

OPTIMIZING ASSET MANAGEMENT AT LOCAL GOVERNMENT (CASE STUDY ON NORTH SULAWESI PROVINCE)

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Abstract

The results of the examination of financial statements by BPK RI to North Sulawesi provincial government in 2012 gave a qualified opinion. This is caused by not optimal asset management. To optimal manage assets with some of the things to do are (1) identification, inventory asset value and potential of local assets; (2) the existence of a local information system on asset management; (3) supervision and control on asset utilization; and (4) the involvement of various professions or skills related as internal auditor and appraiser.

Keywords: *Asset, Optimal, Management.*

1. INTRODUCTION

Managing assets properly and optimally is a very crucial thing that should be done by the government both at the central and regional levels. Since the enactment of Law No. 32 of 2004, local governments were given the freedom and authority to manage local finances and manage local assets. However, local governments often give priority to their role in managing finances, while asset management is often overlooked. Local governments often forgotten that to get a qualified audit opinion then they should manage their assets effectively and efficiently. If it is not done, it will be a lot of local assets are not recorded, lost or misused.

To manage assets properly is not easy for local government; because of the assets owned by the local government are so many, both in terms of quantity and type. This causes some problems in asset management. An example that occurred in North Sulawesi provincial government, which is based on the financial results of the Audit Board of Indonesia (BPK RI) for the management of assets (local property) in 2012 suggests some examination findings such assets; the lack of mechanisms or procedures adequate asset management, procurement exceeds standards infrastructure, yet orderly asset utilization, removal and sale of assets that are not in accordance with the regulations, the loss of assets that have not been processed, and others. Various problems in the management of the assets had led to the Audit Board of Indonesia (BPK RI) gives a qualified opinion to the government of North Sulawesi province. Some other areas such as Depok City and Bandung Regency are also experiencing the same problem.

To overcome these problems, the local government must formulate a precise formulation so that asset management in the region can run optimally. Considering

most of the problems associated with the fixed asset management, the management of fixed assets remains a key focus in this paper.

2. LITERATURE REVIEW

2.1. Assets (Local Property) Management

Statement of the Government Accounting Standards (PSAP) No. 7, Accounting for fixed assets, stating that the assets are 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, both by government and the public, and can be measured in terms of money, including non-financial resources required for the provision of services to the public and sources of resources are maintained for historical and cultural reasons. Fixed assets are tangible assets with a useful life of more than 12 (twelve) months for use in government operations or used by the public.

Fixed assets are classified based on similarities in the nature or function in the operating activities of the entity. Here is the classification of fixed assets:

- (a) Land;
- (b) Equipment and Machinery;
- (c) Building and Construction;
- (d) Roads, Irrigation, and Network;
- (e) Other Fixed Assets; and
- (f) Construction in Progress

Based on Government Regulation No. 6 of 2006 on the Management of State/ Region that have received improvements with Government Regulation No. 38 of 2008, as well as the Minister of Home Affairs Regulation No. 17 Year 2007 on Guidelines for Technical Management of Regional explained that the local property as follows:

- 1. Goods owned by the Region include:
 - a. goods purchased or obtained at the expense of the budget; and
 - b. goods originating from legitimate acquisition.
- 2. Goods referred to in paragraph (1) letter b shall include:
 - a. goods obtained from grants/donations or similar;
 - b. goods obtained as the implementation of the agreement/contract;
 - c. goods obtained under the provisions of law; or
 - d. goods obtained by court decision binding.

Based on Government Regulation No. 6 of 2006 on Management of State / Region that have received improvements Government Regulation No. 38 of 2008, the management of owned areas include:

- 1. Demand planning and budgeting;
- 2. Procurement;
- 3. Use;
- 4. Utilization;
- 5. Safety and maintenance;

6. Assessment;
7. Deletion;
8. Alienation;
9. Administration;
10. Coaching, supervision and control.

According Sholeh and Rochmansjah (2010) in a simple asset management / local property include: (1) Proper planning, (2) Efficient and effective implementation, and (3) Surveillance (monitoring).

