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The effect of implementation of asset management and competence of state apparatus

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Abstract

This research aims to verify the effect of the implementation of asset management and the competence of the state civil apparatus on the financial reporting quality by using multiple regression analysis as a method. The results show that the implementation of asset management and competence of the state apparatus of each state gave positive and significant influence on the financial reporting quality. In conclusion, the components or dimensions of knowledge, skills, and abilities indicate that the competence of the state apparatus exerts a large influence on the financial reporting quality.

Keywords: Transparency, Accountability, Asset Management, Competency.

El efecto de la implementación de la gestión de activos y la competencia de los aparatos estatales

Resumen

Esta investigación tiene como objetivo verificar el efecto de la implementación de la gestión de activos y la competencia del aparato civil

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del estado sobre la calidad de la información financiera mediante el uso del análisis de regresión múltiple como método. Los resultados muestran que la implementación de la gestión de activos y la competencia del aparato estatal de cada estado dio una influencia positiva y significativa en la calidad de la información financiera. En conclusión, los componentes o dimensiones del conocimiento, las habilidades y las habilidades indican que la competencia del aparato estatal ejerce una gran influencia en la calidad de la información financiera.

Palabras clave: transparencia, rendición de cuentas, gestión de activos, competencia.

1. INTRODUCTION

Providing finance and related affairs is one of the first and most important requirements in today's competitive world of various businesses. It can be said that all organizational activities are financially dependent, and if the organization faces a financial problem, the whole life of the organization is compromised. Financial management can be considered as the application of economic principles and concepts for decision-making and problem solving. Simply put, financial management is the applied economy that should be applied by applying microeconomic and macroeconomic concepts and other issues related to economics in financial management Business take place. To create transparency and public accountability, the government is required to provide information and disclose its financial activities and performance to stakeholders Shahwan (2008) through presenting timely financial accountability reports prepared by Standards Government Accounting. This is very different from the description of survey results conducted by Transparency International (TI) in 2008-2012 as shown in the table .

Country	Corruption Perception Index				
	2008	2009	2010	2011	2012
Singapore	9,3	9,2	9,3	9,2	8,7
Malaysian	4,4	4,5	4,4	4,3	4,9
Thailand	3,5	3,4	3,5	3,4	3,7
Philipina	2,4	2,4	2,4	2,6	3,4
Indonesia	2,8	2,8	2,8	3,0	3,2

Table 1.1. Corruption Perception Index (CPI) in South East Asia
Source: Transparency International (2008-2012)

CPI reflects the public perception of level of corruption and can be seen from how public services they feel. The table illustrates a low CPI indicating the high level of corruption in Indonesia. High levels of corruption reflect poor bureaucracy. Nasution, Chairman of BPK in 2008, stated that the results of the financial audit of 87 Financial Reports of Ministries / Institutions (LKKL), and 275 Regional Government Financial Reports (LKPD) showed that financial reports in the central and regional levels decreased in quality from year to year. Human resources policies relate to work, orientation, training, evaluation, guidance, promotion and compensation and corrective action. If employees are competent and trustworthy, other controls can be ignored, and reliable financial reports can be generated (Arens et al., 2014). Mardiasmo, Chairman of BPKP 2013, stated that, in general, there were several factors led to the Ministry / Institution and the Regional Government Financial Reports not in accordance with PAP yet. The factors were not fully complied with Government Accounting Standards (SAP), weak internal control system, unregulated state / regional goods, unregulated procurement of goods and inadequate capacity Human resources managing finance.

The same thing is also expressed by Damandari (2014) who mentioned that the issue of assets is often a major problem. Many of the assets reported in the Regional Government Financial reports (LKPD), after being checked did not have clear ownerships, as well as the estimated value. Bastari, Deputy for Supervision of Regional Financial Implementation BPKP, urged the problems that cause the unexpectedness of the WTP statement are due to weak asset management and weak internal control system. This can be seen from the statement on LKPD given by BPK RI. There were still those who gave disclaimer statements or did not give statements. The development of LKPD statements in 2007-2012 is as follows.

	STATEMENT								
LKPD	**WTP**	**%**	**WDP**	**%**	**TW**	**%**	**TMP**	**%**	**Total**
2007	4	1	283	60	59	13	123	26	469
2008	13	3	323	67	31	6	118	24	485
2009	15	3	330	65	48	10	111	22	504
2010	34	7	241	66	26	5	115	22	516
2011	67	13	349	67	8	2	96	18	520
2012	120		295		6		78		

Table 1.2. The Development of LKPD Statements based on Government Level in 2007-2012
Source: IHPS BPK RI Semester II Year 2013

Based on the table, the percentage of WDP statement and TMP still dominated. This illustrates that the improvements that have been made continuously by regional government entities in presenting reasonable financial reports have not shown significant results in accordance with generally accepted accounting principles. Fauzi stated the main obstacle of the region which makes it difficult to get a qualified valuation (WTP) is the issue of management of regional assets, especially in the form of land. Land assets owned by the regional government for a long time sometimes

do not have land certificates and are not managed properly. Furthermore, based on the results of the BPK's audit up to the first semester of 2013, they indicated that LKPD of 16 reporting entities in South Sumatera that obtain LKPD statement, only 5 reporting entities or 31.25% obtained Qualified statements as much as 1 reporting entity or 6, 25% received Disclaimer statement, while the remaining 10 reporting entities or 62.5% received Fair Reasonable statements.

