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## **Analysis of the Implementation of Fixed Asset Management in Merauke Regency Papua**

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### **Abstract**

This study aims to analyze the implementation of fixed asset management by measuring the importance and performance of crucial factors of fixed asset management that has been applied by Local government of Merauke Regency in 2017. This research uses quantitative description approach and purposive sampling technique to get 39 sample respondents. The variables used in this study have been adjusted base on laws and regulation on local asset management. Tools of analysis are Importance-Performance Analysis which measure the importance level of any factors that influence the performance quality. The result shows that variables determination of the value of fixed assets in the preparation of the Financial Statements in accordance with SAP (Government Accounting Standards) has higher importance level with mean value 4,59 and modus value 5 (very important). While the less important variables are the involvement of third party (private) and society (partnership) in utilizing fixed asset with mean value 3.36 and modus 3 (quite important). The other result shows that variables determination of the value of fixed assets in the preparation of the Financial Statements in accordance with SAP (Government Accounting Standards) has higher performance level with mean value 4,33 and modus value 5 (good).

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On the other hand, the involvement of third party (private) and society (partnership) in utilizing land and building asset variable shows the lowest performance level with mean value 3,72 and modus value 3 (quite good).

**Keyword:** local fixed assets; management of fixed assets; management model of assets.

## **1. Introduction**

Regarding Government Accounting Standards defines fixed assets as tangible assets with a usefulness that can survive more than 12 (twelve) months to be used in government activities or utilized by the public society. Fixed asset is one of the financial statement entities presented in the balance sheet as non-current assets on a long term. Therefore, the recognition, measurement, and presentation must be done in accordance with the Government Accounting Standards (SAP) in order that the financial statement which is presented can comply with the qualitative characteristics of the financial statements required in Government Accounting Standards.

The quality of Local Government Financial Report (LKPD) can be reflected in opinions on the fairness of financial information which is provided based on the results of BPK (State Audit Agency) audit. The facts show that The Financial Statements of Merauke Regency Government in 2009-2012 got an opinion about the refusal statement in giving opinion or not to give opinion/disclaimer of opinion (TMP). Meanwhile, in 2013-2014 Merauke Regency got qualified opinion with exception (WDP), in which the financial statements are qualify presented in all material aspects in accordance with SAP (Governmental Accounting Standard), except for the exception things[1].

One of the causes of the weaknesses in reporting which is accordance with SAP (Governmental Accounting Standard) in Merauke regency is the inadequate management of fixed assets. There are many fixed assets that are unknown or controlled by others and not supported by clear proof of ownership. The process of elimination and depreciation of fixed assets which had been done is not in accordance with the provisions. In addition, the reporting of fixed assets is not supported by the listing in the goods inventory card (KIB) and there is no an adequate inventory. This case shows that the security of administrative assets, legal and physical assets have not been adequately conducted yet [2].

Inadequate management of fixed assets shows that fixed asset management in Merauke Regency has not been effective and efficient, affecting the quality of financial statements. Asset management is required by the local government because one of the major problems of managing regional assets is disorder in the management of assets [3]. This case causes local government gets difficulty in understanding exactly which assets they control, so that the assets which are managed by the local government tend to be non-optimal in its use. The implication of the utilization and management of non-optimal assets is the attainment of non-value of benefits that is equal to the intrinsic value and potential contained in the assets themselves. Therefore, effective asset management is required to ensure that all assets and facilities provided are properly managed and can improve public services [3].

The results of the study [4], on the asset management model for local government shows that asset management

is very important in order to make decisions about the acquisition, retention and disposal of property. A key component of asset management is the taking of a strategic view of the best assets that need to be maintained and utilized efficiently, they are such as identifying the assets to be disposed of in order to generate reinvestment resources [5]. In addition, [6] the effective asset management implementation is influenced by monitoring and evaluation process which is reinforced by the quality of human resources.

[7] Regarding State / Regional Property Management conveys that the management of state / regional property includes: planning of needs and budgeting, procurement, use, utilization, security and maintenance, appraisal, alienation, destruction, removal, administration, guidance, supervision and control. The regulation shows that there has been an effort by the government to discipline and optimize the management of state assets. However, the existence of the regulation in practice has not been able to create adequate asset management, especially in Merauke Regency. It is a proven fact that there are still many BPK (Financial Audit Board) findings related to the inadequate management of fixed assets. Therefore, this study aims to analyze the implementation of fixed asset management within the local government of Merauke Regency.

## **2. Fixedassetmanagement**

Reference [8] Regarding Government Accounting Standards defines fixed assets as tangible assets with a usefulness that can survive more than 12 (twelve) months to be used in government activities or utilized by the public society. Fixed assets presented in the balance sheet consist of land, equipment and machinery, and buildings that are ready to use, irrigation roads and networks, other fixed assets, and construction in progress.