1. **Proper planning;** To implement its authority, both the obligatory and optional authority, local governments require assets to support the implementation of tasks and authority. Therefore, local governments need to plan asset requirements used as a reference in the provision of regional assets. Planning also includes the planning of the untapped assets or a potential asset. Planning should pay attention to three things, namely the condition of the area in the past, the assets required for the present and planning for the asset in the future. In order to run properly, it need to make local asset management performance indicators. With the performance indicators the asset management performance can be measured and can be instructions/directions for local governments to act in order to avoid negative effects are detrimental to society, for example, damage the environment and socio-cultural damage.
2. **Efficient and Effective implementation;** Regional assets should be managed optimally by observing the principles of efficiency, effectiveness, transparency and accountability. Management also involves distribution, security and maintenance. it is necessary for the asset management unit of area professionals in order to avoid overlapping of duties and authority in the area of asset management. Security against local assets must be adequately performing both physically and through the security system of internal control.

Local asset management area should fulfilled the principle of public accountability. Public accountability that must be met at least include: accountability for probity and legality, process accountability, accountability policy.

Accountability of probity associated with avoidance of abuse of power by officials in uses and utilizes local assets, while the legal accountability associated with the guarantee of compliance with laws and other regulations that apply. Legal accountability also means that local assets must have a clear legal status that certain people cannot abuse or claim the local assets.

Accountability processes related to compliance with the procedures used in carrying out the local asset management, including the compulsory competitive tendering contact (CCTC) and anticipate the probability of a mark-up when budgeting process is done.

3. **Supervision;** close supervision needs to be done at the design stage to the elimination of the asset. In this case the role of the public and Parliament

as well as the internal auditors is very important to assess the consistency between the practices carried out by local government with the applicable standards. In addition, the internal auditor involvement is also important to assess the policies adopted regarding the recognition of the asset, measurement, and evaluation. Supervision is necessary to avoid any irregularities in the management functions/asset management area. Surveillance systems and techniques need to be improved so that people are not easily known by rogue elements who want to misuse the local assets/property.

Based on the Regulation of the Minister of Home Affairs No. 17 of 2007, local property management performed by some officer consists of: (1) Head of region as the local authority of asset management; (2) Regions Secretary as the manager of the local property; (3) Bureau Chief/Equipment Section/General/Unit manager sectoral asset managers as a helper; (4) Head of SKPD (*Satuan Kerja Perangkat Daerah*) as user; (5) The Head of the Regional Technical Implementation Unit as the authorized user; (6) The depository of local property; and (7) Manager of local property.

In order to implement good and right local asset to gain effectiveness and efficiency, local assets management should hold fast to the principles as follows:

- a. The principle of functional, is decision making and solving issues in local asset management that implemented by the authority of assets uses, asset users, asset managers and Head of Region as corresponding functions based on their own authority and responsibilities;
- b. The principle of legal certainty, the local asset management should be implemented based on the laws and regulations;
- c. The principle of transparency, which is managing local asset should be transparent to the public right to obtain correct information;
- d. The principle of efficiency, local asset management is directed so that the property can be used as standard requirements needed in order to support administration duties and functions of government optimally;
- e. The principle of accountability, which is any asset management activities in local area must be accountable to the people;
- f. The principle of certainty of value, namely local asset management must supported by the accuracy of the amount and value of goods in order to optimize the use and alienation of the property as well as the preparation of the balance sheet report of local government.

2.2 Optimization of Local Asset Management

Another thing to note is that some strategies are required in the local asset management. The strategic goal that must be achieved in local asset management policies, among others: (1) the establishment of administrative order of the regional assets, either in relation to: inventory of land and buildings, certification area properties, lawyer-smear and regional asset sale, reporting exchange activity, grants and ruislag (*tukar guling*); (2) the creation of the efficiency and effectiveness of

regional assets; (3) securing the local assets; and (4) the availability of data and accurate information on local asset/property.

