

Improving Regional Financial Management through Administration of Regional Property and Financial Reporting on Regional Assets

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Abstract

Local government financial management mechanisms have continued to undergo significant changes in recent years. This article seeks to reveal the process and analysis of academic activities to support the performance of the regional financial and asset management office as a form of assistance and understanding of regional financial and asset management as a form of knowledge. This activity was carried out at the Regional Financial and Asset Management Agency of Central Sulawesi Province, starting with the provision of a pre-test before socialization or presentation of material then interactive discussions between the service team and service participants. Participants were given a post-test afterwards. The ultimate goal of this activity is the transfer of knowledge possessed by the service team in the field of accounting, especially accounting for fixed assets in the field of government accounting, to managers of regional property and regional assets of Central Sulawesi Province. It is hoped that the government team can carry out better administration, bookkeeping and preparation of financial reports. Empirical analysis is also presented in this research.

Keywords

Financial Management, Financial reporting, Regional Property Management, Regional Asset Reporting.

1. Introduction

The mechanism for managing regional government finances has continued to undergo significant changes in recent years. In addition to being marked by the implementation of an accrual-based accounting system in the 2015 fiscal year, which is based on Government Regulation No. 71 of 2010 concerning Government Accounting Standards and Minister of Home Affairs Regulation No. 64 of 2013 concerning Application of Accrual-Based Government Accounting Standards in Local Governments, there are also some fundamental changes related to the management of regional property through Government Regulation Number 27 of 2014 concerning Management of State/Regional Property and Minister of Home Affairs Regulation Number 19 of 2016 concerning Guidelines for Management of Regional Property. Management of Regional Property is Management of regional property is part of regional financial management, regional property here is tangible goods, namely all goods purchased or obtained at the expense of the APBD and derived from other legitimate acquisitions (Basuki, 2000; Mir & Sutiyo, 2013).

These changes are not only related to the management and presentation of financial reporting and regional property, but more than that, they also have an impact on the planning and budgeting, administration and supervision processes that must be carried out by the Regional Government, including in supporting the optimization of the management of Regional Original Revenue (PAD), so that it will affect the performance of parties related to financial management, assets and regional income, such as budget users, goods users, SKPD financial administration officials (PPK), goods managers, revenue treasurers, expenditure treasurers, goods custodians and including Government Internal Supervisory Apparatus (APIP). This is in line with the problems faced by the Forestry Service of Central Sulawesi Province, namely having obstacles, namely the difficulty of determining biological assets (Din et al., 2020; Farid et al., 2020).

In line with efforts to realize regional autonomy and good governance, it must pay attention to accountability in the management of regional assets. Accountability is a form of accountability of local governments who are successful or who have failed in carrying out their duties. In the context of the government bureaucracy, accountability is a manifestation of the obligation of a government agency to account for the success or failure of the implementation of the mission of the agency concerned. The management of any organization is said to be accountable if in carrying out its activities it has determined the right goals, developed the standards needed to achieve goals, implemented use of standards and develop organizational standards and unidirectional operations effectively and efficiently (Darise, 2009).

Management of regional property has 11 (eleven) flow of activities starting from Needs Planning and Budgeting, Procurement, Use, Utilization, Security and Maintenance, Assessment, Transfer, Destruction, Elimination, Administration, Guidance, Control and Supervision. In the implementation of the preparation of regional financial reports, there are many things that need to be recorded, including notes on financial statements, cash flow reports, budget realization and balance sheets. Management of regional assets is included in the preparation of local government

balance sheets. The initial balance sheet has an important role because it will continue to be used as a basis for determining the financial position of local governments, and will provide important information to government management and stakeholders about the position or condition of regional assets or assets and their equity funds on a certain date (Yusuf, 2013; Pratiwi et al., 2019).

Therefore, to improve technical capabilities and skills in the field of treasury and financial management, assets and regional income, it is necessary to carry out community service in the form of socialization related to the administration of regionally owned goods and reporting of regional assets, which will be framed effectively and communicatively, so that it can provide a stimulus to participants in order to comprehensively understand the technical treasury, financial management, assets and regional income in accordance with the latest developments in regulations/laws. Regional Financial and Asset Management Agency as the regional financial management officer as the manager of regional property is responsible for the implementation of regional financial management as a whole in the regional government.

Based on the description of the situation analysis above, the priority problem faced by the Regional Financial and Asset Management Agency in the province of Central Sulawesi is the management of local government goods. Based on these problems, the agreed priority issues will be resolved between the proposing team and partner groups, namely: The level of knowledge and understanding of regional property management regulations and the ability level of regional property managers and regional asset reporting.