Fixed assets are recorded at cost of its attainment. However, if the valuation of fixed assets by using cost is not possible, then the valuation of property is based on fair value at acquisition date. Fixed assets are used by the government, except for certain types of assets such as land, and construction in progress, have limited usefulness and capacity. Along with the decline in the capacity and benefits of an asset, it is necessary to adjust the asset value in the form of depreciation expense. Fixed assets can be depreciated according to the nature and characteristics of the asset [8].

The term of asset management is used to describe the process in which the Regional Government regulates physical assets to obtain a level of service for the present and future. Asset management is defined as something that is systematic and coordinates activities through practice so that an organization can optimally manage its physical assets, and demonstrate performance they are in accordance with their organizational strategic planning [9].

According to [10] management, assets will involve a series of main important activities as follows:

- a. Planning with activity stages: identification and inventory asset, legal audit, *valuation*, study of economic potential and asset optimization.
- b. Utilization is in the form of: the use of the direct interest of local government operational, cooperated (in use) with third party.
- c. Evaluation and Monitoring which includes: Asset performance assessment based on benefit economic

asset, update of asset data, asset addition or sale, asset maintenance, completion of all liabilities related to asset existence.

### **3. Research methodology**

This research uses quantitative description approach combined with survey data collection technique. This research was conducted in SKPD (Regional Work Unit) Department of Agency and Agency in Merauke Regency which totaled 27 SKPD (Regional Work Unit).

The subject in this study are consisted of structural officers and officers who implement the function of management of Regional Property in each SKPD (Regional Work Unit) and which have a working period of at least one year in the management period of BMD. Meanwhile, the object of research is the management of fixed assets in the local government of Merauke regency.

#### **a. Research Variable**

This study uses 21 variables which are important factors in the implementation of asset management. The variables in this study have been modified [11] in previous studies. The variables in this study have been adjusted [12] on the Technical Guidelines for Management of Regional Property.

Those variables are measured by Likert scale from 1 to 5. The questionnaires are divided into two to measure the level of *importance* and *performance* level. The importance of scale is written in form of (1) very unimportant, (2) unimportant, (3) important enough, (4) important, and (5) very important. In the scale performance level is written in form of (1) not very good, (2) not good, (3) good enough, (4) good, and (5) very good.

#### **b. Technique of Data Collection**

Data collection techniques used in this study are such as:

##### **a. Questionnaire**

Collecting data by using questionnaires was conducted to obtain a description of respondents' perceptions of research variables and measure the performance of each variable. Questionnaires were given to the Structural Officials and apparatus performing the functions of the Management of Regional Property at each SKPD (Regional Work Unit) in Merauke Regency.

##### **b. Interview**

In this study the interview was conducted to structural officials and apparatus performing the function of management of Regional Property in SKPD (Regional Work Unit) which was chosen at random. Interviews were conducted to gain an in-depth understanding of matters relating to research problems.

### c. Data Analysis

Data analysis that is used in this research consists of data quality test and *Importance Performance Analysis (IPA)*.

#### a. Test data quality

The data quality test consists of reliability test and validity test. Reliability test is used to measure the consistency of a questionnaire. A questionnaire is said to be reliable or reliable if one's answer to a question is consistent or stable over time. A construct or variable is said to be reliable if it gives a *Cronbach Alpha* value > 0.60 [13]. Validity test is used to measure the accuracy or validity of an item in the questionnaire. A questionnaire is said to be valid if the question on the questionnaire is able to reveal something to be measured by the questionnaire. If the *Item-Total Statistics* output view in the *Correlated Item-Total Correlation* r column is greater than the r table and the positive value, then the item or question is declared valid [13].

#### a. Importance Performance Analysis (IPA)

*Importance Performance Analysis (IPA)* is used in this study to relate the importance and degree of performance of each variable, so that the gaps can be evaluated to build asset management models. In this research, each respondent was asked to respond to the significance of key factors in the management of local fixed assets whose scores from unimportant to very important. In addition, respondents are also asked to provide an assessment of the performance of the management of assets / property of the region has been implemented, where the indicator is based on the determinants of the success of the management of fixed assets whose scores are not good to excellent. From the respondent's answer can be known the score achieved and the ideal score (highest), so it can be calculated the rank of each variable.

