

# **ASSET MANAGEMENT OF THE LOCAL GOVERNMENT FINANCIAL REPORTS' QUALITY**

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## **Abstract**

Local asset is the most vital asset owned by operational areas to support local district events. Therefore, it is important for local governments to be able to adequately manage the assets. In the area of good asset management, local governments must use judgment to the aspects of property management cycle as a guide in the management area and must also comply with the regulation and legislation for the assets of the area capable of providing an optimal contribution to the local government concerned. In implementing asset management area, the most important factor is the administration of assets as on of the cycles in asset management, as well as human resource competence factor in improving the capacity of the asset managers in the presentation of financial statements so it can be more accountable and transparent.

**Keywords: Regional Asset, the Asset Management Area, Local Government Financial Statements.**

## **I. INTRODUCTION**

With the implementation of regional autonomy, it appears the demand for local governments to govern accountability and transparency in the presentation of its financial statements. Transparency is built on the basis of freedom of information needed by the community. Thus, information relating to the public interest can be obtained directly by those in need. Transparency implies that the financial statements are not only created but also open and accessible to the public. While accountability is

the responsibility of the disclosure and compliance with laws and regulations. The target of this responsibility is financial statements in accordance legislation in force includes planning, budgeting, organizing, implementation of the budget and financial reporting of local government.

The regional administration is directed to accelerate the realization of public welfare through service improvement, empowerment, and community participation, as well as improving the competitiveness of the region by taking into account the principles of democracy, equality, justice, and the peculiarities of an area within the Unitary State of the Republic of Indonesia to realize the achievement of the objectives of the autonomy area.

Accountability can be interpreted as a form of accountability to those in need. Stanbury, quoted from Mardiasmo (2006:3) states that accountability is a form of obligation to account for the success or failure of the mission of the organization in achieving its goals and objectives that have been set previously, through a media accountability implemented periodically. Thus the financial accountability is the provision of information on activities that maintains the accuracy of the financial statements to the parties concerned. Local governments should be able to be the subject of a conduit of information in order to meet the public's right to know, the right to be informed, and the right to be heard and to be listened to. Therefore, the local government must respond to the demands mentioned above accountability.

The Indonesian government responded to the demands of accountability is by starting a new round of government accounting in Indonesia with the enactment of law No. 17 of 2003 on State Finance, Law No. 1 of 2004 on State Treasury. Government Regulation (PP) No. 71 of 2010 as a replacement for regulation No. 24 of 2005 concerning Government Accounting Standard (SAP) derivatives in the regulation of the Minister of the state (Regulation) No. 64 Year 2013 on SAP Implementation of Accrual Based On Local Government.

Governmental Accounting Standards Board (GASB, 1999) in Concepts Statement No. 1 states that the purpose of financial statements is the basis of financial information in the government that will be used as a basis for decision making. Therefore, the government needs to pay attention to the quality of the financial statements. Quality is something that meets or exceeds expectations or any established

criteria. Criteria for assessing the quality of financial statements according to the PP. Number 71 Year 2010 about SAP is understandable, relevant, reliable and comparable.

The above criteria refer to the information presented in the financial statements. This is in accordance with the opinion of Ronan Murphy (in Payanta, 2006; 83) that the quality of the financial statements will improve the quality of the information presented in the financial statements. The users of financial statements believe in making a decision because it is based on information that has been well prepared, approved and audited in a transparent, accountable and quality. The opinion indicates the quality of financial reports is the extent to which the financial statements present a true and honest information. This means that the quality of the financial statements indicates the concept of the quality of information from the report.

Presentation of financial statements quality, which meets the criteria for government accounting standards is a must for local governments. In addition to restoring public confidence in the running of the government, it is also because the local governments have a responsibility to society to account for government activities that have been carried out, because the activities of the government are in order to carry out the mandate of the people.

However, to maintain the quality of financial reports is not easy, because there are some obstacles in the present. A number of articles reported poor quality of local government financial management. The reports imply poor financial management at the local level that focused on three things, (1) delay in budget submission. (2) Low budget absorption. (3) Delays in the institutions of local government financial reports in a timely manner.

In reality the quality of local government financial information (LKPD) in general is bad or weak. This can be seen from the Book Overview CPC Examination second half of 2014 which states against 456 LKPD in 2013, the CPC provides over 153 LKPD WTP opinion, WDP over 276 LKPD, TW opinion on 9 LKPD, and over 18 LKPD TMP opinion.

