

The Effect of Information System, Human Resources Competence, and Leader Commitment to The Fixed Asset Management Optimization and The Quality of Financial Statements

**Muhammad Ashari' Mushar Mustafa,
Muhammad Christian;Rahmawati HS**

Accounting Department, Faculty of Economic and Business, Universitas Hassanudin,
Indonesia

E-mail: ashari.unhas.jp@gmail.com

ABSTRACT:

This study aims to determine the effect of information systems, human resources competencies and leadership commitment to optimizing asset management and its impact on the quality of the financial statements of The Local Government of Pare-pare. This study used a quantitative approach. A population about 99 people which is all as respondents. Data obtained using the survey method. The respondent is a user or power user staffs as the head SKPD, Head of General and Administrator of aset at 33 SKPD and the staff at the Regional Asset Management Division at Pare-pare municipal government. To test the hypothesis used path analysis models with the first models want to know the influence of Information Systems, Human Resource Competency and Leader Commitment to Optimizing Assets Management . While the second regression model to determine the effect of the Optimization Fixed Assets Management to the Quality of Financial Statements. The research instrument in the form of questionnaires. Data was processed by the program Statistical Package for the Social Sciences (SPSS version 21). The results showed that the competence of human resources and leader commitment significantly influence asset management optimization, but the information system did not significantly affect the optimization of asset management, while the

optimization asset management significantly influence the quality of financial reporting.

Keywords: Information Systems, Human Resource Competencies, Leader Commitment, Optimization of Asset Management and The Quality of Financial Reporting.

1. INTRODUCTION

Act No. 1 of 2004 on State Treasury explains that state-owned properties are all properties purchased or acquired at the expense of the State Budget and other legitimate acquisition. Government Regulation No. 6 of 2006 concerning Management of State/Regional-Owned Properties mentions that other legitimate acquisition among others are donations/grants, implementation of the agreement/contract, provisions of law and a court decision.

Accountability for Regional-Owned Properties becomes increasingly important when the government is obliged to submit accountability for implementation of Regional Government Budget in the form of financial statements prepared by an accounting process on financial transactions, assets, liabilities, equity, income and expenditure, including financial transactions and calculations. Information of Regional Government Budget significantly contribute in financial statements that relate to items inventories, fixed assets and other assets.

As one form of accountability, especially financial accountability, local governments are responsible to publish financial statements to stakeholders through a medium of accountability carried out periodically. The form of medium of accountability in governance stipulated in Act No. 17 of 2003 on State Finance and Act No. 32 of 2004 on Regional Government is financial statement. Financial statement is a form accountability on stewardship of economic resources owned by an entity. Information in the form of financial statements published by the local government will be indispensable as a basis for decision-making of many parties.

Regional asset management is not an easy job. It is evident from the number of fairness exceptions on asset value of local governments in the opinion of the Audit Board of the Republic of Indonesia on financial statements of local governments. The condition indicates that the local governments experience difficulties in asset management that serves less or unfair regional assets. From many problems that become obstacles, the problem of serving regional assets is the most common causative factor. Judging from the appearance of Regional Balance Sheet compiled by most of local governments in Indonesia, an average of 80% to 90% from the value of regional assets is a fixed asset. However, origins, value of the rupiah and ownership status of most of the assets are unclear.

Asset management is related to how to manage fixed assets, so that the fixed assets inventoried, rated, served, as well as revealed and adequate in accordance with the Act. Inventoried means that all assets are recorded and listed. There is also supporting evidence. The is a certificate for land as well. Currently, there are several application systems of regional asset management offered by government agencies, among other is Regional Management Information System made by the Financial and Development Supervisory Agency which aims to help local governments in managing finances and assets of local governments. Local Government of Pare-Pare has been using Regional Management Information System of Regional-Owned Properties since 2012. However, the practice has not been optimal, especially in the management of regional asset. Regional Management Information System of Regional-Owned Properties has not been able to become a working tool for the overall management of

regional assets or properties covering 13 stages of asset management.

