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The Effect of Regional Property Administration on the Quality of Financial Statements at the Regional Financial and Asset Agency of North Sulawesi Province

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Abstract

The management of Regional Government Assets constitutes a fundamental component of regional financial administration and plays a crucial role in ensuring public transparency and accountability. Recurring audit findings issued by the Audit Board of Indonesia (BPK), particularly concerning unrecorded fixed assets, discrepancies between inventory data and physical conditions, and weaknesses in asset reporting, indicate that asset administration remains a strategic issue in improving the quality of local government financial statements. This study aims to examine the effect of asset bookkeeping, inventory management, and reporting practices on the quality of financial statements at the Regional Financial and Asset Management Agency (BKAD) of North Sulawesi Province. A quantitative approach was employed using a survey method, with data collected through questionnaires distributed to 61 respondents involved in financial and asset management. Multiple linear regression analysis was applied, including classical assumption tests and hypothesis testing using t-tests and coefficient of determination analysis. The results reveal that bookkeeping, inventory management, and asset reporting each have a statistically significant effect on financial statement quality.

Keywords: ***Regional Government Assets, Asset Bookkeeping, Asset Inventory, Asset Reporting, Financial Statement Quality***

INTRODUCTION

The administration and accountability of state or regional property is an inseparable part of state financial administration and accountability. In the context of regional government, financial accountability is manifested through the preparation and presentation of financial statements as a form of government transparency to the public. According to Ferdinand (2022, p.462), the quality of financial statements is strongly influenced by the reliability of the information presented, one of which is related to the management and Administration of Regional Property (BMD). Good Administration of

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Regional Property includes the processes of recording, inventorying, reporting, and securing assets in an orderly, systematic, and accountable manner (Astuti, 2024, p.32).

Accountability emphasizes the regional government's obligation to account for the management of public resources, including the management of regional finances and assets. According to Sufiqri & Achmad (2023, p.49), if regional assets are not administered properly, the asset information presented in the financial statements risks being inaccurate and can reduce the level of regional government accountability. In the context of regional asset management, good governance plays an important role in creating a transparent and accountable regional property (BMD) management system.

However, in practice, the results of the Audit Board of the Republic of Indonesia (BPK) examinations every year still frequently show problems related to fixed assets, such as unrecorded assets, discrepancies between administrative data and physical conditions, and a lack of valid ownership documents. This phenomenon is also seen in regional governments in North Sulawesi Province. Based on the Summary of Regional Examination Results of North Sulawesi Province for 2023, the examination results contained 382 problems, consisting of 143 internal control system weakness problems and 239 problems of non-compliance with statutory provisions with a value of Rp77,951,919,972.23 (BPK RI Representative of North Sulawesi Province, 2024, p.34).

The urgency of this research is further strengthened because the asset problems in North Sulawesi have a material value. KPK RI, based on the audit results of BPKP North Sulawesi, mentioned the existence of abandoned construction in progress (KDP) assets valued at Rp4.43 trillion from 2019 to 2024. Conditions such as uncertified land in the name of the government, unfinished KDP projects, assets controlled by third parties, and weak inter-agency coordination show that the management of government assets in North Sulawesi Province still faces serious problems.

In previous research that supports the importance of this study, Widiati et al. showed that fixed asset administration has a positive effect on the quality of financial statements (Widiati, 2021, p.259). Mulyadi and Indrabudiman showed that fixed asset administration has a positive and significant effect on the quality of financial statements (Mulyadi & Indrabudiman, 2024, p.546). Similar results were also found by Irfansyah and Septariani (2023, p.80), Yunarni and Wirastomo (2022, p.5), and Eliana et al. (2020, p.11). However, not all studies provide the same results. Research by Amaliah et al. showed that administration does not affect the quality of financial statements, while the application of the BMN accounting management information system affects the quality of financial statements (Amaliah, 2019, p.129). Furthermore, research by Fitriani et al. found that partially, fixed asset administration does not have a significant effect on the quality of financial statements (Fitrania, 2022, p.124).

