

Influence of Management Commitment, Asset Administrator Competencies, Internal Control and Administration of Asset on Information Quality of Local Government Asset Report (A Study on Districts/Cities of South Sumatera Province)

Kartika Rachma Sari^{*}, Didik Susetyo^{**}, Inten Meutia^{**}, Saadah Siddik^{**}

^{*} Accounting, Sriwijaya State Politechnic

^{**} Economic, Sriwijaya University

^{**} Accounting, Sriwijaya University

^{**} Accounting, Muhammadiyah University

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Abstract- This study aimed to analyze the Influence of Management Commitment, Asset Administrator Competencies, Internal Control and Administration of Asset on Information quality of local government Asset Report. The research conducted on 207 Local Government Organization in 17 districts/cities in South Sumatera Province. The research data is primary data collected through questionnaire. The year of study is 2017. The analytical method used in this research is SEM by using Lisrel 8.7. The results of this research show that: (1) Management commitment does not significantly affect Information Quality of Local Government Asset Report while other variables namely Asset Administrator Competencies, Internal Control and Asset Administration, partially do. (2) The influence of Management Commitment, Competence of Asset Administrator, Internal Control and Administration of Asset significantly affect information Quality of Local Government Asset Report simultaneously. The implication of this study are expected in contributing to help the heads of Local government organization districts/cities of South Sumatra to improve Quality of Local Government Asset Report in order to obtain an unqualified opinion from BPK-RI. the Local Government in South Sumatera must perform a skilled asset administrator, management commitment, internal control and Administration of Asset with the best in particular to the assets.

Index Terms- Management Commitment, Asset Administrator Competencies, Internal Control, Administration of Asset,

I. INTRODUCTION

Local assets have the greatest value in Local Government financial statements. Almost 80% to 90 % of Total Asset is Local fixed asset in financial statements of local government so a good asset management should help local governments clarify and define the contents of their local assets, as well as to monitor and control their functional and financial performance. Bond & Dent (1998) has identified the significance of efficient asset management for financial reporting to enable the public body to fulfill its role of stewardship in efficient way.

The Summary of annual Audit Report by BPK-RI shows that only 252 (46,75%) of 539 total local government financial statements in Indonesia receive unqualified opinion, while others are not eligible. The problems that most local government financial reports in Indonesia do not get unqualified opinion are related to local fixed assets. That are : 1) The fixed assets in the balance sheet are not supported by the inventory card because the goods are not reconciled and properly inventoried; 2) There are many assets still recorded on the balance sheet but they have been lost ; And 3) There are many local assets that do not have legal documents. The quality of financial statements will be affected by the problem in assets.

Audit Report by BPK-RI (2015) also states that the problems in asset management occurred because officials/Administrator responsible for negligent and inadequate in presenting the financial statements, not optimal in carrying out their duties and responsibilities respectively, not fully understand the provisions applicable, weak in supervision and control activities, and lack of coordination with the parties concerned, and the weakness of application system used.

Local Government Asset Report (Laporan Barang Milik Daerah/LBMD) as stipulated in Government Regulation No.27 of 2014 concerning Asset Management is the main output of the administration of assets owned by local government and a media accountability of management of Local Asset conducted by the administrator of assets in a certain period. It must be executed by every administrator of government asset and its number is the source of information to prepare Local Government financial statements. Local Government Asset Report (LBMD) can be used as a source of information in future decision making related to the management of Asset. it is apparent that in order to undertake an active approach to the management of assets, information in sufficient detail on the whole assets is the first priority.

To provide adequate assurance that the reporting of Local Asset has been done well, every administrator of asset including the head of local government as stated above is necessary to establish an internal control over it. Internal Control over the reporting of Local Assets can prevent the occurrence of irregularities that can be used as a basis for external auditors

(BPK-RI) in the provision of records that are not expected in the audit results

AICPA Employee Benefit Audit Quality Center (2014), states that "Effective internal control reduces the risk of asset loss and helps ensure that plan information is complete and accurate, financial statements are reliable, and the plan's operations are conducted in accordance with the provisions of applicable laws and regulations."

Based on the description above the authors are interested to conduct a research related to Information Quality of Local Government Asset Report. In this study the authors want to know the influence of Management Commitment, Asset Administrator Competencies, Internal Control and Administration of Asset on Information quality of local government Asset Report in districts/cities government of South Sumatra Province.