Optimization strategies on local asset management include: (1) identification, inventory asset value and potential local asset; (2) the existence of information system on local asset management; (3) supervision and control on asset utilization; and (4) the involvement of various professions or skills related as internal auditor and appraiser.

1. Identification and Inventory Asset Value and Potential Local Asset

Local governments need to know the number and value of asset/property in its area, the one that already owned, the one that still a potential and that has not been occupied or utilized. Therefore, the local government needs to identify and inventory the value and potential of regional assets. The identification and inventory intended to obtain information that is accurate, complete and up-to-date of the property owned or controlled by local governments. Identification and inventory of local asset is important for the creation Balance Sheet of Local Assts that will be report to the community. To be able to identify and inventory of regional assets more objective and reliable, local governments need to utilize the audit profession or independent appraiser service.

2. Necessity of Regional Asset Management Information System

To support the efficient and effective management of regional assets and to create a transparency on local asset management policy, local governments need to have or develop comprehensive management information system and reliable as tool for decision making. Asset Management Information System The area also contains a data base of regional assets. The system useful for generating reports. The system is also useful for information retrieval base decisions regarding the procurement of goods and estimation expenditure needs (capital) in the preparation of the budget (*APBD*).

3. Supervision and Control of the Local Asset Utilization

Local Asset utilization must be monitored and controlled strictly in order to avoid mismanagement, loss and unutilized (idle) asset. To improve oversight function the role of the public and Parliament is very important. Supervision by the public and the Parliament should generate feedback for local governments in the form of improved planning and utilization of local assets.

4. Involvement of appraiser service (appraisal)

Regional assets addition from year to year should be recorded and assessed by an independent appraiser. The role of appraisal profession is actively in the local asset management, among others:

- a. Identification and inventory of regional assets;
- b. Provide information on the legal status of the property area;
- c. Assessment regions assets both tangible and intangible assets;
- d. Investment analysis and set-up of investment/financing;
- e. Giving local asset management consulting services (asset management consultant).

In the era of local autonomy, local governments have bigger authority to manage local asset. To that end, local government be required to manage local asset professionally, transparent, accountable, efficient and effective. The local government need to have a reliable management system to support good asset management ranging from planning, implementing and supervisory systems. To improve the performance of the local government, especially in local asset management, it is necessary set performance indicators and the performance standards in managing local asset. It is useful to facilitate the process of monitoring and evaluation by the public and Parliament on the performance of local governments.

3. FINDINGS AND DISCUSSION

Based Audit Reports on Asset (local Property) Management made by the Audit Board of Indonesia (BPK) in 2012 resulted in several findings include:

1. Northern Sulawesi Provincial Government not yet have a mechanism or procedure adequate asset management area;
2. Procurement four-wheeled vehicle exceeds standardization of working facilities and infrastructures of local governments;
3. The use of official vehicles north Sulawesi provincial government does not correspond Permendagri No. 17/2007;
4. The use of the North Sulawesi provincial government departments do not fit the government regulation No. 40/1994 and Permendagri No. 17/2007;
5. Utilization of local asset has been disorderly;
6. Asset management of land is not optimal;
7. Administration on asset of North Sulawesi provincial government is disorderly;
8. Asset has been record disorderly;
9. Elimination and sales of vehicles not in accordance with the rules;
10. Ruislag process of land between the North Sulawesi provincial government with the Navy (TNI-AL) is protracted;
11. Ruislag implementation between Government of North Sulawesi province on land of former racetrack Ranomuut with the land assets of PT. Dharma ambassador in Buha is not appropriate with the contractual agreements;
12. The elimination decree of local asset that have been submitted to the other party (society) has not been established;

13. Local asset that has been missing has not been processed based on PP No. 58/2005 and Permendagri No. 17/2007.

Government Regulation No. 6 of 2006 on Management of State /Region that have received improvements Government Regulation No. 38 of 2008, stated that the process of management of local asset include:

1. Demand planning and budgeting;
2. Procurement;
3. Use;
4. Utilization;
5. Safety and maintenance;
6. Assessment;
7. Deletion;
8. Alienation;
9. Administration;
10. Coaching, supervision and control.