Opinion given for a financial statement is a reflection of the quality of management and presentation of the financial statements. An increase in the percentage of WTP opinion as well as a decrease in the percentage of WDP and TMP,

generally describes the improvement achieved by the local government entity in presenting the financial statements in accordance with applicable principles.

From 276 LKPD that still obtain WDP, the main problem is the poor local asset management. Where in the record, the CPC found most problems concerning regional asset that has not been recorded properly, the assets may not be supported by mutilation and adequate reporting administration and management of the assets may not be adequately fixed asset presentation is not in accordance with the provisions, assets that cannot be traced, disclosure of inventory and the revaluation of fixed assets.

Many problems above clearly illustrate the weakness of local asset management. Asset data accuracy is needed so the financial statements can be presented fairly and accountable. Local governments can eventually lose a valuable asset in the end as a result of poor asset management. Poor management of these assets is also eventually be the cause of poor quality LKPD. Assets of local governments will be included in the financial statements, especially in the local government balance, which if not managed effectively and efficiently will lead to irregularities and fraud that would be detrimental to the area and will fail good governance. Related to this, the government needs to prepare a management / management of regional assets in a professional, transparent, accountable, efficient and effective at every stage of management. Regulations regarding the management / management area goods contained in Regulation No. 17 year 2007 on Guidelines for Technical Management Regional Property.

In Regulation No. 17 of 2007, the management of local asset is described. Property management area according to this regulation has several important cycles that include (1) planning and budgeting needs. (2) Procurement. (3) The reception, storage and distribution. (4) Use. (5) Administration. (6) Utilization. (7) Security and maintenance. (8) Assessment. (9) Elimination. (10) Transfer. (11) Guidance, monitoring and control. (12) Financing. (13) A claim for compensation.

Local asset management can be done by running a local property management cycle in accordance with Regulation No. 17 of 2007. Asset management is actually an integral part of the financial management and generally associated with the administration of regional development, especially with regard to the value of assets,

asset utilization, recording the value of the assets in the balance sheet, as well as in the preparation of local assets management activities by implementing administrative order of administration of the property of the region is an important element in the framework of governance and public service. Therefore assets must be managed by the local human resources in and right according to the provisions of the applicable regulations and may eventually realize the financial statements of good and adequate.

## **II. LITERATURE REVIEW**

### **Regional Asset**

SAP in the PSAP 07-1 defines the assets as economic resources controlled and / or owned by the government as a result of past events and from which economic benefits and / or social in the future is expected to be obtained, either by the government or the public, and can be measured in units of money, including non-financial resources required for the provision of services to the public and resources are maintained for reasons of history and culture.

Meanwhile, the general understanding of the assets according to Siregar (2004: 178) is a good (thing) or anything that have economic value, commercial value, or exchange value owned by enterprises, institutions or individuals. The term property is often attached with other terms to provide a clearer understanding of the legal basis, namely real estate and real property where both have different meanings even though there is also a call as synonyms in certain scope. Furthermore, real estate is the physical land and appurtenances affixed to the land, eg, structure. Real estate is not moving (immobile) and intangible (tangible), which is included in this sense is the land, all the objects which naturally as part of the land, such as trees and minerals and also everything that was built by humans such as building, networking and so forth.

Regional asset is a matter that must be managed properly in accordance with applicable legislation. Asset area hen connected with the applicable regulations, especially in Regulation No. 17 Year 2007 on Technical Guidelines for Management of Regional Property is “all items purchased at the expense of the Regional Budget or other legitimate acquisition”.

In Regulation No. 71 Year 2010 on SAP Local Governments' Assets, fixed assets are tangible assets that have a useful life or more than 12 (twelve) months to be used in government operations or used by the general public,

Judging from the mobility of goods, Mahmudi (2010: 146) states that BMD can be categorized into two, namely:

- a. Immovable (real property), includes land, buildings, waterworks, roads and bridges, installation, networking, and monuments / historical buildings (heritage)
- b. Moving objects (personal property), among others, machinery, vehicles, equipment (including: heavy equipment, transportation equipment, workshop tools, agricultural equipment, office equipment and household, studio tools, medical instruments, laboratory equipment, and security apparatus), books / library, art and culture patterned goods, animals / livestock and crops, supplies (consumables, spare parts, raw materials, auxiliary materials, and so on), as well as securities.