## 4. Result of research

This research was conducted at the Regional Device Work Unit (SKPD) in Merauke Regency which totaled 27 SKPD (Regional Work Unit). From the existing 27 SKPD, 1 (one) SKPD (Regional Work Unit) is a new SKPD (Regional Work Unit) that was formed in 2017 and has no fixed assets that are managed by themselves, so the total SKPD (Regional Work Unit) studied totaled 26 SKPD (Regional Work Unit). Respondents in this study are structural officials and apparatus that implement financial accounting / governance functions relating to the management of fixed assets in each SKPD (Regional Work Unit) which have a minimum working period of one year in the preparation period of financial statements. The total number of questionnaires distributed on 26 SKPD (Regional Work Unit) is 91 copies. There are 91 questionnaires distributed, respondents who filled out and returned questionnaires were 39 respondents. Thus the return rate of the questionnaire (response rate) achieved by 43%. All the returned questionnaires are filled in completely and in accordance with the order so that the total questionnaire processed is 39 questionnaires. The demographics of the respondents being sampled in this study are presented in Table 1.

**Table 1:** Demographics of Respondents

Data	Information	Quantity	Percentage
Gender	Male	14	36%
	Female	25	64%
Age	< 30 years	4	10%
	31-40 years	21	54%
	41-50 years	10	26%
	> 50 years	4	10%
Last education	Senior High School	14	36%
	Diploma	6	15%
	Bachelor	17	44%
	Postgraduate	1	3%
	Others	1	3%
Length of work	< 5 years	17	44%
	6-10 years	9	23%
	> 10 years	13	33%

Source: Results by data using MS. Excel

**a. Descriptive Statistics**

Descriptive statistics in this study can be seen from the mean value (*mean*), standard deviation, maximum, and minimum. More data on descriptive statistics of research variables can be seen in Table 2.

**Table 2:** Descriptive statistics

	Minimal	Maximum	Mean	Std. Deviation
Interests	75	105	90,79	6,73
Performance	62	105	86,62	11,26

Source: Results of data using SPSS (Statistical Product and Service Solutions) for the 20

Based on Table 2 it can be concluded that for the interest rate, it has an average value of 90.79 and the standard deviation of 6.73. It shows that the majority of respondents tend to answer vital to 21 questions raised regarding

the management of fixed assets. The minimum value of interest rate of 75.00 means there are respondents who stated that several factors in the management of fixed assets are quite important. Meanwhile, the maximum value of 105 indicates that there are respondents who stated that several factors in the management of fixed assets are very important.

The performance level has an average value of 86.62 and the standard deviation of 11.26. This aspect indicates that most of respondents stated that the achievement of performance in the management of fixed assets is good. The minimum value of the performance level of 62.00 means there are respondents who stated that the achievement of performance in the management of fixed assets is still not good. Meanwhile, the maximum value of 105 indicates that there are respondents who stated that the achievement of performance in the management of fixed assets has been very good.

#### b. **Data Quality Test**

In order to find out how big the influence of the questionnaire answers obtained, before doing part of data processing, then it necessary to do validity test and reliability test first to the question items used in the questionnaire. The method used in the validity test is to correlate bivariate between each score of the question items with the total score of the variable, and reliability testing using *Cronbach Alpha* coefficients performed with the help of SPSS (Statistical Product and Service Solutions) 20 program.

Reliability test is performed to measure the consistency of a questionnaire by looking at the value of Cronbach Alpha. A construct or variable is said to be reliable if it gives a *Cronbach Alpha* value  $> 0.60$  [13]. SPSS (Statistical Product and Service Solutions) output display shows that the Cronbach Alpha value for the significance level variable is 0.842 and the performance level is 0.763. When using a minimum value of reliability value of 0.60, then all variables in this study has a value of *cronbach alpha* above 0.60, so it can be concluded that generally all the variables are quite reliable.

Validity test is used to measure the validity of a questionnaire, by looking at the significance of bivariate correlation between each score of the question item with the total score of the variable. If the value shows a significant result, it can be concluded that each item is valid enough. The result of data processing with SPSS (Statistical Product and Service Solutions) 20 shows that all question items for importance and level of performance have significance value  $< 0.05$ , so it can be concluded all question items used to measure the level of importance and level of performance in the management of fixed assets are valid.

#### c. **Important Performance Analysis (IPA)**

##### a. **Level of Importance**

Respondents' answers to the level of importance show that variables determination of the value of fixed assets in the preparation of the Financial Statements in accordance with SAP (Government Accounting Standards) has higher importance level with mean value 4,59 and modus value 5 (very important). While the less important variables are the involvement of third party (private) and society (partnership) in utilizing fixed asset with mean

value 3.36 and modus 3 (quite important).

This shows that the responses of respondents to the process of valuation of fixed assets is very important and should be prioritized. Appropriate fixed asset valuation is required to ensure that the value of fixed assets presented in the financial statements is in accordance with the actual conditions.

#### b. Level of Performance

The level of performance shows that variables determination of the value of fixed assets in the preparation of the Financial Statements in accordance with SAP (Government Accounting Standards) has higher performance level with mean value 4,33 and modus value 5 (good). On the other hand, the involvement of third party (private) and society (partnership) in utilizing land and building asset variable shows the lowest performance level with mean value 3,72 and modus value 3 (quite good).