2. Literature Review

2.1 Fixed Asset Terms and Definitions

Based on PSAP 07 Paragraph 4 Government Regulation no. 71 of 2010 explains various terms and definitions related to accounting for fixed assets as follows:

1. Assets are economic resources controlled and/or owned by the government as a result of past events and from which future economic and/or social benefits are expected to be obtained, both by the government and the community and can be measured in units of money, including non-financial resources necessary for the provision of services to the general public and resources maintained for historical and cultural reasons.
2. Fixed assets are tangible assets that have a useful life of more than 12 (twelve) months to be used, or intended to be used, in government activities or utilized by the general public.
3. Cost is the amount of cash or cash equivalents that have been and still have to be paid or the fair value of other benefits that have been and are still required to be given to acquiring an asset at the time of acquisition or construction until the asset is in a condition and place that is ready for use.
4. The useful life is: (a) The period in which an asset is expected to be used for government activities and/or public services; or (b) The amount of production or similar units expected to be obtained from assets for government activities and/or public services.

5. The salvage value is the net amount that is expected to be obtained at the end of the useful life of an asset after deducting the estimated costs of disposal.
6. The carrying amount of an asset is the book value of an asset, which is calculated from the cost of an asset after deducting accumulated depreciation.
7. Fair value is the exchange rate of assets or settlement of obligations between parties who understand and wish to conduct fair transactions.

Depreciation is a systematic allocation of the value of a depreciable asset over the useful life of the asset concerned.

2.2 Fixed Asset Classification

According to PSAP 07 Paragraph 7 Fixed assets are classified based on similarities in nature or function in the operating activities of the entity. The classification of fixed assets is as follows:

1. Land
Land classified as fixed assets is land acquired with the intention of being used in government operations and in a condition ready for use.
2. Equipment and Machinery
Buildings and structures include all buildings and structures acquired with the intention of being used in government operations and in a ready-to-use condition.
3. Buildings and Buildings
Equipment and machinery include machinery and motor vehicles, electronic equipment, office inventory, and other equipment whose value is significant and whose useful life is more than 12 (twelve) months and is in a ready-to-use condition.
4. Roads, Irrigation and Networks
Roads, irrigation and networks include roads, irrigation, and networks built by the government and owned and/or controlled by the government and in a ready-to-use condition.
5. Other Fixed Assets
Other fixed assets include fixed assets that cannot be grouped into the group of fixed assets above, which are acquired and utilized for government operational activities and are in a ready-to-use condition.
6. Construction in progress
Construction in progress includes property, plant and equipment that are in the process of being built but as of the date of the financial statements it has not been fully completed

2.3 Fixed Asset Recognition

Fixed assets are recognized when future economic benefits can be obtained and their value can be measured reliably. To be recognized as fixed assets, the following criteria must be met (PSAP 07 Paragraph 15):

1. Shaped
2. Has a useful life of more than 12 (twelve) months
In determining whether a fixed asset has a useful life of more than 12 (twelve) months, an entity must assess the future economic benefits that the property,

plant and equipment can provide, either directly or indirectly, for government operations. These benefits can be in the form of revenue streams or spending savings for the government. It is probable that future economic benefits will flow to an entity when the entity will receive the benefits and accept the associated risks. This assurance is usually only available if the benefits and risks have been accepted by the entity. Until this happens, the acquisition of assets cannot be recognized.

3. The cost of the asset can be measured reliably
The time of asset recognition will be reliable if there is evidence that there has been a transfer of ownership rights and/or legal control, for example land certificates and proof of ownership of motorized vehicles. If the acquisition of fixed assets has not been supported by legal evidence because there is still a required administrative process, such as the purchase of land which still has to be completed by the sale and purchase process (deed) and certificate of ownership at the competent authority, the fixed assets must be recognized when there is evidence that the control over the fixed assets has moved, for example, there has been payment and control over the land certificate in the name of the previous owner.
4. Not intended for sale in the normal operations of the entity
The main purpose of acquiring property, plant and equipment is to be used by the government in supporting its operational activities and not intended to be sold.
5. Acquired or constructed with the intent to use
Recognition of property, plant and equipment will be reliable when the property and equipment have been received or the ownership rights have been transferred and or when the ownership has changed.

2.4 Fixed Asset Measurement

PSAP 07 Paragraph 20 No. 30 explains that property, plant and equipment are valued at cost. If the valuation of property, plant and equipment using acquisition cost is not possible, the value of property, plant and equipment is based on the fair value at the time of acquisition. The measurement can be considered reliable if there is an exchange transaction with proof of purchase of the property, plant and equipment that identifies the cost. In the case of an asset that is self-constructed/built, a reliable measurement of costs can be obtained from external party transactions with the entity for the acquisition of raw materials, labor and other costs used in the construction process. The cost of property, plant and equipment built by self-management includes direct costs for labor, raw materials, and indirect costs including planning and supervision costs, equipment, electricity, equipment rental, and all other costs incurred in connection with the construction of these fixed assets.