Constraints of information systems are still found in some local government agencies, including the lack of supporting facilities, such as administrators of properties who do not have laptops, limited abilities of some administrators of properties in local government agencies in operating computer and information systems used that are not online yet. Information system plays an important role in the management process of Regional Government assets, since it will make the management more organized, accountable and transparent, and will reduce the workload supported by qualified personnel resources.

Human resources development is a process of changing the human resources of the organization in managing regional assets to a better condition to prepare for responsibilities in management of assets in achieving organizational goals. Process of human resource development is closely related to the concept of education and training. Education and training in this context are the things that must be conducted to reach a human resources development on regional asset management.

Syahrani (2015), in her study explains that the quality of human resources had a positive and significant effect on asset management optimization. It indicates that the quality of human resources that are reliable will affect asset management optimization. It is also supported by the study of Sutawa (2014), stating that human resources that had a significant effect on the asset management at the Office for Management of Revenue, Finance and Assets of Ngawi Regency is proven and accepted.

In the perspective of administration, leader or manager is the person responsible for the organization or unit he/she leads. Task of the manager can be described in terms of something organized, identified with a position (Mintzberg in Herminingsih, 2009). Mintzberg explains that managers can play three roles through their authority and status in carrying out the tasks entrusted, among others: (1) Interpersonal roles. In this case, the manager should be able to play the roles as a figurehead, a leader and a liaison. (2) Informational roles. In this case, the manager should be able to play the roles as a mentor, a disseminator and a spokesman. (3) Decisional roles. In this case, the manager should be able to

play the roles as an entrepreneur, a disturbance handler, a resource allocator and a negotiator. The description of the roles of the manager mentioned above will require a number of important managerial expertise, developing an equal working relationship, running negotiation, motivating subordinates, resolving conflicts, building a network of information and paying for the information, making decisions under extreme ambiguity conditions, and allocating available resources.

Based on the framework mentioned, the purpose of this study was to examine more deeply about the effects of Information Systems, Human Resources Quality and Leadership Commitment on Asset Management Optimization, as well as the effects on the Quality of Financial Statements.

2. LITERATURE REVIEW

Government Regulation of the Republic of Indonesia No. 6 of 2006 on Management of State/Regional-Owned Properties and Minister of Home Affairs Regulation No. 17 of 2007 on Technical Guidelines of Regional-Owned Properties Management, explain that:

“Inventory is an activity to perform data collection, recording, and reporting the results of the data collection of regional-owned properties.”

Harsono, et al (2004: 163) describe the definition of inventory, as follows.

“Inventories are the activities include registration, recording in inventory list, preparation or arrangement of properties or wealth of the country as well as reporting the use of properties to the competent authorities regularly and orderly in accordance with the applicable rules and procedures, thus simplifying the presentation of wealth data of the country/regional governments, both fixed and movable properties.”

Inventory process or organized inventory is an inventory process carried out with the provisions to make improvements in the management, financial and country's wealth control effectively, also to improve the effectiveness of budgetary planning, procurement, storage and maintenance, distribution and elimination of properties. Therefore, the implementation of inventory should be properly and correctly according to the condition of properties to achieve inventory purposes intended.

Nawawi and Martini (1994: 189) express that data in the inventory list are not only useful to follow the condition of equipment/supplies owned, but also for planning, to avoid extravagance. Therefore, the data recorded have to be assured completely in accordance with the reality condition of equipment/supplies recorded.

The inventory of regional-owned properties is a cycle per five years. Inventory in the first year began with the census of properties. This census produces Inventory Card for Properties, Inventory Card for Room, Inventory Book, and Inventory Book Recapitulation. While in the second year until the fifth year, inventory is conducted through mutation of properties, either increased or decreased. If there is a mutation of property in a room, then Inventory Card for Room will be adapted to the properties in or out. The activities produce a Report of Properties Mutation semesters I and II, a List of Properties Mutation, and a Recapitulation List of Properties Mutation.

According to Government Regulation No. 71 of 2010, financial statements are structured statements regarding the financial position and transactions undertaken by a reporting entity. Accounting entities are government units of budget users obliged to conduct accounting and preparing financial statements to be combined on a Reporting Entity. The reporting entity is a government unit consisting of one or more accounting entities that in accordance with the provisions of the legislation, they are required to submit a report in the form of financial statement.

