

# Influence of Regional Property Management Towards Quality of Financial Statements Kupang Local Government

\*Meyulinda Aviana Elim, SE., M.Si., Ak.,CA  
Accounting Department,  
State Polytechnic of Kupang  
Indonesia  
meyulinda.aviana@gmail.com

Jasinth Dessy Tapafeto, SE., MSA  
Accounting Department,  
State Polytechnic of Kupang  
Indonesia  
jasinth09@yahoo.com

**Abstract** – This study is intended to analyze the influence of Regional Property Management towards the quality of the financial statements of Local Government. The variables used in this study are planning, assessment, administration, and Regional Property surveillance and control. 144 respondents were taken by using purposive sampling method. This is a quantitative research with multiple regression analysis. The results showed that partially the planning and administration of Regional Property had no significant effect on the quality of the financial statements of Kupang Local Government, while the assessment, supervision and control of Regional Property had a positive and significant effect on the quality of the Kupang City Government's financial reports. Simultaneous testing of planning, assessment, administration, supervision and control of Regional Property has a positive and significant effect on the quality of the financial statements of Kupang Local Government.

*Keywords:* Village Financial Management; Accountability; Transparency

## I. INTRODUCTION

A study for the World Bank conducted by Kaganova and Nayyar-Stone (2000) [1] explains that local governments in almost all countries have significant amounts of public assets (government assets). According to this research, many local governments in developing countries do not have much awareness that public assets are a portfolio that should be managed properly because they can provide direct benefits, namely efficiency on a limited budget and potential revenue from asset utilization. Kaganova and McKellar (2006) [2] assert that many local governments around the world are the owners of the largest assets in terms of quantity and value compared to any institution or corporation in their respective regions.

To support the management of Regional Property to be carried out properly and correctly, it is necessary to have a common perception and integral and comprehensive steps of the elements involved in the management of Regional Property. To regulate the management of regional property, the government through the Minister of Home Affairs has issued Regulation of the Minister of Home Affairs Number 19 of 2016 [3] concerning Guidelines for the Management of Regional Property, where previously the government has issued Government Regulation Number 27 of 2014 [4] concerning Management of State Property / Regions, and perfecting it through PP Number 28 of 2020 [5], because it is no longer in accordance with the development needs for the management of State/Regional Property, as well as other related decisions in the management of Regional Property. Along with its development, the management of State/Regional Property is becoming increasingly complex, so it needs to be managed optimally, effectively, and efficiently.

Good management of regional assets/goods will be reflected in better and quality financial reports (Yusuf, 2015) [6]. Anshari's research (2016) [7] is also strengthened by the research of Hidayati, et al. (2016) [8]. shows that the supervision and control of Regional Property has a significant effect on the quality of financial reports.

The issue of regional property (government assets) is also one of the reasons for giving BPK's opinion. Asset problems are the cause of Kupang City's failure to achieve WTP. Asset management officers are not provided with good provisions (Source: <https://penatimor.com/2018/11/28/problems-asset-penyebab-kota-kupang-gagal-raih-wtp/>) [9].

Another note is that the administration of fixed assets in several OPDs is still not in an orderly

manner, among others, the security of land fixed assets is not adequate where there is a road construction worth Rp. Construction in progress (KDP) whose continuation is not yet clear. (Source: <https://ekorantt.com/2020/06/19/raih-opini-wtp-bpk-beri-note-for-government-provinsi-ntt/>) [10]

## II. LITERATURE REVIEW

### 2.1 Regional Property Management

PP No.27/2014, State/Regional Property Management includes: planning and budgeting; procurement; use; utilization; security and maintenance; evaluation; transfer; extermination; deletion; administration; and coaching, supervision and control. In this study, researchers focused on theoretical studies on 4 stages of the management of regional property related to the quality of financial reports in the Kupang City government.

#### Planning and Budgeting

Planning for Regional Property Needs is prepared by taking into account the needs for carrying out the duties and functions of Ministries/Agencies/regional work units as well as the availability of existing Regional Property. Planning as an initial and important stage in Regional Property management is a very important component to realize better financial reports (Yusuf, 2015). Research Hidayati, et al. (2016) prove that planning has a significant effect on the quality of financial reports.