2.5 Initial Valuation of Fixed Assets

According to PSAP 07 Paragraph 23 No. 05 Tangible goods that qualify to be recognized as an asset and are classified as property and equipment, must initially be measured at cost. If an asset is acquired at no value, the cost of the asset is the fair value at the time the asset is acquired.

For the purposes of preparing an entity's initial balance sheet, the cost of property, plant and equipment used is the fair value at the time the initial balance sheet is prepared. For subsequent periods after the initial balance sheet date, for the acquisition of new property, plant and equipment, an entity uses the cost or fair price if the acquisition cost does not exist.

The cost of an item of property, plant and equipment consists of its purchase price or its construction, including import duties and any costs directly attributable to bringing the asset to a condition that makes the asset work for its intended use (PSAP 07 Paragraph 28). Examples of directly attributable costs are: (a) site preparation costs; initial delivery costs and loading and unloading costs (handling costs); (c) installation costs; (d) professional fees such as architects and engineers; and (e) construction costs.

3. Method

3.1 Approach Method

The team carried out this service activity first by communicating with Regional Apparatus Organizations (OPD) in the Central Sulawesi Provincial Government, namely the Regional Financial and Asset Management Agency and involving alumni of the Master of Accounting Study Program, FEB Tadulako University. Through this communication, at least, the service team has information related to local government financial management. Based on this description, the research team then formulated a proposal and submitted a request for willingness to the Regional Financial and Asset Management Agency of Central Sulawesi Province, in this case the Central Sulawesi Provincial Government, (A letter of request for willingness is attached in Appendix 1). In principle, the Central Sulawesi Provincial Government really appreciates the request of the service team. This willingness has been stated verbally by the Head of the Regional Financial and Asset Management Agency, which will be followed by a written submission.

The approach that will be taken in the implementation of service activities is through exposure to regional property management and regional asset reporting. The goal is for local government officials to know and understand the importance of administering regional property. In addition to the presentation, dialogue is also carried out. Through a dialogue approach, the communication that occurs will be two-way. So, it is hoped that the team will be able to know more about the problems or obstacles faced by regional property managers. After that, the service team will explain how to technically carry out regional Asset Reporting; conduct a bookkeeping of every receipt and expenditure of regional property and compile a report on the Regional Property Balance. This approach was chosen because it can provide adequate technical understanding and experience to regional property managers.

The target of this service is the transfer of knowledge possessed by the service team in the field of accounting, especially government sector accounting to regional property managers. So that they are expected to be able to manage regional property and prepare financial reports better. Reporting and publication of activity results is a series of service activities. Reporting the results of the implementation of activities is a form of accountability for the service team. Publication will be done through the writing of scientific papers in scientific media.

3.2 Implementation Method

The activity will be held on August 5, 2021 at 10.00 WITA. The activity took place offline in the Hall of the Regional Financial and Asset Management Agency of Central Sulawesi Province and online through the zoom application. The activity was carried out in accordance with the Covid-19 prevention health protocols. The activity begins by giving a pre-test to the participants and ends with a post-test at the end of the activity, this aims to evaluate the understanding of the participants before and after the socialization is carried out. The questions presented in the pre-test and post-test contain basic material about government assets, totaling 10 multiple choice questions. The questions are presented in the form of a physical questionnaire and in the form of a Google Form, the following image shows the implementation of online and offline activities (Figure 1; Figure 2).

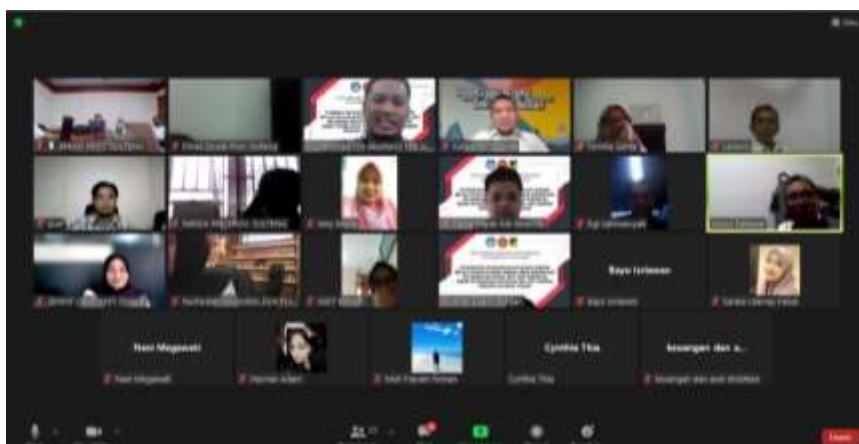


Figure 1. Implementation of activities online through the zoom application



Figure 2. Implementation of offline activities in the Central Sulawesi Province BPKAD Hall