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This difference in research results indicates that the relationship between BMD administration and the quality of financial statements is still inconclusive, thus requiring further research on different objects and characteristics of regional governments. Based on the explanation of previous research which still shows inconsistencies, this research aims to determine the effect of bookkeeping, inventory, and reporting of Regional Property at the Regional Financial and Asset Agency of North Sulawesi Province.

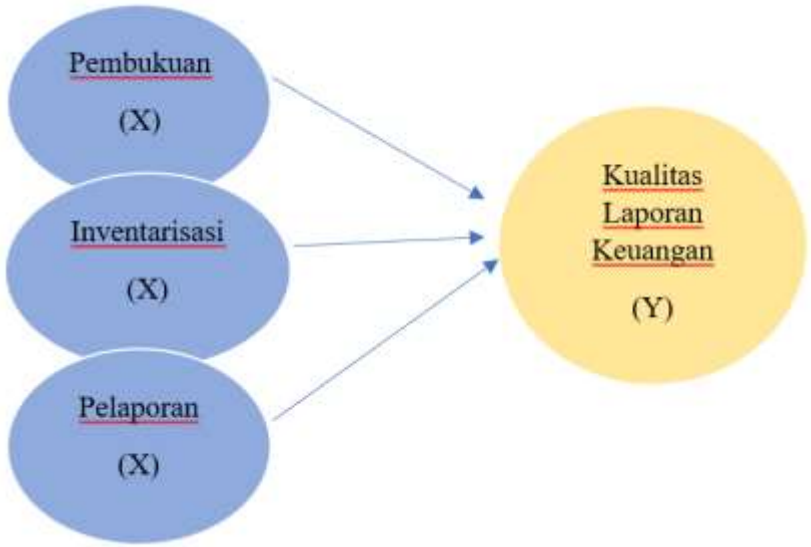


Figure 1. Conceptual Framework

METHOD

This research uses a quantitative method with a causal associative approach to determine the cause-and-effect relationship between the independent variable, which is the Administration of Regional Property, and the dependent variable, which is the Quality of Financial Statements. The population in this study consists of all 112 employees of the Regional Financial and Asset Agency of North Sulawesi Province. The sampling technique used is purposive sampling, where the sample is selected based on specific considerations, namely employees who have authority over the administration of regional property and financial reporting. Therefore, the sample consists of 61 employees across three divisions within the agency: the asset division, the accounting division, and the treasury division.

The data utilized in this study consist of primary and secondary data. Primary data regarding the Administration of Regional Property was obtained directly through field research (surveys) by distributing questionnaires to the respondents. The questionnaire consists of written statements related to the research indicators and is measured using a Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). Meanwhile,

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secondary data was obtained from official agency documents, such as regional government financial statements, regional property administration documents, gubernatorial regulations, and audit results from the Audit Board of the Republic of Indonesia (BPK).

The collected data were quantitatively processed using the Statistical Product and Service Solutions (SPSS) software version 25. The data analysis process began with instrument testing, which included validity tests using the Pearson Product-Moment correlation to ensure the statements accurately measured the variables, and reliability tests using Cronbach's Alpha to ensure the consistency of the respondents' answers. Prior to hypothesis testing, classical assumption tests were conducted to ensure the regression model was accurate, unbiased, and consistent. These assumption tests included the normality test using Histogram graphs, Probability-Plots, and the Kolmogorov-Smirnov test; the multicollinearity test using Tolerance and Variance Inflation Factor (VIF) values; and the heteroscedasticity test utilizing the Glejser test and scatterplot graphs.