Mardiasmo (2009), financial statements of the government are the public's rights to be provided by the government, both on central and local levels. The public right to financial information emerged as a consequence of the concept of public accountability. Public accountability requires public organizations to provide financial statements as evidences of accountability and management.

As a part of the information presented in the financial statements, presentation of regional fixed asset information must have a level of reliability of the information that becomes one of the qualitative characteristics of financial statements, that is a normative precondition necessary for the financial statements of the government to meet the desired quality. Good Regional Fixed Asset Management is one indicator of the quality of information fulfillment regarding regional fixed assets.

Regional fixed asset as an important element in governance and public services must be managed properly, which in turn can realize regional fixed asset management by taking into account the following principles. (Minister of Home Affairs Regulation 17 of 2007, p. 28) functional, legal certainty, efficiency, accountability, value certainty.

The quality of financial statements will be seen from the opinion given by the Audit Board on the financial statements of the local governments. It is described in the explanation of Article 16 of Act No. 15 of 2004 on Management and State Finance Responsibility Audit that an opinion is a professional statement of the inspectors on the fairness of financial information presented in the financial statements.

Furthermore, financial statements are based on the criteria: first, conformity to government accounting standards. Second, adequacy of disclosure. Third, compliance with legislation. Fourth, effectiveness of internal control system. Opinion on the financial statements of local government can be given by the inspectors in the forms of an unqualified opinion, a qualified opinion, an unnatural opinion and a refusing statement to give an opinion.

3. METHODOLOGY

This study used analysis unit at the organizational level, i.e. local government agencies in Pare-Pare and Regional Asset. The technique used was survey. The approach used to analyze was quantitative approach. The reason of choosing the approach and main method was because this study was a confirmation (testing) between theory and reality by making hypotheses first, then testing using statistical analysis technique.

This study was conducted in Pare-Pare, South Sulawesi Province. The population in this study consisted of 33 local government agencies in the Government of Pare-Pare. The data sources in this study were primary data. The number of samples in this study were 99 respondents. The method of sampling was using purposive sampling. The primary data were obtained using a study instrument, i.e. questionnaire. The questionnaires were delivered directly by the researchers in each of local government agencies. The questionnaires contained a structured list of questions addressed to the respondents for the purpose of obtaining written information relating to the information systems, the

quality of human resources and leadership commitment to the optimization of assets management and quality of financial statements.

The analysis method used in this study was path analysis which further tested the effects of Information Systems, Human Resources Competence and Leadership Commitment to the Assets Management Optimization, and the effects of Assets Management Optimization on the Quality of Financial Statements.

4. RESEARCH RESULT

4.1. Goodness of Fit at Path Analysis

Testing Goodness of Fit uses predictive value-relevance (Q^2). The value of R^2 each endogenous variable in this study are as follows: 1) for asset optimization variables obtained R^2 of 0.498; 2) and for variable quality of financial statements obtained R^2 of 0.434. Predictive value-relevance obtained by the formula of:

$$Q^2 = 1 - (1 - R_1^2)(1 - R_2^2)(1 - R_3^2) \dots (1 - R_p^2)$$

$$Q^2 = 1 - (1 - 0.498)(1 - 0.434) = 0.7159$$

The calculation result showed predictive value-relevance of 0.7159, or 71.59%, making it feasible models are said to have predictive value relevant. Relevance predictive value of 71.59% indicates that the diversity of data that can be explained by the model is equal to 71.59%, or in other words, the information contained in the data 71.59% can be explained by the model. While the remaining 28.41% is explained by other variables (which is not contained in the model) and error.

4.2. Hypothesis Testing

Hypothesis testing is performed on each track direct effect partially. Detailed results of the analysis, path analysis given in the results, it can be seen in the table. The following table presents the results of hypothesis testing using path analysis (path analysis).