### **Regional Asset Management**

Definition of management according to Encyclopedia Indonesian Administration, is the LAN (2007: 3) is all the strength to move a group of people who exert the facility in an effort working to achieve certain goals. Understanding the general assets by Siregar (2004: 178) is a good (thing) or for something (anything) that have economic value (economic value), commercial (commercial value) or exchange (exchange value) that is owned by a business entity, agencies or individuals (individuals).

Asset management is very important because it will support the implementation of the tasks and functions of government agencies. Reason of the importance of asset management include the need to assert the legal position of each asset, especially land and buildings which often to be the object of a dispute between more than one agency, asset maintenance needs, affirmation parties responsible for managing these assets. According to Jim (2007) in Hanis (2009: 36), asset management is defined as a continuous process-improvement strategy for improving the availability, safety, reliability and longevity of assets; that is system

## **Effect of Regional Property Administration in the Regional Assets Management Against LKPD.**

Local property management is part of a system, especially the accounting system which is part of the management information system. Where the meaning of the system according to Wilkinson et al (2000: 6) that “a system is a unified group of interacting parts that function together to Achieve its purposes”.

In other words the system is a related entity and joint function, namely to achieve a goal. According to SP Hariningsih (2006: 2) “this system is planned to produce useful information to parties outside and within the company”. Wilkinson et al (2000: 7) argues that “An accounting information system is a unified within an entity. Reviews such as business firm, that employs physical resources and other economic components to transform the data into accounting information, with the purpose of satisfying the information needs of a variety of users”.

The accounting information system is integrated in the structure of an entity, such as a business enterprise, the physical labor resources and other components to change the economic data into the accounting information, with the goal of giving satisfaction to the various users or consumers of the need for information.

While that is a management information system by Cecil Gillespie in SP Hariningsih (2006: 3) is “the management information system is a system to collect, store (in certain situations), change, and report information required to take management decisions that have been planned”.

Administration by Regulation No. 17 of 2007 Section 4 is the process of doing the accounting, inventory and reporting of local property in accordance with applicable regulations. If the administration is not in accordance with existing procedures will result in asset reporting countries / regions are not in sync with the financial statements.

In the area of administration of property made three (3) activities that include:

- 1) Bookkeeping

According to the Regulation No. 17 of 2007, it's concluded that the definition of accounting is the process of recording belongings into a list of items the user area and the card into the inventory and the list of items belonging to the area. Users / power

users goods must register and recording property in the area to Item List Users (DBP) / List of Goods User Authority (DBKP).

Users / power users goods in registering and recording must be in accordance with the format:

- a. Goods Inventory card (KIB) A Land,
- b. Goods Inventory card (KIB) B Equipment and machinery,
- c. Goods Inventory card (KIB) C Building and Construction,
- d. Goods Inventory card (KIB) D Road, Irrigation, and Networks,
- e. Goods Inventory card (KIB) E Other Fixed Assets,
- f. Goods Inventory card (KIB) F Constructs in Progress,
- g. Inventory card room (KIR)

## 2) Inventory

Inventory is an activity or action to perform calculations, maintenance, administration, arrangement, recording and reporting of data in the area of property usage units. Inventory destination property / wealth for the region are:

- a. To evaluate the existence of physical goods that exist in the document and its actual number
- b. To supervise the current condition of the goods (well, slightly damaged, and damaged)
- c. To collect existing problems over the inventory, such as land disputes, ownership of which is not clear, which is controlled by a third-party inventory
- d. To provide local information asset value as the basis for the initial balance area

Identification and inventory activities intended to obtain information that is accurate, complete, and up to date on regional assets owned or controlled by local governments. To be able to identify and inventory of regional assets objective and reliable, local governments need to take advantage of professional auditor or an independent appraiser. From the inventory compiled an inventory of books that show all the local governments' assets is immaterial, whether moving or not moving. The inventory book contains data includes location type / brand type, number, size, price, year of purchase, origin, state of the goods, and so on.