#### Evaluation

The assessment of Regional Property is carried out in the context of preparing the Regional Government's balance sheet, Utilization, or Transfer. Determination of the value of Regional Property in the context of preparing the Regional Government balance sheet is carried out by referring to Government Accounting Standards (SAP). A good Regional Property assessment will result in an adequate presentation of the value of local government assets on the balance sheet, so that it can contribute to improving the quality of regional financial reports. Research by Simamora (2012) [11] and Anshari (2016) shows that the valuation of assets/goods has a positive and significant effect on the quality of financial reports

#### Administration

The Regional Property administration process is carried out in 3 stages, namely bookkeeping, inventory, and reporting

Good BMD administration will be able to know with certainty the value of regional wealth, ownership status, utilization and maintenance of Regional Property controlled by the regional government. Research by Anggareini (2015) [12] and Febrianti

(2016) [13] found that administration affects the quality of local government financial reports.

#### Supervision and Control

The Property User shall monitor and control the Use, Utilization, Transfer, Administration, maintenance, and security of Regional Property under his control. Property Manager conducts monitoring and investigation of the implementation of the Use, Utilization, and Transfer of Regional Property, in the context of controlling the Use, Utilization, and Transfer of Regional Property in accordance with the provisions of laws and regulations. Good management of regional assets/goods will realize better and quality financial reports (Yusuf, 2015). Anshari's research (2016) is also strengthened by the research of Hidayati, et al. (2016). shows that the supervision and control of Regional Property has a significant effect on the quality of financial reports.

### 2.2 Quality of Financial Reports

Government Financial Statements must meet qualitative characteristics. Government Regulation Number 71 of 2010 [14] concerning Government Accounting Standards (SAP) regulates the qualitative characteristics of financial statements so that they can meet the objectives of presenting Financial Statements. Four qualitative characteristics of Financial Statements according to Government Accounting Standards: Relevant, reliable, Comparable, and Understandable

#### Hypothesis Development

Ha: Planning and budgeting, Assessment, Administration, Supervision and control of Regional Property affect the Quality of Financial Reports.

## III. RESEARCH METHOD

### 3.1. Population and Sample

The research population is the Financial Manager and Property Manager at 37 OPD located in the Kupang City Government. The research sample was determined based on purposive sampling technique, with the criteria of respondents being financial management officials and goods management officials in OPD.

### 3.2. Data collection technique

The data in this study consisted of primary data and secondary data. Primary data is obtained through:

- 1) field observation
- 2) shooting in the field
- 3) interview results and questionnaire results

Secondary data is obtained from published reports, data from relevant agencies obtained either directly or through the agency's website/website.

### 3.3. Research variable

This study will examine 4 (four) independent (independent) variables, namely: Planning and Budgeting (X1), Assessment (X2), Administration (X3), Supervision and Control (X4), while the dependent variable is Financial Report Quality (Y).

Planning, measured by the dimensions of the condition of existing goods, the need for future goods and budgeting using 11 (eleven) statements. Assessment, measured by the dimensions of the assessment objectives, assessment standards and assessment objects using 9 (nine) statements.

Administration, measured by the dimensions of accounting, inventory and reporting, using 11 (eleven) statements.

Supervision and control, measured by the dimensions of supervision, monitoring, division of tasks and authority, APIP audit using 19 (nineteen) statements.

The quality of financial statements, measured by the relevant, reliable, comparable, and understandable dimensions using 14 (fourteen) statements. Each statement item was then measured using a 5-point Likert Scale.

### Data analysis technique

The hypothesis in this study will be tested using multiple regression.

The regression equation model is as follows:

$$Y = \alpha + 1.X1 + 2.X2 + 3.X3 + 4.X4 + e$$

#### Where:

Y = Quality of Financial Statements

$\alpha$  = Constant

1 = Regression coefficient X1

2 = Regression coefficient X2

3 = Regression coefficient X3

4 = Regression coefficient X4

X1 = Planning and Budgeting

X2 = Assessment

X3 = Administration

X4 = Supervision and Control

e = error term

## IV. RESULTS AND DISCUSSION

The data in this study are primary data collected by distributing questionnaires directly to 164 respondents spread over 37 SKPD in Kupang City. A total of 164 questionnaires were distributed, 148 questionnaires

were collected, this is because at the time of collection, some of the questionnaires were not returned by the respondents. Of the 148 returned questionnaires, there were 4 questionnaires that could not be used because they were not filled out completely, so that 144 questionnaires could be processed.

To get the quality of the data from an instrument has been tested for validity and reliability. Reliability testing was carried out using the Cronbach Alpha technique. An instrument can be said to be reliable if it has a reliability coefficient or Cronbach Alpha > 0.60. Based on the reliability test, the value of Cronbach's Alpha for the Regional Property planning variable is 0.808; Regional Property assessment of 0.842; Regional Property administration of 0.799; supervision and control of Regional Property is 0.916 and the quality of local government financial reports is 0.922. Thus, it can be concluded that the statement in this questionnaire is reliable because it has a Cronbach's Alpha value > 0.60. This shows that if the statement is resubmitted, an answer that is relatively the same as the previous answer will be obtained.