Multiple linear regression analysis was employed to determine the effect of the independent variables, namely Administration of Regional Property operationalized through bookkeeping (X1), inventorying (X2), and reporting (X3), on the Quality of Financial Statements (Y). Hypothesis testing was conducted both simultaneously and partially. The F-test was used to determine the simultaneous effect of all independent variables on the dependent variable, while the T-test was used to test the significance of the individual effect of each independent variable partially. Additionally, the coefficient of determination (R2) was calculated to measure the percentage of the variance in the dependent variable that can be explained by the independent variables.

RESULTS AND DISCUSSIONS

Results

The quality of the research instrument was assessed through validity and reliability tests prior to the primary data analysis. The validity test, utilizing the Pearson correlation coefficient, confirmed that all statement items across the variables possessed an r-count exceeding the r-table threshold of 0.2521. Consequently, every item in the questionnaire accurately measures the intended constructs.

Table 1. Validity Test Results

Variable	Indicator	r count	r table	Criteria
Regional Property Administration (X)				
Bookkeeping	P1	0.883	0.2521	Valid

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	P2	0.906	0.2521	Valid
Inventorying	P1	0.848	0.2521	Valid
	P2	0.883	0.2521	Valid
	P3	0.895	0.2521	Valid
Reporting	P1	0.864	0.2521	Valid
	P2	0.846	0.2521	Valid
	P3	0.889	0.2521	Valid
Quality of Financial Statements (Y)	P1	0.668	0.2521	Valid
	P2	0.741	0.2521	Valid
	P3	0.825	0.2521	Valid
	P4	0.734	0.2521	Valid
	P5	0.745	0.2521	Valid
	P6	0.825	0.2521	Valid
	P7	0.734	0.2521	Valid
	P8	0.745	0.2521	Valid

Subsequent reliability testing demonstrated that all variables are highly dependable for data collection. The Cronbach's Alpha coefficients for bookkeeping, inventorying, reporting, and the quality of financial statements all surpassed the standard minimum limit of 0.60.

Table 2. Reliability Test Results

Variable	Cronbach's Alpha	Reliability Limit	Criteria
Bookkeeping	0.748	0.60	Reliable
Inventorying	0.848	0.60	Reliable
Reporting	0.826	0.60	Reliable
Quality of Financial Statements (Y)	0.890	0.60	Reliable

Classical assumption tests were conducted to ensure the regression model's robustness. The normality test, utilizing histogram graphs and Probability-Plots, indicated a normal data distribution. The multicollinearity test revealed Variance Inflation Factor (VIF) values below 10 and tolerance levels approaching 1 for all independent variables, confirming the absence of multicollinearity symptoms. Furthermore, the Glejser test yielded significance values well above 0.05 (bookkeeping = 0.293, inventorying = 0.173, reporting = 0.689), establishing that the model is free from heteroscedasticity.

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The simultaneous effect of the independent variables on the dependent variable was evaluated using the F-test. The analysis produced a significance value of 0.001 and an F-count of 22.468, which is greater than the F-table value of 3.16. This confirms that bookkeeping, inventorying, and reporting collectively exert a significant influence on the quality of financial statements.

Table 3. Simultaneous F-Test Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	380.659	3	126.886	22.468	0.001^b
Residual	321.898	57	5.647		
Total	702.557	60			
a. Dependent Variable: Quality of Financial Statements					
b. Predictors: (Constant), Reporting, Bookkeeping, Inventorying					

Individual variable contributions were analyzed through the partial T-test, forming the multiple linear regression equation: Y = 12.159 + 0.547 X_1 + 0.704 X_2 + 0.759 X_3$\. The positive coefficients across all independent variables dictate that any improvement in the administration practices directly elevates the quality of the resulting financial statements.

Table 4. Partial T-Test Results

Model	Unstandardized Coefficients (B)	Unstandardized Coefficients (Std. Error)	Standardized Coefficients (Beta)	t	Sig.
(Constant)	12.159	2.916		4.170	0.000
Bookkeeping	0.547	0.236	0.228	2.313	0.024
Inventorying	0.704	0.184	0.393	3.823	0.000
Reporting	0.759	0.183	0.391	4.160	0.000
a. Dependent Variable: Quality of Financial Statements					

The capacity of the independent variables to explain the variance in the quality of financial statements is captured by the coefficient of determination (R^2). The R Square value stands at 0.542, signifying that 54.2% of the fluctuations in financial statement quality are determined by the administration of regional property, leaving the remaining 45.8% to external factors not examined within this scope.

