	There are no procedures used to carry out internal control activities.
Stub (1,0 ≤ score < 2,0)	There is already a procedure for implementing internal control, but it is not well structured.
Evolved (2,0 ≤ score < 3,0)	There is a procedure & has done internal control but no good documentation.
Defined (3,0 ≤ score < 4,0)	Have carried out internal control with good documentation, but the internal evaluation that has been carried out does not have adequate documentation.
Managed & Measurable (4,0 ≤ score < 4,5)	Have carried out internal control by involving all parties of the organization to achieve organizational goals.
Optimum (4,5 ≤ score ≤ 5)	Have carried out sustainable and integrated internal control.

Source : Peraturan BPKP Nomor 4 Tahun 2016.

E. Framework

Empirical evidence on whether there is an influence between government capital expenditure and SPIP maturity, as an independent variable, affects public services as measured through SPM (Minimal control system) (Fernandes & Fresly, 2017; Lanin & Hermanto, 2019; Pratama, 2019). Public service is the dependent variable. Local government capital expenditure is not a public service, but when it becomes a public service so that everything runs efficiently, a supervisory mechanism is needed, namely the internal supervisor of the local government from SPIP maturity. Because capital expenditure outputs assets where assets are tangible evidence felt by the community, then SPIP maturity is needed as control through SPIP apparatus, namely APIP (Government Internal Supervisory Apparatus), to control government administration (Nurhidayati & Yaya, 2019; Waryanto, 2017).

Hypothesis 1 Regional Government Capital Expenditure

Capital expenditure is part of public spending whose benefits can be directly felt and enjoyed by the community (Hamid, 2013; Muda and Naibaho, 2018; Rizal Yaya, 2019)(Sutopo & Siddi, 2018). Capital expenditures can also reflect the ability of local governments to realize the capital expenditure budget regulated in the APBD (Sutopo & Siddi, 2018; van Veenstra et al., 2012). Capital expenditures can explain long-term plans that can support community welfare, improve public services, and shape the region's character following community expectations; therefore, capital expenditures must be an essential concern for regional governments (Kuntari et al., 2019; Lanin & Hermanto, 2019). According to previous research, it has been proven that the realization of capital expenditures is associated with the performance of local government administration, resulting in that the realization of capital expenditures has a positive effect on public services (Sutopo & Siddi, 2018).

Hypothesis 2 SPIP Maturity (Government Internal Control System)

SPIP maturity is under government regulation No. 60 of 2008 concerning the Government's Internal Control System; in order to increase the effectiveness and efficiency of state administration and improve the reliability of financial reports, a high level of maturity must have an adequate and more established work program and internal audit procedure and technology

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expected to be much more leverage (Dba et al., 2021; Steven DeSimone & Sarens, 2019) If the maturity level is high, it can be said that the government can conduct a more comprehensive and more accurate study (Hamid, 2013; Winarna et al., 2021a). In conclusion, if the SPIP maturity level is an internal audit of the Makassar local government, it can be a success for the local government to implement accrual-based Government Accounting Standards (ASP) so that the output is expected to have a positive impact on public services. (Dba et al., 2021; Winarna et al., 2021a). Previous research has proven that the presence of internal supervisors has a positive but not significant effect on the quality of public services in local (Jumali et al. 2021.).

III. METHODS

A. Types and Sources of Data

This study uses secondary data that is derived from LKPD (Local Government Financial Reports, EKPPD (Regional Government Performance Evaluation), then from the BPKP (Financial and Development Supervisory Agency) report, which is registered in the Regulation of the Minister of Home Affairs and has audited its financial statements. This study uses panel data by combining time series data with cross-section data.

B. Population and Sample

There are 514 regional governments in Indonesia in the Permendagri. It is collecting data by purposive sampling. Local governments that do not publish local government financial reports that have been audited by the Supreme Audit Agency (BPK) during 2016 – 2019. Local governments that are not yet complete with minimum service system data (SPM) in 2016 – 2019. Local governments that are not yet complete with data SPIP in 2016 – 2019. Following is the table of data calculation results

Table 2. Sample Selection

DESCRIPTION	2016	2017	2018	2019	TOTAL
Total Local Government	514	514	514	514	2.056
LKPD Unaudited BPK	6	6	6	6	24
Government with incomplete SPM data	49	26	30	40	145
Government with incomplete SPIP	0	0	0	0	0
TOTAL SAMPEL	459	482	478	468	1.887