II. LITERATURE REVIEW

Local Government Asset Report, a media of responsibility for the management of Local Asset conducted by Local Government in a certain period, is used for management asset policy decision making and providing Fixed Asset numbers of the Local government balance sheet. Susanto (2008: 11), states that the better quality of information owned by an organization, the better communication will occur therein. Quality of information will improve the organizers' understanding in responding the changes within and outside the organization so that organizers will quickly and accurately respond to change.

Simamora et al (2012) conducted a study on the factors affecting the Quality of Information for Local Asset Reporting where the results of his research revealed that Human Resources, Knowledge of Asset Management, Proof of Ownership, Asset Assessment, Leaders Commitment influence the quality of local government financial statements. The Ranisavljević (2012) study states that "the success of decision-making, which is the heart of the administrative process, is mostly dependent partly on available information, and partly on the functions that are the components of the process. According to O'Brien & Marakas (2008), Information quality is grouped in 3 (three) dimensions, they are (1) Time dimension : timeliness, currency, frequency, time period, (2) Content dimension : accuracy, relevance, completeness, conciseness, scope, performance, (3) Form dimension : clarity, detail, order, presentation, media:.

To improve performance and produce information quality requires a management commitment to achieve it. Dominic Cooper (2006) said that Management Commitment is defined as engaging in and maintaining behaviors that help others achieve a goal". Organizations with strong management commitments from their leaders and subordinates will find easier to achieve the desired outcomes to deliver better performance than the organizations with no management commitment. O'Reilly and Chatman (2006) states that Commitment more broadly as a psychological state of attachment that defines the relationship between a person and entities.

From several previous studies, Tan and Abdul-Rahman (2008) describes some of the constructs of management commitment: quality goals, priority, efforts, involvement,

resource allocation and attitude to change. Chowdhury (2008) showed how firms with higher peak management commitments will demonstrate more effective quality efforts across all dimensions, and in turn, achieve higher product quality.

Management requires skilled administrator of asset/human resources to help them in making information quality and doing management of asset. Indriasih (2014) stated that to produce effective and qualified local government financial report requires human resources who understand and competence in government accounting, finance even organizational areas of government. Stavropoulos et.al (2012) states that competencies represent behaviors, knowledge and composite skills, required by a manager, in order to successfully perform in their field of responsibility. A competency is a mix of knowledge, behavior, skill and tacit, that gives people the potential for effectiveness in performing tasks (Hamzah:2011). Competence is a combination of knowledge, attitudes, skills and hidden abilities that provide the potential for people in performing tasks/jobs effectively.

Bateman (2014) mentions that the ability of individuals in doing something work by utilizing knowledge, divide skill in three categories, while the three categories are technical skill, Human skill, Conceptual skill. User's steward/Asset Administrator in the Regulation of the Minister of Home Affairs Number 19 of 2016 is a General Functional Position assigned to receive, store, issue, administer the goods/assets owned by local government asset. The competencies that is closely related to the competence of User's steward/Asset Administrator as the State Civil Apparatus is to have technical competence in the management of Local Government Asset.

Management requires control to ensure the achievement of organizational goals. Research on internal control system has been done as research conducted by Gafarov, T. (2009), Ademola et al (2015) which shows that the implementation of internal control is very important to financial reporting in the public sector.

Internal control of central government and local government is designed with reference to Government Regulation (Peraturan Pemerintah) Number 60 of 2008 regarding Government Internal Control System (SPIP). SPIP is an integral process of actions and activities undertaken continuously by the leadership and all employees to provide reasonable assurance on the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, security of state assets, and compliance with laws and regulations. SPI includes five control elements, namely the control environment, risk assessment, control activities, information and communication, and monitoring.

A part of asset management is administration of asset, which is a series of activities covering bookkeeping, inventory and reporting of local asset in accordance with the prevailing provisions. Management in the Local Government Organization (OPD) requires guidance on asset management that can explain whether the implementation of local asset management activities is carried out in accordance with the principles of proper administration with bureaucratic policies. With the administration of asset in an orderly manner, it will produce precise and accurate figures that impact on the availability of adequate databases in preparing the planning needs and

budgeting and will also generate reports of regional assets in the balance sheet with precise and accurate figures.

In line with this research, Febrianti (2016) had studied the influence of the Administration of fixed assets to the quality of financial statements of local government, the research results prove that bookkeeping, inventaris and reporting simultaneously have a positive and significant impact on the quality of financial

statements. By presenting the bookkeeping of recording Local government asset into the user's list of goods and into the inventory card as well as in the list of local government asset will provide easier access for users of local asset registering and recording Local government asset into User Goods List (DBP), this ease of access will directly improve the quality of local government assets report.