As a form of responsibility, the presentation of financial reports must comply with generally accepted accounting principles and fairly presented. Government financial reports are intended to meet general purposive financial reporting, but not to meet the special needs of the users. The accounting information contained in a financial report must meet the four elements of qualitative characteristics, i.e. relevant, reliable, comparable, and understandable (Cheung, et al., 2010). Mardiasmo believed that several factors causing the K/ L financial reports and the regional government did not favor WTP statements are due to resistance to Government Accounting Standards (SAP), weak internal control system, unorganized goods of state or region, and inadequate capacity of human resources management. Furthermore, Fitzgerald (2005) explains that performance-based management involves the effective management of asset availability and asset utilization. From these statements, it can be concluded that the performance of management depends on management effectiveness in managing its assets. This reflects that asset management is an indicator in assessing management performance.

The same thing was also conveyed by Utoyo who stated that getting the WTP statement is not necessarily free from corruption. Problems on LKPD 2012 that did not favor WTP statement include limited on the scope of examination, weaknesses on material in fixed asset accounts, treasury, accounts receivable, inventory, permanent and non-permanent investment, other assets, personnel expenditures, goods and service expenditures, and capital expenditures managements. The province of South Sumatra is one of the provinces in Sumatra with the majority of its districts were still getting Fair Statement with Exception, there are even some which got Disclaimer Statement. Mekki said that the unorganized management of assets because of the limited ability and knowledge in managing the assets becomes the main focus of the government. The quality of human resources was the main trigger of South Sumatera which received a Fair Statement with Exception. Meanwhile, Susanto (2013) stated that for provincial governance, South Sumatra was in the 6th ranking in Indonesia with Provincial Performance Index of 6.19 with national average performance of 5.70. Based on the statements expressed by the experts, it can be concluded that the quality of regional government financial report is strongly influenced by the Implementation of Asset Management and human resource competence, especially state apparatus.

2. OVERVIEW OF THE LITERATURE AND HYPOTHESES DEVELOPMENT

2.1 Asset Management, Competence of State Apparatus, and Financial Reporting Quality

The cost of designing, purchasing, manufacturing, maintaining and repairing equipment and equipment for large companies is increasing day by day. On the other hand, the failure of this equipment can lead to a halt in the process, and in a competitive business world where investment profits are declining and the return on investment may be declining, it can endanger the survival of companies and the organization. Throw away These conditions have enhanced the concept of asset management. Asset Management is one of the ways to manage the company's management properly. Asset management is the continuous monitoring of equipment from the smallest equipment to the largest, which increases the life span of the equipment and the lack of equipment failure and the failure of the product line increases the production and leads to a huge reduction in costs, and by continuous handling of Environmental equipment can also be reduced.

Asset Management refers to any system that monitors or maintains valuable property belonging to a person or group. This term may also be used for tangible assets such as buildings, and for intangible assets such as manpower, mental assets and financial assets. Asset Management is a systematic process that includes implementation, maintenance, level upgrading, sales, value added, profit continuity and asset management.

This term is used most in the world of financial analysis and in the concept of investment management and corporate finance, and refers to individuals and companies that are involved in various investment activities by others. An advisor or financial service company may manage your client's financial affairs in matters relating to investment, financing,

accounting, insurance, and tax. For example, the decisions made by investment managers in relation to the assets of a retirement fund are an example of investment management.

In other words, asset management refers to advisory services. In this term, asset management refers to the process of assuring the status of tangible and intangible assets that includes maintaining, modifying, upgrading, and using in the best possible terms and achieving the highest yield of the product. The first difference between the first and second is that in the first meaning of management, it deals with money or financial assets, and in the second case management deals with the management of non-financial assets such as land and buildings.

In financial management, various decisions are made about how financial resources are used, including corporate financial assets or external financing, cash flow control, and investment strategies. Accordingly, the most important components of the financial management of a business can be summarized as follows:

A) Investment decisions: Investing in fixed assets and allocating funds to different assets, under the title of capital budget, are among the most important things to be done in financial management. Investing in current assets is also part of investment decisions that are recognized as working capital decisions.