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Table 5. Coefficient of Determination (R2) Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.736^a	0.542	0.518	2.376
a. Predictors: (Constant), Reporting, Bookkeeping, Inventorying				
b. Dependent Variable: Quality of Financial Statements				

DISCUSSIONS

The Effect of Regional Property Bookkeeping on the Quality of Financial Statements

The regression analysis confirms a positive and statistically significant relationship between bookkeeping practices and the quality of financial statements, evidenced by a t-count (2.313) exceeding the t-table (2.002) and a significance level of 0.024. Bookkeeping functions as the foundational chronological and systematic recording of all asset transactions. Implementing an orderly bookkeeping system ensures the generation of complete, accurate, and fully traceable asset data. Viewed through the lens of Accountability Theory, meticulous bookkeeping represents a concrete manifestation of the regional government's obligation to manage public assets responsibly. It directly supports the Good Governance principles of transparency and accountability by guaranteeing that asset data fed into financial statements is thoroughly documented and verifiable.

The Effect of Regional Property Inventorying on the Quality of Financial Statements

Inventory management exerts a substantial positive effect on financial reporting quality, as demonstrated by the t-count (3.823) overriding the critical value and a 0.000 significance level. The core objective of inventorying regional property is to validate the existence, physical condition, valuation, and legal status of government-owned assets. Routine and structured inventory procedures drastically minimize the risk of data discrepancies between administrative ledgers and actual field conditions. In alignment with Accountability Theory, rigorous inventory practices prove that the government actively monitors and verifies public assets rather than merely relying on paper records. This physical and administrative reconciliation fosters transparency, ultimately preventing misstatements and elevating the reliability of the regional balance sheet.

The Effect of Regional Property Reporting on the Quality of Financial Statements

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The empirical data establishes reporting as a highly significant determinant of financial statement quality, recording a t-count of 4.160 and a significance value of 0.000. Indicators defining effective reporting—such as regulatory compliance, report completeness, data accuracy, and timely submission—directly dictate the integrity of the final financial documents. Accountability Theory frames reporting as the primary communication channel through which the regional government fulfills its fiduciary duties to stakeholders. Consequently, transparent and accurate asset reporting practices align with Good Governance frameworks, ensuring that public financial information remains accessible, comprehensible, and compliant with Government Accounting Standards (SAP).

CONCLUSION

The administration of regional property, specifically encompassing bookkeeping, inventorying, and reporting, plays a critical and statistically significant role in enhancing the quality of financial statements at the Regional Financial and Asset Agency (BKAD) of North Sulawesi Province. The empirical evidence confirms that orderly bookkeeping practices ensure accurate and traceable asset data, while routine physical inventorying prevents discrepancies between administrative records and actual field conditions. Furthermore, transparent and timely reporting mechanisms serve as the final pillar of accountability, directly minimizing the risk of material misstatements. Consequently, the simultaneous and partial execution of these three administrative functions positively dictates the reliability, relevance, and overall integrity of the regional government's financial reporting.

To sustain and further elevate this financial reporting quality, the regional government must proactively address existing asset management vulnerabilities, particularly concerning uncertified land, assets controlled by third parties, and delayed infrastructure projects. Continuous data updating, rigorous physical asset verification, and intensive monitoring of strategic assets are essential to ensure the balance sheet accurately reflects actual asset conditions. Finally, since regional property administration accounts for 54.2% of the variance in financial statement quality, future evaluations should incorporate additional determinants such as human resource competency, internal control systems, and the implementation of advanced asset management information systems to provide a more comprehensive framework for public financial accountability.

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