III. METHOD

The population in this study is the Local Government Organization consisting of Dinas/Satuan/Badan on 17 district/cities in South Sumatera Province. Sample is determined by random sampling for each district/city and to determine amount of Dinas/satuan/Badan for each district/city by using stratified proportional sampling. Unit Observation in this research consists of officials administration of local asset (Pejabat Penatausahaan Barang) and asset administrator (Pengurus barang).

The required research data is primary data collected through questionnaires by providing a written set of questions to local asset administration officials and asset administrator of each OPD. Questions related to the variable of the administration of assets and the competence of asset administrator are addressed to the local asset administrator, with the consideration of these variables directly related to the steward/asset administrator. While questions related to internal control variables, management commitment and quality of fixed asset information addressed to the Local asset administration officials with consideration because the respondents related more directly to the top management (head of Dinas/Satuan/Badan) so it is considered more feasible to make an assessment of top management commitment and internal control implemented by management and directly involved in generating local asset reports and knowing more about asset management in OPD.

The data was processed using structural equation modeling (SEM) by using Lisrel 8,7 Software. This method has the ability to measure the construct indirectly, that is through its indicators and simultaneously analyze the indicator variable and latent variable.

Here is Indicator of Variable in this research.

Tabel 1
Indicator of Variable

Variables	Indicator
Management Commitment	Quality goals Priority Efforts Involvement Resource allocation Attitude to change
Asset Administrator Competencies	Knowledge Skill Attitude
Internal Control	Control Environment Risk assessment Control Activities Information & Communication

	Monitoring
Administration of Asset	Inventory Bookkeeping Reporting
Information Quality of Local Government Asset Report	Time Dimension Content Dimension Form Dimension

IV. RESULT AND DISCUSSION

This study has distributed 255 questionnaires to Local Government Organizations in 17 districts/cities of South Sumatera Province. Respondents consist of Local asset administration officers and Local asset administration executives. Only 207 questionnaires can be processed and analyzed while others is not eligible.

Result of The measurement Model

The measurement of construct validity is done by using confirmatory factor analysis/CFA, resulting in each variable having Standardized Loading Factor (SLF) ≥ 0.7 and t value ≥ 1.96 . It means all indicators are valid. Construct reliability is measured in each variable are ≥ 0.7 which means all variables are reliable.

Result of Structural Model Analysis

The result of Hypothesis test are exhibited in table 2. Based on the results of partial testing, only variable Management commitment that does not significantly affect Information Quality of Local Government Asset Report while other variables namely Competence Management, Internal Control and Asset Administration, partially affect the Information Quality of Local Government Asset Report.

Tabel 2
Result of direct hypothesis Test to Information Quality of Local Government Asset Report

Variable laten Endogen	Koefisien Jalur (Standardize)	t_{hitung} / F_{hitung}	$t_{kriteria} / F_{kriteria}$	Result of the Test ($t_{hitung} \geq 1.96$)
Management Commitment (KM)	0,15	1,85	1,96	insignificant (Parsial)

Competence of Asset Administrator (KPB)	0,20	2,33	1,96	Significant (Parsial)
Internal Control (PI)	0,28	2,69	1,96	Significant (Parsial)
Administration of Asset (PA)	0,25	2,35	1,96	Significant (Parsial)
KM, KPB, PI, PA	$R^2 = 0,41$			significant (Simultan)

(Lisrel 8.70, $t_{kriteria}=1,96$; $F_{kriteria}=3,84$)

Further testing of together hypotheses, The influence of variables Management Commitment, Competence of Asset Administrator, Internal Control and Administration of Asset significantly affect endogenous variable Quality of Local Government Asset Report. The results obtained for the model of structural equations, in accordance with the proposed hypothesis can be seen in:

$$KI = 0.15 \cdot KM + 0.20 \cdot KPB + 0.28 \cdot PI + 0.25 \cdot PA,$$

Errorvar. = 0.59, $R^2 = 0.41$

(0.081)	(0.086)	(0.10)	(0.10)	(0.11)
1.85	2.33	2.69	2.35	5.59 35.43

Discussion

Variable Management commitment does not significantly affect Information Quality of Local Government Asset Report. The result of this research is in line with Susanto Azhar (2017). The results states that organizational commitment does not affect the quality of accounting information. The coefficient of influence indicates the variability of the quality of accounting information can not be explained by organizational commitment. The results indicate that the problems in accounting information systems that do not qualify occur because the commitment of the Organization is not fully as good as expected.