C. Operational Definition

The variables used in this study explain by definition and how to measure each variable

Table 3. Variable Measurement

Variable	Measurement	Information
Public Service Quality	Public service assessment score 3,00 – 4,00 very high 2,00 – 3,00 high 1,00 – 2,00 moderate 0,00 – 1,00 low	achievement score is in accordance with the index of performance achievements listed in the 2016 - 2019 EKPPD Manual of Technical Guidelines
Capital Expenditure	CAPEX = Ln (Nominal realization of previous year's capital expenditure)	LKPD Year 2015- 2019
SPIP Maturity	SPIP maturity level score	SPIP maturity assessment from the BPKP report which refers to the 2016 - 2019 Quality Assurance (QA) report
Internal Control Size	Total number of APIP	BPKP Report 2016 - 2019
Regional Wealth	LGAs _{et} = Ln (Nominal amount of regional assets)	LKPD Year 2016 - 2019

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D. Estimation of Panel Data Regression

The two control variables can influence and control the independent and dependent variables and whether the independent variables affect the dependent variable in this study. In general, the regression model in this study is as follows:

$$SPM = \alpha + \beta LN CAPEX + \beta MSPIP + \beta UP + \beta LN ASET + e$$

Description:

- SPM = Minimal Control System
- LN CAPEX = Capital Expenditures
- MSPIP = SPIP Maturity (Government Internal Control System)
- UP = Monitoring Size
- LN ASET = Regional Wealth

This study uses descriptive statistics to analyze and describe how the data has been collected. Then the data is processed using an estimated panel data regression model with the Stata application with three models: the standard effect model, fixed effect model, and random effect model. After that, look for the best model between the Chow and Hausman tests. Subsequently, do a hypothesis test that assesses how much influence the variables have by using the determinant coefficient test, significant simultaneous test (F test), and the last is a significant test of individual parameters t test).

IV. RESULTS AND DISCUSSION

A. Descriptive Statistics

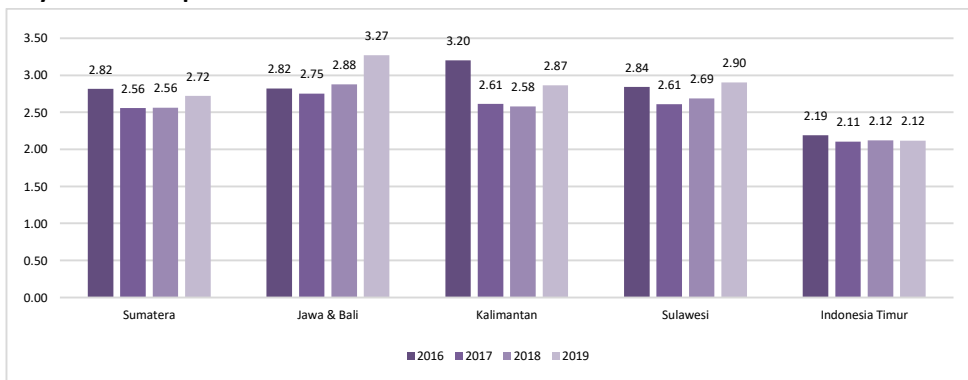
Table 4. Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
SPM	1887	2,719	0,496	0,207	4
LN CAPEX t1	2005	26,369	0,503	23,508	28,614
MSPIP	2032	2,207	0,7	,153	3,991
UP	2032	12,431	7,756	0	46
LN ASET	2032	28,509	0,616	26,44	31,387

From the statistical explanation of the table above, the dependent variable has an average score of 2.71, per the actual average. This case shows that public services in Indonesia have not run optimally per community expectations. The SPM score in the descriptive statistics table above explains the minimum value of 0.20. It can be concluded that the lowest minimum value of public services in Indonesia is 0.20, which explains that public services are still deficient. When viewed from the maximum value of public services of 4, it can still be said that there are several districts or regions in Indonesia whose public services are still very high.

Furthermore, trend analysis and comparison of the achievements of public services in local governments in Indonesia is carried out for further mapping related to the achievements of local governments in implementing public services. Trend analysis was conducted to determine the extent to which the development of local government public service achievements in Indonesia during the observation period (2016-2019) which was divided into Sumatera, Jawa & Bali, Kalimantan, Sulawesi, and East Indonesia, along with the results of the analysis.