3.3 Evaluation Stage

After the activity is completed, the service team evaluates the activity by comparing the results of the pre-test and post-test of the participants and then the results are communicated with the Regional Financial and Asset Management Agency of Central Sulawesi Province for follow-up planning for the next activity. The pre-test and post-test were tested using the Compare Means Paired-Sample T Test analysis with the statistical analysis tool (Statistical Package for the Social Sciences) SPSS, because the data came from the same subject. The applicable provisions are as follows:

1. The significance value (2-tailed) < 0.05 indicates a significant difference between the initial variable and the final variable. This shows that there is a significant effect on the difference in the treatment given to each variable.
2. The significance value (2-tailed) > 0.05 indicates that there is no significant difference between the initial variable and the final variable. This shows that there is no significant effect on the difference in the treatment given to each variable.

Before the Paired-Sample T Test is tested, the normality test is carried out first, the normality test is a statistical analysis requirement test, the normality test in evaluating the test results of socialization participants is to use the Shapiro-Wilk test, the data is said to be normally distributed if the sig value is > 0.05 (Ghozali, 2011).

4. Results and Discussion

4.1 Respondent Data

Community Service Activities at Tadulako University with the theme of improving regional financial management through administration of regional property and financial reporting on regional assets at the Central Sulawesi Financial and Asset Management Agency attended by 25 participants from various Central Sulawesi Regional Apparatus Organizations, including: Cooperatives, Environmental Service, Social Service, Marine and Fisheries Service and BPKAD Central Sulawesi Province. The following participant data is presented in the form of a diagram shown in diagrams 4.1, 4.2, and 4.3.

Based on diagrams 1,2, and 3 participants who took part in this service activity were mostly aged 30 to 40 years by 52%, > 40 years and over with a percentage of 12%, less than 30 years as many as 36% with the majority of them being female participants, namely 64 % and 36% men, the last education with the highest percentage is Bachelor's degree as much as 56%, 2nd degree 32%, and Diploma-three 12% (Figure 3).

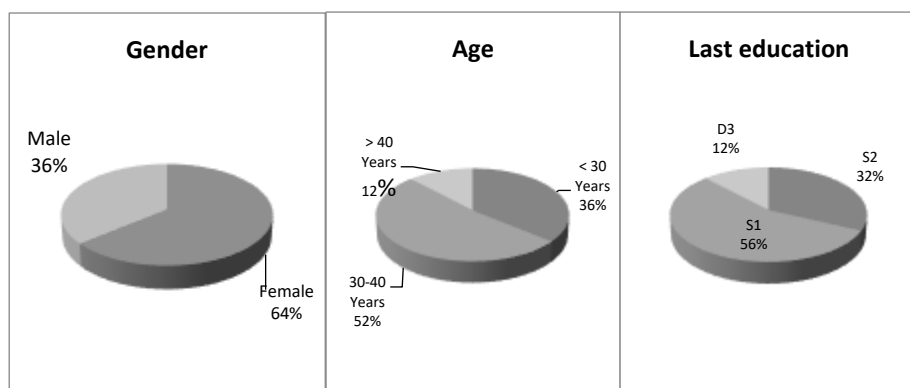


Figure 3. Percentage of Participants by Gender, Age and Education

4.2 Normality Test and Paired Sample T-Test

The results of the data normality test using Shapiro-wilk are shown in Table 1.

Table 1. Shapiro-wilk Normality Test

Tests of Normality			
	Shapiro-Wilk		
	Statistic	Df	Sig.
PRE	,940	25	,149
POST	,924	25	,062

1. Lilliefors Significance Correction

From Table 1, the results of calculating the normality test on the participants' pre-test and post-test data using the Shapiro-Wilk test above, it can be seen that the pre-test obtained a significance of 0.149 and the post-test obtained a significance result of 0.062. These results indicate that the significance value of the experimental group and the control group is > 0.05 . So, it can be concluded that the data from the pre-test participants in service activities are normally distributed. So, it is eligible to perform statistical analysis Paired-Sample t test.

The results of the analysis of the Paired-Sample T Test for the pre and post tests before and after the socialization material can be shown in Table 2.