Table 1: Testing Hypothesis of Path Analysis

Relation	Path Coefficient	p-value	Explanation
Information System → Asset optimization	0.114	0.236	Not Significant
Human Resource Quality → Asset optimization	0.310	0.001	Significant

Management Commitment → Asset optimization	0.467	0.000	Significant
Asset optimization → Quality of Financial Statement	0.659	0.001	Significant

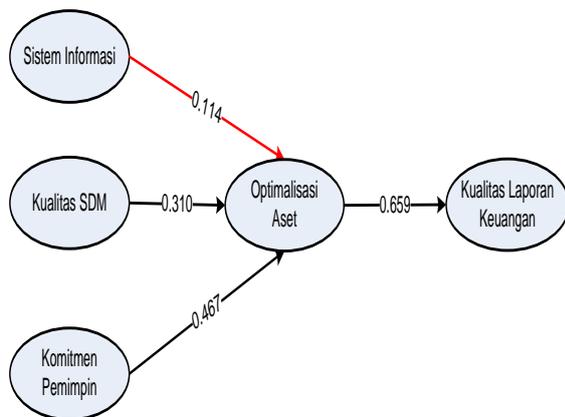


Fig 1 : Testing Hypothesis of Path Analysis

Testing the effect of Information Systems (X1) to Asset optimization (Y1) beta coefficient of 0.114 with Sig t value of 0.236. Because the value of Sig $t > 0.05$ ($0.236 > 0.05$), it can be said that there is no significant influence between Information Systems (X1) to Asset optimization (Y1). Thus it can be said that the level of Information Systems (X1), will not result in changes to the high and low Asset optimization (Y1).

Testing the influence of HR Competency (X2) on Asset optimization (Y1) beta coefficient of 0.310 with a value of 0001 t Sig. Because the value of Sig $t > 0.05$ ($0.001 < 0.05$), it can be said that there is a significant effect between HR Competency (X2) on Asset optimization (Y1). With a marked positive coefficient indicates a positive relationship. Thus it can be said that the higher the HR Competency (X2), will lead the higher the Asset optimization (Y1).

Testing the influence of Commitment Leader (X3) on Asset optimization (Y1) beta coefficient obtained for 0467 with a value of 0000 t Sig. Because the value of Sig $t > 0.05$ ($0.000 < 0.05$), it can be said that there is a significant effect between Leader Commitment (X3) on Asset optimization (Y1). With a marked positive coefficient indicates a positive relationship. Thus it can be said that the higher the commitment of leaders (X3), will lead the higher the Asset optimization (Y1).

Testing the influence of Asset optimization (Y1) on the Quality of Financial Statements (Y2) beta coefficient of 0.659 with a value of 0000 t Sig. Because the value of Sig $t > 0.05$ ($0.000 < 0.05$), it can be said that there is a significant effect between Asset optimization (Y1) on the Quality of Financial Statements (Y2). With a marked positive coefficient indicates a positive relationship. Thus it can be said that the higher the Asset optimization (Y1), will lead the higher the quality of the Financial Statements (Y2).

5. DISCUSSION

5.1. The Effects of Information Systems to the Asset Management Optimization

The results of the hypothesis 1 (H1) test stating that the information systems did not significantly affect the optimization of asset management can be proven. This indicated that the information system used the City Government of Pare-Pare in the process of assets or regional-owned properties managing had not been able to act as an identifying tool for the assets or regional-owned properties since the information system can support the performance as well as tasks and functions of the local government agencies in the City Government of Pare-Pare.

The results of this study were inconsistent with the results of the study of Azhar (2013) stating that the better or the higher of an information system used, the better the asset management system or regional asset management performed by the local government agencies. The research findings were inconsistent with one of the basic assumptions of Stewardship Theory, i.e. the structure in the form of facilities and empowerment (Podrug, 2011). This theory uses a structure that facilitates and empowers, that the use of information systems is expected to facilitate and empower the optimal management of regional

assets to generate quality information of financial statements.

5.2.The Competence of Human Resources to the Assets Management Optimization

The test of hypothesis 2 (H2) suggested that human resources competence significantly affected the optimization of asset management in the City of Pare-Pare. The significance of the findings indicated that there was a correlation between the authority and human resources development, cooperation skills and the number of employees to the optimization of the assets management in the City of Pare-Pare. Thus, the quality of human resources owned by the organization will determine the organization's ability to achieve its objectives.