This shows that according to the respondents performance on the variable valuation of fixed assets in the framework of preparation of financial statements in accordance with SAP is good. To produce quality financial reports, human resources management of fixed assets recognize that the valuation of fixed assets in the financial statements in accordance with SAP is something that must be obeyed by each SKPD in order to improve the performance of its fixed asset management.

#### c. Level of conformity

The level of conformity is the result of comparison between the level of performance and the level of importance, so it will determine the priority action that will be used in handling the management of fixed assets. The conformity score of each factor will be compared with the average level of conformity (the value of the decision-making score). If the value of conformity is less than the value of the decision-making score, then the factor needs to be improved (Action) and if the level of conformity is greater than the score of the decision-making score, then the factor needs to be maintained (Hold).

Based on the comparison between the level of conformity with the decision scores, the fixed asset management factors that need to be improved are

##### a. Planning and Procurement

Strategic planning in the procurement of fixed assets is aligned and integrated with the objectives of local government; when the APBD is determined, the needs of the fixed asset and the maintenance used as the basis in the implementation of procurement and maintenance; discussion of the proposed budget always attention to inventory data of fixed asset and adjusted to the needs plan; procurement of fixed assets is done efficiently, effectively and transparently; procurement of fixed assets in accordance with regulations; and the regional committee always monitoring the realization of the procurement of fixed assets.

##### b. Financing, Asset Valuation, and Asset Utilization



Determination of the value of fixed assets in the preparation of the Financial Statements in accordance with SAP, and utilization of fixed assets in accordance with benefits

c. Asset Disposal

There is a legal basis for the disposal of fixed asset, the disposal of fixed assets has clear technical and economic considerations

d. Coaching, Supervision and Control of Assets

Monitoring and maintenance of fixed assets is carried out periodically; professionalism of human resources in managing and utilizing fixed assets; and security of fixed assets in accordance with administrative, physical and legal requirements

**Tabel 3: Hold dan Action**

The Main Concept	Variables (Crucial Factor)	Level of Conformity (%)	Decision Making Score (%)	Hold and Action
Planning and Procurement	1	93,37	95,63	Action
	2	93,53	95,63	Action
	3	93,14	95,63	Action
	4	92,70	95,63	Action
	5	93,22	95,63	Action
	6	89,77	95,63	Action
Acquisition, Retention, and Distribution	7	97,60	95,63	Hold
	8	95,83	95,63	Hold
	9	99,39	95,63	Hold
Financing, Asset Valuation, and Asset Utilization	10	97,56	95,63	Hold
	11	94,41	95,63	Action
	12	91,23	95,63	Action
	13	100,00	95,63	Hold
	14	110,69	95,63	Hold
	15	98,77	95,63	Hold
Asset Disposal	16	94,41	95,63	Action
	17	94,86	95,63	Action
Coaching, Monitoring, and Control of Assets	18	90,53	95,63	Action
	19	94,64	95,63	Action
	20	93,75	95,63	Action
	21	98,79	95,63	Hold

Source: Results by data using MS. Excel

The key factor of fixed asset management must be maintained its performance are:

a. Acquisition, Retention, and Distribution

Inventory of assets; update of fixed asset database; and the legal audit of fixed assets

b. Financing, Asset Valuation, and Asset Utilization

Transparency of costs related to the management of fixed assets; the utilization of fixed assets has a positive impact on the increase of added value of regional assets; the involvement of third party (private) and society (partnership) in utilizing fixed asset; and the use of fixed assets is done optimally.

c. Coaching, Monitoring, and Control of Assets

Maintenance of fixed assets shall be guided by the list of maintenance needs of regional property

## **5. Conclusions**

Based on the results of research that has been explained previously, maka dapat ditarik kesimpulan sebagai berikut:

1. Variables determination of the value of fixed assets in the preparation of the Financial Statements in accordance with SAP (Government Accounting Standards) has higher importance level, while the less important variables are the involvement of third party (private) and society (partnership) in utilizing fixed asset
2. The level of performance shows that variables determination of the value of fixed assets in the preparation of the Financial Statements in accordance with SAP (Government Accounting Standards) has higher performance level. On the other hand, the involvement of third party (private) and society (partnership) in utilizing fixed asset.
3. The fixed asset management factor to be improved is the strategic planning process and the procurement of fixed assets according to the regulations
4. The fixed asset management factor that must be maintained is the inventory and legal process of the audit of fixed assets, financing process, asset valuation, and asset utilization, and maintenance of fixed assets according to the regulation.

## **Acknowledgements**

Thanks to the Ministry of Research Technology And Higher Education of Indonesian Government has support researchers.

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