Based on the normality test with the SPSS P-Plot graph, it was found that the data points spread around the diagonal line and the data points spread in the direction of the diagonal line. Based on the Kolmogorov-Smirnov normality test, it can be seen that the asymp.sig (2-tailed) value or a significance of 0.189 is greater than 0.05 so that it can be concluded that the tested data is normally distributed. Thus the regression model has met the assumption of normality. The results of the multicollinearity test showed that all tolerance values were > 0.1 and the VIF value was <10. This shows that all independent variables are free from multicollinearity. The results of the heteroscedasticity test were carried out to find out whether in a regression model there was an inequality of variance from the residual of one observation to another observation. The results of the heteroscedasticity test show that in the scatterplot, the points do not form a pattern but are spread out, so it can be concluded that there is no heteroscedasticity in the study.

The results of the classical assumption test show that the regression model used has met the classical assumptions so that it can be continued with multiple regression analysis.

The results of multiple linear regression analysis are in table 1 below.

Table 1. Results of Multiple Linier Regression

Model		Coefficients <sup>a</sup>				t	Sig.
		Unstandardized Coefficients		Standardized Coefficients			
		B	Std. Error	Beta			
1	(Constant)	29.878	10.528		2.838	.005	
	Planning	-.112	.143	-.083	-.783	.435	
	Assessment	.360	.164	.235	2.196	.030	
	Administration	.144	.110	.111	1.304	.194	
	Supervision & Control	.243	.066	.316	3.744	.000	

a. Dependent Variable: Quality of Financial Statements

F test results obtained  $F_{count} = 20.340$ , this indicates that  $F_{count} = 20.834 > F_{table} = 2.43$  then  $H_a$  is accepted and  $H_o$  is rejected. Judging from the significance value shows that the significance value is  $0.000 < 0.005$  so that  $H_a$  is accepted and  $H_o$  is rejected. The results of this test indicate that all independent variables, namely Regional Property planning, Regional Property assessment, Regional Property administration, supervision and control of Regional Property together have a significant effect on the dependent variable, namely the quality of local government financial reports.

Hypothesis testing with t test was conducted to determine the effect of each (partial) independent variable individually on the dependent variable. The t-test is also done by comparing the tcount value with the ttable value. The tcount is obtained from the SPSS calculation, while the ttable is obtained from the t-distribution table. It is found at  $\alpha = 5\% : 2 = 2.5\%$  (2-sided test) with degrees of freedom (df)  $n_k - 1$  or  $139 - 4 - 1 = 134$ . With 2-sided testing (significance = 0.025) the results obtained for t table of 1.960.

The effect of Regional Property planning on the quality of local government financial reports, value =  $-0.783 < t_{table} = 1.960$  and a significance of  $0.578 > 0.05$ . This shows that  $H_{a1}$  is rejected and  $H_{o1}$  cannot be rejected, so it is evident that Regional Property planning has no significant effect on the quality of local government financial reports. The results of this study do not support the research conducted by Hidayat et al (2016). The results of his research indicate that Regional Property planning has a significant effect on the quality of financial reports.

The effect of Regional Property assessment on the quality of local government financial reports,  $t_{count} = 2.196 > t_{table} = 1.960$  and Significance of  $0.030 < 0.05$ . This shows that  $H_{a2}$  is accepted and  $H_{o2}$  is rejected, so it is evident that the Regional Property assessment has a significant effect on the quality of local government financial reports. The results of this study support research conducted by Anshari (2016) and Simamora (2012) which proves that asset/goods valuation affects the quality of financial reports, as well as research by Ristiasiri (2014) which proves that fixed asset valuation affects the perception of fair value presentation of the Banjarbaru City Government balance sheet. The

results of this study do not support the research of Hidayati, et al. (2016), the results of his research show that the implementation of Regional Property, one of which is the Regional Property assessment, is not proven to have a significant effect on the quality of financial reports.