Graphic 1. Trend Analysis and Comparison of Public Service Achievements in Local Governments in Indonesia



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Trend analysis shows that the achievement of public services in local governments in Indonesia tends to fluctuate during 2016 – 2019. These results indicate that efforts are needed from the central and local governments so that local governments can improve their public service quality achievements consistently and sustainably from year to year.

The mean value of capital expenditure in the descriptive statistical table is 26.36 with an actual average of 3.25, explaining that the average capital expenditure in Indonesia is 26.36, but the minimum value was 23.5 in the local government of West Muna Regency in 2019. The maximum value was 28.6 in the City of Surabaya in 2016.

SPIP maturity, the mean value in the descriptive statistical table is 2.20 with an actual average of 2.20. Here it can be explained that the supervision carried out by local governments is still developing; the minimum value was 0.15 in the South Buru district in 2017, which can be explained that supervision is still in the pilot stage. The maximum value of 3.99 for Surabaya city in 2018 - 2019 shows that it is already in the managed and managed stage.

The size of internal control with an average value of 12.43 is the same as the actual average, then the minimum value of 0 is in Bolang Mongodow district in 2016 - 2019, the Talud Islands in 2018 and 2019, Central Buton Regency in 2016 - 2019, West Muna Regency in 2016 - 2019 and Buru Regency in 2018 and 2019. The maximum value was 46 in Lahat Regency in 2018 -2019.

The average value of regional wealth is 28.50; the minimum value is 26.44 in the city of Mojokerto in 2016, explaining the possibility that regional wealth is still minimal, then the maximum value was 31.38 in the city of Bandung in 2018 - 2019, and the city of Surabaya in 2018 and 2019.

B. Model Test

Table 5. Chow Test

Cross-Section Chi Square	Statistic	D.F	Prob.
Model 1	3,80	497,1361	0.000

Table 6. Hausman Test

Cross-Section Random	Chi. Sq. Statistic	Chi. Sq. D.F	Prob.
Model 1	,0	62,55	0.000

Based on the results of the Chow test that has been carried out with data processing through the Stata application, the probability value is 0.0000; it can be concluded that the probability value is less than 0.05, so the better model to use is the fixed effect model (FEM). After knowing the results, the better-fixed effect model (FEM) is used; it is necessary to use the Hausman test to compare the test results between the two models. Based on the results of the Hausman test that has been carried out, the probability test results are 0.000, where the profitability value is less than a significant level of 0.05; the correct model used is the Fixed Effect. If the Hausman test has been carried out and the results show that it is more appropriate to use the Fixed effect, the model can immediately be used for hypothesis testing (Gujarati 2008).

C. Hypothesis Test

Table 7 Hypothesis Test

SPM	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
LN_CAPEX_t1	0.22	0.04	5.54	0.000	.142	.298	***
MSPIP	0.069	.023	3.06	0.002	.025	.114	***
UP	-0.003	0.002	-1.15	0.25	-.007	.002	
KD	0.068	0.08	0.85	0.394	-.089	.225	
Constant	-5.139	2.552	-2.01	0.044	-10.146	-.132	**
Mean dependent var	2.721		SD dependent var	0.495			
R-squared	0.028		Number of obs	1863			
F-test	9.826		Prob > F	0.000			
Akaike crit. (AIC)	792.225		Bayesian crit. (BIC)	819.874			

*** $p < .01$, ** $p < .05$, * $p < .1$

Based on the results of the t-test table above, it is explained that capital expenditures with a p-value of 0.000 are stated in the fixed effects table, which affects public services with a significance error of 1% (***) $p < .01$, where the higher the capital expenditure, the higher the cost. The budget for public services is also high, following community expectations. Capital

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expenditure is a budget expenditure that must be intended to fulfill public services (Hoesada 2016; Kuntari, et al. 2019.) so that its realization is expected to support local government infrastructure and improve the quality of human development resources in local governments (Muda & Naibaho, 2018; Rinaldi et al., 2020; Shafuda & De, 2020). Therefore, it can be concluded that capital expenditures can affect the growth of resources to support welfare and form an independent regional character in the form of public services for the community (Mardiasmo, 2009; Saragih, 2022). Capital expenditures used by the government to support public services are in the form of public facilities such as education and health (Lamba et al. 2020.). The conclusion that capital expenditure affects public services as a result of this study is supported by previous research (Haraldsson, 2021; Kolawole, 2020; Lamba et al., 2020; Okolo et al., 2018; Rinaldi et al., 2020; Saragih, 2022; Shafuda & De, 2020).