Based on the findings it can be seen that each element in the local asset management process in North Sulawesi provincial government still has weaknesses that indicate mismanagement in local assets. One example is the absence of adequate mechanisms or procedures in the management of local assets.

Mechanisms or adequate administration procedures required in order to regulate the activities of the administration. Mechanisms and procedures set in detail and explain each stage of the administration. With the existence of a clear mechanism of administration of adequate procedures can homogenize activities or actions in carrying out the administration. Administration activities include accounting, inventory and reporting are carried out by the Financial Management Board and as Deputy District Property Manager, Regional Working Units (SKPD) as the user and UPTD as the authority of local asset uses. To carry out the administration of the fixed assets necessary guidelines for officials/personnel manager of the property so that the whole area can be used as a reference by all parties in order to carry out the orderly administration of local asset management. The only guidelines for the management of local goods that have been established by the Government of North Sulawesi province is Regulations Regional No. 9 of 2004 on District Property Management. The purpose of Auditory Board of Indonesia (BPK) examination administration procedure is to assess whether the procedure has been put in writing and standardized and in accordance with applicable regulations.

The results of examination administration procedures related to fixed assets shows some problems as follows:

- a. Local regulations are guided by the Minister of Home Affairs (Permendagri) No. 17 Year 2007 on Guidelines for Technical Management of District Property Management of Regional, until the examination end up it still a draft. The valid Local regulation is Local Regulation No. 9 of 2004 on the Management of the Local Asset refers to the Minister of Home Affairs No. 152-2004 on Guidelines for the Management of Local Asset.

- b. The absence of technical procedures that are derivatives of the draft regulations on management of the area.
- c. Fixed asset technical administration procedures required to explain the what, when, where and by whom in each phase of fixed asset management activity is the reference in carrying out the administration of fixed assets not owned by the Government of North Sulawesi
- d. Standard Operating Procedure (SOP) has been created by the Financial Management Board and District Property (BPKBMD). The SOP is a reference that is more internal binding BPKBMD as it pertains to the duties and functions of BPKBMD. SOP has been designed with respect to the management of goods is:
 - 1) SOP for Assets Inventory Management;
 - 2) SOP for Determination of Assets Manager;
 - 3) SOP for Sub-filed Assets Storage and Evaluation;
 - 4) SOP for Removal of Asset;
 - 5) SOP for Grants Assets;
 - 6) SOP for Implementation of Policy Local Property Management;
 - 7) SOP for Reconciliation of Data Acquisition with SKPD; and
 - 8) SOP for Preparation of Semester Report and Annual Reports on Assets.

SOP Asset Management regulating all phases of local asset management has not been regulated in detail. Result of fixed asset management is Asset Book that is reliable and can be used for decision making. To reach it needs to be supported implementation of the other stages, such as: determination of the use, administration, utilization, and elimination of alienation and assessment. Those stages has not been set in the Standard Operating Procedures (SOP). Implementations of those stages are as the basis for recording the asset book. With the absence of guidelines governing SOP overall stages in the asset management area, some activities/action on asset management in North Sulawesi Provincial Government cannot be run, such as:

- a. Part of the administration is the preparation of reports and reconciliation of local property. Reconciliation has been implemented is the addition of data input and updating assets for current year condition managed by each units (SKPD). Reconciliation is not supported by reconciliation memo (*berita acara*) that explain the limit implementation of accounting policies The minimum capitalization, decisions taken over the proposed deletion and mutation of goods, there is a difference in solving problems when recording balance and the amount of local property.
- b. Security in the form of administration, and the physical laws are not implemented adequately. Some fixed assets such as land that does not have proof of ownership, ownership marks, and fencing that describes land ownership boundaries. In addition, maintenance of fixed assets to maintain the condition of the goods to keep it in good condition and ready for use well has not done well. Many of fixed assets owned by the Government of North Sulawesi are severely damaged and not maintained.