The effect of Regional Property administration on the quality of government financial reports area, the value of  $t_{count} = 1.304 > t_{table} = 1.960$  and a significance of  $0.194 < 0.05$ . This shows that  $H_{a3}$  is rejected and  $H_{o3}$  cannot be rejected, so it is evident that Regional Property administration has no significant effect on the quality of local government financial reports. The results of this study support research conducted by Anggareini (2015) and Febrianti (2016) which examines the effect of fixed asset administration on the quality of local government financial reports. The results showed that administration had a positive and significant effect on the quality of local government financial reports. The results of this study do not support the research of Hidayati, et al. (2016), the results of his research show that the implementation of Regional Property, one of which is administration, has not been proven to have a significant effect on the quality of financial reports.

The effect of Regional Property supervision and control on the quality of financial reports local government,  $t_{count} = 3.744 > t_{table} = 1.960$  and significant at  $0.000 < 0.05$ . This shows that  $H_{a4}$  is accepted and  $H_{o4}$  is rejected, so it is evident that the supervision and control of Regional Property has a significant effect on the quality of local government financial reports. The results of this study support the research conducted by Hidayat et al. (2016) and Anshari (2016) who examined the effect of Regional Property management on the quality of local government financial reports. The results showed that supervision and control had a positive and significant effect on the quality of local government financial reports.

The coefficient of determination test in multiple linear regression, for regression with more than two independent variables, adjusted R2 is used as the coefficient of determination. Based on the test results, the adjusted R2 value is 0.385, which means that the quality of local government financial reports is 38.5% influenced by BMD planning, Regional Property assessment, Regional Property administration and Regional Property supervision and control while the remaining 61.5% is influenced by other factors outside of this study.

## V. CONCLUSION

The results showed that partially the planning and administration of regional property had no significant

effect on the quality of the financial statements of the Kupang City Government, while the assessment, supervision and control of regional property had a positive and significant effect on the quality of the Kupang City Government's financial reports. Simultaneous testing of planning, assessment, administration, supervision and control of regional property has a positive and significant effect on the quality of the financial statements of the Kupang City Government.

Suggestions that can be given in this study are that the Kupang Local Government: 1) needs to increase the capacity of the regional property management apparatus by conducting education and training, 2) analyzing the needs and priority scale of the maintenance of regional property before planning regional property, 3) carry out a comprehensive census of regional property, starting from work units/SKPD to obtain correct and accountable data on goods/assets as well as accurate (up to date) asset values, 4) further improve the performance of supervision and control over the management of property

#### REFERENCES

- [1] Kaganova, Olga and Nayyar-Stone, Ritu. 2000. Municipal Real Property Asset Management: An Overview of World Experience, Trends and Financial Implications. *Journal of Real Estate Portfolio Management*. 6(4), 307-326.
- [2] Kaganova, O., & Nayyar-Stone, R. (2000). Municipal real property assets management: An overview of world experience, trends and financial implications. *Journal of Real estate portfolio management*, 6(4), 307-326.
- [3] Regulation of the Minister of Home Affairs Number 19 of 2016 concerning Guidelines for the Management of Regional Property.
- [4] Government Regulation Number 27 of 2014 concerning Management of State/Regional Property.
- [5] Government Regulation Number 28 of 2020 concerning amendments to Government Regulation Number 27 of 2014 concerning Management of State/Regional Property.
- [6] Yusuf, M. 2015. 8 Steps for Regional Asset Management Towards the Best Regional Financial Management. Jakarta: Four Salemba.
- [7] Ansari, Efrizal Syofyan. 2016. The Effect of Regional Property Management on the Quality of Padang City Government Financial Reports. *Journal of business and public management research*, Vol. 4 No. 1.
- [8] Hidayati, et al. 2016. The effect of the cycle of regional property management on the quality of financial reports \* (empirical study on the government of South Solok Regency). *Journal of Accounting* vol 8, No.1
- [9] <https://penatimor.com/2018/11/28/problems-asset-sebab-kota-kupang-gagal-raih-wtp/>
- [10] <https://ekorannt.com/2020/06/19/raih-opini-wtp-bpk-beri-note-for-government-provinsi-ntt/>
- [11] Simamora, Rudianto. 2012. Factors influencing asset management after regional expansion and its influence on the quality of government financial reports in Kab. South Tapanuli. Thesis.
- [12] Anggareini, Ayang Putri Septiayu. 2015. The effect of the administration of State Property on the quality of financial reports at the Office of the Ministry of Religion of the City of Probolinggo. Thesis. Maulana Malik Ibrahim State Islamic University Malang.
- [13] Febrianti, Sukma. 2016. The Effect of Fixed Assets Administration on the Quality of the Kubu Raya Regency Government's Financial Reports. *Journal of Management Economics* Vol. 10 No.
- [14] Government Regulation Number 71 of 2010 concerning Government Accounting Standards