SPIP maturity is based on the results of the individual parameter significant test (t test) of 0.002, which explains that the SPIP maturity variable affects the Minimum Service System (SPM) with a significant error of 1% (***) ($p < .01$) with the high score of the SPIP maturity level can indicate the ability of local governments to manage financial resources used to meet public needs (Mukhlis et al., 2021; Siburian, 2020; Sucitra & Supriatna, 2020; Sutaryo & Sinaga, 2018). Internal control is possible to achieve optimal performance improvement and become accountable (Kiabel, 2012; Lestari et al., 2019; Winarna et al., 2021b). The role of SPIP in creating better national development lies in how reliable SPIP is, its compliance with regulations, conformity to SAP so that the government can manage people's financial resources, and the programs outlined in the budget are running as expected. These government programs include education, and social health, which is a manifestation of public services for the community's welfare (Siburian 2020). With internal control, a local government can ensure the reliability of financial reports; if the maturity level is high, the government can conduct a more comprehensive and accurate study which is expected for better public services (Andersen & Jessen, 2003; Dba et al., 2021; Hamid, 2013; Muhtar et al., 2020; Steven DeSimone & Sarens, 2019; Sucitra & Supriatna, 2020). The conclusion is that many studies that say SPIP Maturity still needs to be needed in the realization of public services and affect public services are supported by the results of previous research (Nengsih et al., 2021; Siburian, 2020; Sucitra & Supriatna, 2020; Sutaryo & Sinaga, 2018)

The result of the control measure variable is 0.25. The higher the internal control carried out by the local government with the total size of the APIP (Government Internal Supervisory Apparatus) does not affect public services because the number of at least the total APIP does not affect the running of government programs; it all depends on the function and role of the APIP whether it is running according to the procedure or not. If the local government resources are not qualified, then the inability of the local government to manage financial resources is also increasingly visible (Davies, 2009) These financial resources are clearly intended to fulfill public services for the community. The data processing results from the variable size of supervision show that the size of supervision has no significant effect on public services.

The test results for the regional wealth variable are 0.394, where the nominal is more than a significant value. The higher the regional wealth, if the local government resources are not qualified, the more visible the local government's inability to manage financial resources (Davies, 2009) is intended to fulfill public services for the community (Saragih, 2022). Regional wealth is related to the role of SKPD (Regional Apparatus Work Unit), where the function and role of SKPD are very much needed in fulfilling government public services, but the role of SKPD in managing regional wealth has not been running correctly. Because according to agency theory, it is explained that agency problems occur because SKPD as agents do not prioritize the public interest; ultimately, public services are not fulfilled following community expectations (Putri & Sari, 2020). The results of data processing from the regional wealth variable show no significant effect on public services, which is supported by previous research (Davies, 2009; Putri & Sari, 2020; Saragih, 2022)

V. CONCLUSION

Based on the presentation of the results and discussion of research data that has been researched, it is explained that there is a positive influence on public services, which is that capital expenditure is not a service. However, if it is a service, it is necessary to have an internal supervisor, namely the maturity of SPIP. SPIP maturity has a positive effect on public services. Capital expenditure supports the fulfillment of public services because capital expenditure can support and improve the development of human resources and regional infrastructure to fulfill public services following community expectations. During the process of fulfilling public services, capital expenditures are used, where the output is felt by the community in the form of education, health, etc., following mandatory and optional affairs. During this process, it is necessary to have a monitoring mechanism from SPIP to control the process of meeting the needs of the public.

The monitoring size in this study does not affect public services in Indonesia because the increasing number of APIPs used as a mechanism of supervision and internal control in the course of local government programs does not affect the course of the program if the resources are not qualified which is not following the procedures. The existing conditions can reflect the inability

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of local governments in terms of supervision and management of government financial resources for the fulfillment of public services.

Regional wealth in this study explains that it has no significant effect on public services because the higher the regional wealth if the local government resources are not qualified, the more visible the local government's inability to manage financial resources will be. These financial resources are allocated to fulfill public services for the community.

The limitations of this study are that some local governments do not complete the Minimum Service System (SPM) report data, and some Local Government Financial Reports (LKPD) have not been audited by the Supreme Audit Agency (BPK).

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