Table 2. Paired-Sample T-Test

	Mean	N	Sig. (2-tailed)
Pre-test	49,20	25	0.00
Post-test	70,80	25	
Pre-test – Post-test	-21,60		

Table 2 shows that before participating in the socialization material and discussion session, participants' understanding of the Fixed Asset Accounting material was at an

average value of 49.20 which can be seen in the average value of the pre-test. After following the presentation of the socialization materials and discussion sessions or question and answer sessions, the participants' understanding increased as indicated by the results of the post-test participants with an average score of 70.80. This increase in value indicates an increase in participants' understanding of fixed asset accounting. The difference between pre-test and post-test is very significant, it is proven by a significance value of 0.00 or less than 0.05. So, it can be concluded that there is a significant difference before the service team transfers knowledge through material presentations and discussion sessions and after material presentations and question and answer sessions.

The results of the pre and posttests based on the number of correct answers can be seen in Figure 4.

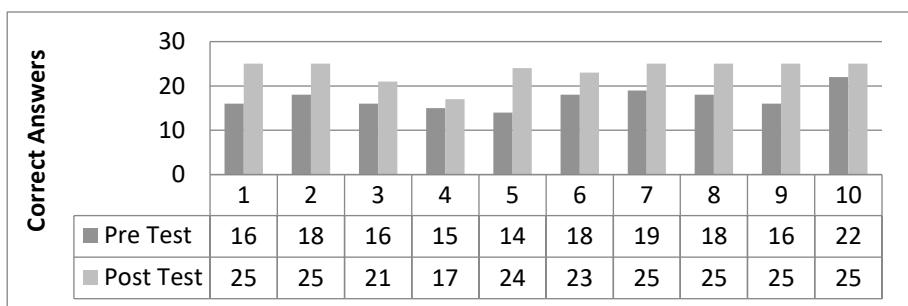


Figure 4. Percentage of Number of Correct Answers

The diagram as shown in Figure 4 shows the number of correct answers for each question item posed both at the pre-test and post-test, there are 5 multiple choice questions presented in the pre- and post-test questions.

The first question contains the basis of government accounting, during the pre-test there were 16 correct answers and the post-test there were 25 correct answers, so that there was an increase in participants who answered correctly.

The second question contains questions regarding the Statement of Governmental Accounting Standards for Accounting for Fixed Assets based on the results of the pre-test 18 participants answered correctly and during the post-test all participants answered correctly, namely 25 participants. The third question contains questions regarding the definition of fixed assets. 25 participants answered correctly during the posttest and experienced an increase from 16 correct answers during the pre-test.

The fourth question is regarding the definition of depreciation of fixed assets during the pre-test 15 participants answered correctly and during the post-test only 17 participants answered correctly. Question number 5 was regarding the classification of government assets, during the pretest 14 participants answered correctly and during the post-test 24 participants answered correctly. The sixth question contains the recognition of government fixed assets during the pre-test there were 18 correct answers and the post-test there were 23 correct answers, so that there was an increase in participants who answered correctly.

The seventh question contains questions regarding the types of government fixed assets based on the results of the pre-test 19 participants answered correctly and during

the post-test all participants answered correctly, namely 25 participants. The eighth question contains questions regarding the attributable cost of acquisition, as many as 25 participants who answered correctly during the post-test and increased from 18 correct answers during the pre-test. The ninth question is regarding the method of depreciation of fixed assets during the pre-test, 16 participants answered correctly and during the post-test all participants answered correctly.

During the discussion session, there were several problems that were conveyed by the participants regarding the weaknesses in the management of regional property, including inventory items that had not been labeled, Room Inventory Cards (KIR) that had not been made in an orderly manner, fixed assets that were still being used by other parties, and Inventory card information is not complete. This results in the potential loss of fixed assets belonging to the Central Sulawesi Provincial Government. These problems become notes for material or study material for the service team to then be presented in the next service activity, thereby deepening participants' understanding of fixed asset accounting. In general, based on the results of the evaluation of the service team and the committee at the Regional Financial and Asset Management Agency of Central Sulawesi Province, there will be a better understanding of government fixed asset accounting after socialization.

5. Conclusion

Based on the results of the implementation of community service activities that have been carried out, it can be concluded that in general this activity provides an increased understanding of the administration of regional property and fixed assets to improve financial management. The basic understanding of the management of government fixed assets is not optimal, so periodic re-socialization is needed. Human Resources need to re-learn Government Accounting Standards, especially PSAP 07 regarding Fixed Asset Accounting. The service team suggested that socialization be carried out again regarding the administration of regional property and assets to provide reinforcement to managers so that they can better administer fixed assets.

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