The evidence of the effects of human resource ability to the asset optimization was proposed by Inayah (2010) that human resources dominantly affect the implementation of the policy of regional assets management. Likewise, the results of the research of Sutawa (2014) found that human resources development significantly affects regional asseta management. The results of the research of Raharja, (2015) stated that a lack quality of human resources is one obstacle to implement good financial and regional assets management.

In general, this study was consistent with the Stewardship theory built on the philosophy assumption on human nature that man is essentially trustworthy, able to act with full responsibility, has integrity and honesty to others. In other words, Stewardship theory considers management as a party can be trusted to act in the best possible way for the benefit of the public and stakeholders. The results of the analysis of human resource competence variable showed generally that it has a very high value and able to affect the optimization of assets management. Thus, the quality of human resources owned by the organization will determine the organization's ability to achieve its objectives. Therefore, the results of this study can be used as the basis to apply Stewardship theory in government agencies, especially in the City of Pare-Pare.

5.3.The Effects of Leadership Commitment to the Assets Management Optimization

The results showed that the variable of leadership commitment significantly affected the

assets management optimization. Commitment is the ability and willingness to align personal behavior with the needs, priorities and goals of the organization. This includes the ways to develop goals or to meet the needs of organization that essentially prioritize the missions of the organization rather than personal interests. Commitment also means a strong reception of the individuals to the goals and values of the organization, and the individuals strive, work and have a strong desire to remain in the organization.

This study was in line with the research conducted by Silviana (2012), suggesting that the commitment of the local government leadership has positive and significant effects on the quality of financial statements. While Simamora (2012), in his research shows the factors that affect assets management after-expansion are human resources, knowledge on asset management, asset valuation, leadership commitment and attitude of lack of awareness and responsibility of assets management after-expansion. They affect the local government financial statements.

5.4.The Effects of Asset Management Optimization to the Quality of Financial Statements

The results of testing of hypothesis 4 (H4) stating that asset management optimization significantly affected the quality of the financial statements is proven. This indicated that the better the regional assets/properties management of the City Government of Pare-Pare, the higher the quality of the financial statements. If it is realized, then the public demands on transparency, economical, efficient and effective management can be realized. The problem is how the results of the ordering of regional-owned properties and its effects on the fairness of the value of fixed assets are keep presented in the financial statements. Good presentation of the financial statements shows accountability in the management of regional-owned assets/properties.

The results of this study supported previous studies as proposed by Syahrani (2015) assets management optimization had positive and significant effects on the quality of financial statements. This indicated that good optimization of assets management will produce a quality financial statements. Bond (1998) identified the importance of efficient management of assets for

financial statements and as a part of an active properties management system, to enable public bodies to meet the stewardship role in an efficient manner. Simamora (2012), this study aimed to determine the factors affecting assets management after regional expansion and the effects on the quality of government financial statements in South Tapanuli Regency.

The results of this study were consistent with Stewardship theory that the local government as a Steward shall provide good service and accountability to the public (principal) so that the application of the best practices of the information conveyed to the public or local government stakeholders is also ensured. The job of regional-owned assets/properties management is a bureaucratic job that requires the rules of public law. All components of the organization should support, both the ability of high skills and behaviors, so that the optimization of regional-owned assets/properties management can be realized.

6. Conclusions and Recommendations

Based on the research results, we can conclude some of the following:

1. There is no significant effect between the Asset Information System optimization. Thus it can be said that the level of Information Systems, will not result in a change in the level of Asset optimization.
2. There is a significant effect between the HR Competency Asset optimization. With a marked positive coefficient indicates a positive relationship. Thus it can be said that the higher the competence of human resources, will lead to higher the Asset optimization.
3. There is significant influence between the leader's commitment to the Asset optimization. With a marked positive coefficient indicates a positive relationship. Thus it can be said that the higher the commitment of leaders, will lead to higher the Asset optimization.
4. There is a significant effect between Asset optimization of the quality of financial statements. With a marked positive coefficient indicates a positive relationship. Thus it can be said that the higher the Asset optimization, will lead