- c. Assessment of fixed assets are not sufficient, which, among others, indicated by fixed assets, which do not have value or worth Rp 0, 00 and depreciation of fixed assets has not been implemented.
- d. The provision of the alienation procedures has not been set. These conditions, indicated by grants of goods to third parties while the local government has not issued a decree grants and grant memo (*berita acara*).
- e. North Sulawesi Provincial Government use data processing applications to manage local asset, namely SIMDA BMD. However, the implementation SIMDA BMD has not integrated with financial SIMDA.

Various conditions above show an optimal asset management at the provincial government of North Sulawesi. Several steps in the optimization of asset management as mentioned by Soleh and Rochmansjah not done well, namely: (1) identification, inventory asset value and potential of local assets; (2) the existence of a local information system on asset management; (3) supervision and control on asset utilization; and (4) the involvement of various professions or skills related as internal auditor and appraiser.

For example, when performing asset identification and inventory of assets, North Sulawesi regional governments should have done the classification of assets. Whether included in current assets or fixed assets, and if it is a fixed asset that needs to be supplied with proof of ownership. In addition it should be given a registration number that is clear so the use of the asset is recorded properly, when used, by whom and for what.

The existence of information systems is also an optimal, due to operate SIMDA BMD requires trained personnel and its use had to be integrated with financial SIMDA so any changes in the value of assets directly integrated with the balance sheet. This is what led to the Audit Board of Indonesia (BPK) gives a qualified opinion (WDP) if asset management not optimal. Because the error on counting the number/value of assets will lead to financial reporting errors. Supervision and control over the use of assets is absolutely necessary, but it must be supported by good internal control system. Supervision and control over the use of assets is absolutely necessary, but it must be supported by good internal control system. So that control of the asset is not just the duty of a few people but the entire system of government took part in the asset management and financial optimization. Internal control system is more comprehensive because it has five elements, namely; control environment, risk assessment, control activities, information and communication and monitoring. It is also in line with Government Regulation No. 6 of 2008.

The involvement of internal auditors have a significant influence in the management of a good asset. Because internal auditors have a responsibility to conduct an evaluation of the assets as early as possible. And the internal auditor's function is to prevent the mistakes protracted and widespread.

4. CONCLUSSION

Perform asset management optimally is not an easy thing to do considering the number of procedures to be followed and also involves many parties. Difficulty in

managing local assets optimally also experienced by the provincial government of North Sulawesi. Various kinds of deficiencies in the management of assets preceded by the absence of clear mechanisms and procedures in the management of assets.

The absence of these procedures cause many problems in the management of assets. In the absence of clear mechanisms and procedures that employees in the province of North Sulawesi can throwing responsibility, they do not understand their respective responsibilities. Consequently lead to user confusion, ambiguity and uncertainty regarding the position of assets the value of their assets. So it is not surprising that many of their assets are lost, damaged or misused.

Some suggestions can be given so author of asset management fixed asset especially in northern Sulawesi provincial government can be optimal include:

1. The Government of South Sulawesi province should make a clear rules regarding the management of its assets;
2. Having made then the next rule should make the Standard Operating Procedures (SOPs) so each step that must be done in managing the asset becomes clear who is doing what;
3. Implement Internal Control System (SPI) that has become the responsibility of the head area. If (SPI) has been running well the various asset losses due to loss, damage and recording errors can be minimized.

NOTES

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