- a. The existence of the complete inventory of books, regular and sustained has the function and role is very important in order to control, utilization, security and supervision of each item;
- b. Attempt to use optimally utilize each item in accordance with the purpose and function of each;
- c. Support the implementation of local government tasks

All inventory items are owned by local governments that are used more than one year and are recorded and listed in the book inventory. So the book inventory can be used according to intended function and role, than the implementation must be orderly, regular and sustained, based on data that is true, complete and accurate so as to provide the right information in the planning and budgeting needs, Procurement, Receipt, Storage and Distribution, Use, Administration, Utilization; Security and maintenance, Assessment, Elimination, Transfer, coaching supervision and control of finance and demands compensation.

### 3) Reporting

In Regulation No. 17 of 2007, it's stated that the reporting of the use and every 5 years to the organizer. What is meant by reporting is the process of preparing reports goods semester and each year after an inventory and recording. Users submit user reports goods per semester, annually, and 5 (five) years to head through the manager. While the maid manager assembling all users goods semiannual reports, annual and 5 (five) year from each SKPD, quantity and value as well as made the recap. Recapitulation is used as a preparation material balance area. The results of census of goods area of each user / power user, recapitulated in the book inventory and delivered to the manager, then the maid manager recapitalize the inventory of books into the parent book inventory. Book inventory holding an initial balance transfer list items next year, the next following years for users / power users and managers simply make a list of mutations goods (increases and /or decreases) in the form of a recapitulation of the property area. Movements of goods increase and or decrease in each SKPD each semester, noted in orderly manner at:

- a. Goods Movements report,
- b. List of Goods Movements.

### **III. CONCLUSION AND SUGGESTIONS**

#### **Conclusions**

Asset is an important resource for local government. By managing assets properly and adequately area, local governments will get a source of funds for financing development in the region. In managing the assets of the region, local governments must consider the needs of planning and budgeting, procurement receipt, storage and distribution, use, administration, utilization, security and maintenance, assessment removal, transfer, guidance, supervision and control, financing and compensation claims. Overall these activities are important aspect contained in the asset management area. By performing asset requirements planning, local government will gain an overview and guidance on asset requirements for local governments.

Local Asset Managements is now no longer a mere administrative more advanced but that is how to improve the efficiency, effectiveness, and create added value. All that will be realized through the regional Property management more orderly, accountable, and transparent. Property management in local government are has not been fully implemented well as the Government Regulation No. 6 of 2006 on State Assets management, Regulation of the Minister of Home Affairs No. 17 Year 2007 on technical Guidelines for Management of Regional Property. In the area of property management process, there are still constraints, constraints in human resource administration and especially the competence of the Regional Goods Management. Where in the process of property management areas still lack of coordination between the leadership of the leadership or leadership among the staff, but to achieve a common goal in the orderly administration of the goods required the same perception also integrally.

The constraints of human resources is pretty common, where the conditions of personnel resources in every field on DPPKA still very limited in number and do not provide for the necessary work. Where each field and sub-field average only has a staff of one to two people with various education level, so that execution of the item management area assigned to be not optimal, as well as inadequate funding to carry out the local property management activities, so activities to support the orderly implementation of the management of the area are not operating effectively

as well as funding for the procurement of goods which must be in accordance with the facilities and infrastructure that should be used including desks, office chairs and so forth do not meet the standards of facilities and infrastructure are determined by regulation of regional heads, where the standard of facilities and infrastructure to support the duties and functions of each SKPDs to be more comfortable in performing their duties

### **Suggestion**

- 1) There must be firmness and clarity are implemented by DPPKA in the goods sector departments reporting to reporting the use of the goods on time;
- 2) In carrying out the tasks expected to further improve the self-motivation of each officer to manage the assets of the area as well as possible, because this area assets directly related to the welfare of the people, and if maximized its use will be able to increase revenue (PAD), and officials are expected to learn more about the regulations governing the asset management, and more often than not training to increase your competence. Preferably in the area of property management to be more reliable and orderly apparatus resource manager local goods must often be included in training and Bimtek to be more skilled and qualified and apply a sanction for the aeration of obedience or adherence to irregularities or negligence in the management of their application can be avoided and management DPPKA property in the area is relatively large and many types of goods DPPKA requires the integration and application SIMBADA SIKD that will facilitate the presentation of the report.
- 3) Particularly in the field of education conjunction with Human Resources. Education can provide the means to improve the quality of human resources-related competencies in the management of areas such as asset management holding guidance or training local asset management or conduct research that berhubungan with the management of the area of asset management.

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