the higher the quality of financial statements

Based on the research results obtained, the researchers proposed following suggestions: (1) The effects of information systems that were not significant to the optimization of assets management indicated that the information system had not been able to function optimally. Therefore, the City Government of Pare-Pare should support, so that the information system of regional-owned assets/properties management used can produce clear information to the users. Thus, any treatment of an asset is monitored clearly, from the scope of handling up to who is responsible for handling it. This is expected to minimize mistakes or errors in the handling of assets, to realize an orderly asset management to good and clean governance. (2) Improving the quality of human resources that implement regional-owned assets/properties management needs to be pursued in the forms of education, training, or technical assistance on a regular basis. By these activities, it is expected that the quality of regional-owned properties manager will increase and the placement of human resources are supported based on competence. The leadership commitment is expected to be maintained to keep the asset management optimization. (3) The researchers limited the variables used only on three independent variables: information system, human resources competence and leadership commitment to the assets management optimization and the effects to the quality of financial statements. Low R² value indicated many other variables that affected the variables of asset management optimization and quality of financial statements. While other variables were also related, like the variables not used in this study that needs further study.

7. REFERENCES

- [1]. Azhar, I., Darwanis, Abdullah, S. "Quality Impact of Regional Apparatus, Regulations, and Information Systems Against Asset Management (In Indonesian Pengaruh Kualitas Aparatur Daerah, Regulasi, Dan Sistem Informasi Terhadap Manajemen Aset)". Journal of Accounting Graduate University of Padjajaran, 2012.
- [2]. Inayah. "Perception Study of Factors Affecting Policy Implementation Tangerang. Universitas

- Cities Asset Management in Indonesia (In Indonesian Studi Persepsi Faktor-Faktor yang Mempengaruhi Implementasi Kebijakan Pengelolaan Aset di Kota Tangerang. Universitas Indonesia)”, 2010.
- [3]. Herminingsih. “Effect of Participation in Budgeting and Managerial Role of Regional Financial Management of the Local Government Performance Empirical Study on Government Demak (In Indonesian University Pengaruh Partisipasi dalam Penganggaran dan Peran Manajerial Pengelola Keuangan Daerah terhadap Kinerja Pemerintah Daerah Studi Empiris pada Pemerintah Kabupaten Demak)”. Thesis. Semarang: University of Diponegoro, 2009.
- [4]. Mardiasmo, “Good Governance Democratization, Local Government Financial Management, Public Policy, Reinventing Government, Accountability Probity, Value for Money, Participatory Development, Serial Otonomi Daerah, Andi, Yogyakarta, 2004.
- [5]. Podrug, N. “The Strategic Role Of Managerial Stewardship Behaviour For Achieving Corporate Citizenship. Ekonomski Pregled”, Vol. 62 (7-8), 2011.
- [6]. Simamora. “Factors Affecting Post-Expansion Management sets the Regions and Its Effect on Quality of Government Financial Statements In South Tapanuli (In Indonesian Faktor-Faktor Yang Mempengaruhi Pengelolaan set Pasca Pemekaran Wilayah Dan Pengaruhnya Terhadap Kualitas Laporan Keuangan Pemerintah Di Kabupaten Tapanuli Selatan)”. Thesis. Yogyakarta: Graduate School of Economics UGM, 2012.
- [7]. Syahrini, Syukri. “ Effect of Inventory of Assets, Quality of Human Resources and Leadership Commitment to Optimize Asset Management and Quality of Local Government Finance Report Takalar (In Indonesian Pengaruh Inventarisasi Aset, Kualitas Sumber Daya Manusia dan Komitmen Pimpinan terhadap Optimalisasi Pengelolaan Aset dan Kualitas Laporan Keuangan Pemerintah Daerah Kabupaten Takalar)”. Thesis. Makassar: Hasanuddin University.. 2015.
- [8]. Sutawa. “Effect of Human Resources Development Against Asset Management And Performance At the Department of Revenue, Finance and Asset Ngawi (In Indonesian Pengaruh Pengembangan Sumber Daya Manusia Terhadap Pengelolaan Aset Dan Kinerja Pada Dinas Pendapatan, Pengelolaan Keuangan Dan Aset Kabupaten Ngawi)”. Media Soerjo vol. 14 no 1, ISSN 1978 – 6239, April 2014.