Local Government Asset Report is generated from an asset administration process comprising inventory, bookkeeping and reporting. The functions that execute the administration of this asset in each Local Government Organization are the administration officials of Local Asset and administrator of management assets and are assisted by the auxiliaries (Permendagri 27, 2016). Caretakers with the ability and responsibility carry out their obligations in the administration of assets. The Reporting of local government asset in Local Government Organization (OPD) are now widely used BMD applications produced by BPKP so that the output of this application system is the result of the administration of assets executed by the caretaker. This means that the management of assets assigned to carry out the administration of asset, the presence or absence of encouragement from superiors should still produce output in the form of Local Government Organization Assets, which each month they must report Local Government Asset. So according to the researcher this is also cause the coefficient of influence management commitment does not significantly affect the quality of information Quality.

Direct Influence of Competence of Asset Administrator to Information Quality of Local Government Asset Report. is 0,20. This means that the stronger the Competence of Asset

Administrator, Information Quality of Local Government Asset Report will be better. The results of this study support the results of research conducted by Nuryanto and Nunuy (2013) that the competence of the apparatus has a dominant influence on the quality of Financial Reporting. Indriasih (2014) found that the competence of government apparatus is one factor causing weak quality of financial reporting in government area. Other studies that also support the results are Winidyaningrum (2010) and Setyawati (2013).

Direct influence of Internal Control on Information Quality of Local Government Asset Report is 0.28. This means that the stronger the Internal Control Information Quality of Local Government Asset Report will be better. Internal Control is a mechanism executed by the executive (government) to ensure the implementation of management systems and policies so that organizational goals are achieved. The existence of a significant positive correlation between internal control with information quality in line with research of Iskandar and Setiyawati (2015); Susilawati and Riana (2014); Suwanda (2015) and Kasim, (2015) The results of this study also support the research of Suyono and Hariyanto (2012: 1243) which resulted in "the rationalization of this finding that the internal control can provide assurance in the reliability of financial reporting, efficient and effective operation, and compliance with rules and regulations ". Empirical evidence is also in line with Nuryanto and Nunuy (2013) which proves that internal control has a positive and significant impact on the quality of financial statements. This condition shows the stronger the internal control that is built, the higher Information Quality of Local Government Asset Report will be.

The Administration of Assets significantly affects the Information Quality of Local Government Asset Report. The direct influence is 0.25. This means that the better the Asset Administration, Information Quality of Local Government Asset Report will be better. In line with this research, Febrianti (2016) had studied the influence of the Administration of fixed assets to the quality of financial statements of local government, the research results prove that bookkeeping, inventaris and reporting simultaneously have a positive and significant impact on the quality of financial statements. By presenting the bookkeeping of recording Local government asset into the user's list of goods and into the inventory card as well as in the list of local government asset will provide easier access for users of local asset registering and recording Local government asset into User Goods List (DBP), this ease of access will directly improve the quality of local government assets report.

The F_{hitung} of eksogenous variables collectively to the endogenous variable is $35.43 > 3.84$. The influence of Management Commitment, Competence of Asset Administrator, Internal Control and Administration of Asset significantly affect endogenous variable Quality of Local Government Asset Report. Contribution of variables Management Commitment, Competence of Asset Administrator, Internal Control and Administration of Asset to endogenous variable Information Quality of Local Government Asset Report is 41%, the remaining 59% is influenced by other factors

V. CONCLUSION

Based on the data analysis and discussion of research above, it can be concluded as follows;

1. Management commitment does not significantly affect Information Quality of Local Government Asset Report partially
2. Competencies of Asset Administrator, Internal Control and Asset Administration, partially affect the Information Quality of Local Government Asset Report.
3. The influence of Management Commitment, Competence of Asset Administrator, Internal Control and Administration of Asset significantly affect Quality of Local Government Asset Report.

The implication of this study are expected in contributing to help the heads of Local government organization districts/cities of South Sumatra to improve Quality of Local Government Asset Report in order to obtain an unqualified opinion from BPK-RI. the Local Government in South Sumatera must perform a skilled asset administrator. It is recommended for local government to strengthen the asset administrator competence with the education and training about management of Local government Asset. The training will enrich the asset administrator about administration of asset and the quality of Local government Asset.

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AUTHORS

Kartika Rachma Sari*, Accounting, Sriwijaya State Politechnic
email address; kartikasyahrul@yahoo.co.id
Didik Susetyo** Economic, Sriwijaya University
Inten Meutia**, Accounting, Sriwijaya University
Saadah Siddik, Accounting, Muhammadiyah University