B) Financial decisions: This is related to the increase of resources from different sources, depending on indicators such as source type, financing period, financing cost and return on investment.

C) Deciding on dividend: The financial manager must decide on the distribution of net profit. In general, net income is divided into two parts: "dividend for shareholders" and "ordinary profits". In decisions related to the determination of shareholders' profits, the amount of profit and how it is distributed. In the ordinary profit, the net profit is finalized, which is totally dependent on the organization's development plans and structural changes.

A financial manager should be able to make various decisions about the company's finances. Obviously, given the impact of some of these decisions on different aspects of the business, the final decision is taken to co-ordinate the top management in order to avoid conflicts with the company's grand strategies. In these cases, the information and estimates required for financial management decision making will be available to senior organizational executives.

The Institute of Asset Management, the IAM stated that asset management is systematic and coordinated activities and practices through which an organizational optimally and sustainably manages its assets and assets systems, performance, risks and expenditures to aim the purposes of the organization. Another statement by HDR in Baird defined an asset as a systematic process to obtain the maximum value of physical assets managing assets to minimize the total cost of owning and operating them to ensure service-ability to customers. Siregar defined an asset as a thing or something that has economic value. Lutchman (2006) indicated that asset management is the optimization of the lifecycle of an asset to meet performance standards. Amadi et al. (2010) described the definition of

assets as a systematic, structured process covering the whole life of physical assets to support the organization's delivery strategies, and requires a certain level of management insight and expertise from diverse organizational disciplines.

Arens et al. (2014) defined competence as the knowledge and skills necessary to accomplish the tasks that define an individual's job. While Zemke (1982) stated: a competency is a capability of an individual which is related to superior performance in a role or job. It may be knowledge, skill, intellectual, strategy or a cluster of all three that may apply to one or may work units. Spencer and Spencer (1993) described that competency is an underlying characteristic of an individual that is causally related to criterion-referenced effective and/ or superior performance in a job or situation. Meanwhile Stewart & Brown (2011) believed that a competency represents the knowledge, skill, and ability needed to perform a desirable behavior. Dinapoli held that competence is a characteristic of people who have the skills, knowledge and ability to perform tasks. Strebler et al. (1997) stated two distinct meanings of competency. First, competencies are expressed as behaviors that an individual need to demonstrate. Second, expressed as minimum standards of performance (Strebler et al., 1997). The term competency has been used to denote the meaning of expression or assertion as a behavior while competence is used to indicate standard expressions.

Biddle stated that financial reporting quality is defined as the precision of which cash flows are informed equity investors. Tang et al. (2008) also stated that financial reporting quality as the extent to which the financial reports provide true and fair information about the underlying

performance and financial position. Characteristics of quality information identified by Bodnar (2003) are relevant, complete, timely, understandable, and verifiable. Romney (1994) expresses the same statement that information will be useful if it meets several criteria that is reliable, relevant, timely, complete, understandable, and testable. SAK mentioned qualitative characteristic is a characteristic that makes the information in the financial reports useful for the user. There are four main qualitative characteristics, namely: understandable, relevant, reliable and comparable. Furthermore, Jonas and Blanchet (2000) mention the qualitative skeletal framework of financial reporting consisting of relevance, reliability, comparability and clarity. Ferdy et al. (2009) and Harris (2007) stated that the fundamental qualitative characteristics (i.e. relevance and faithful representation) are most important and determine the content of financial reporting information. The enhancing qualitative characteristics (i.e. understandability, comparability, verifiability and timeliness) can improve decision usefulness when the fundamental qualitative characteristics are established. Furthermore, Susanto (2013), Jonas and Blanchet (2000) and PP 71 of 2010 described four dimensions of information quality in accounting information, namely: accurate, relevant, timely, and complete.

2.2 Asset Management and Financial Reporting Quality

The rapid growth of economic relations has led to a strong competition in the business, industry and investment sectors, so companies need to make timely and appropriate investments to survive and expand their activities. For this reason, corporate financial statements

should provide information that is useful for potential and actual investors, creditors and other users in logical investments, credit granting and similar decisions. It is based on the fact that the quality of financial reporting is very important. The amount of information available about companies is usually high, and most investors have limited ability to process massive information. In this situation, they spend more time taking investment decisions, collecting more and more information. This will reflect the time delay information at stock prices. The low quality of published information and information asymmetry also adds to the ambiguity of information and reduces the speed of reflection in stock prices.

The financial report involves disclosing financial information to various stakeholders on the financial performance and financial position of the entity over a specified period of time. These shareholders are: investors, creditors, general, debts, governments and government agencies. In the case of listed companies, the frequency of financial reporting is quarterly and annual. Financial reports should provide the necessary information to assess the financial and economic status of the firm, the ability to profit, the method of financing and the use of cash, how to manage management responsibilities, and legal tasks and other complementary information to better understand the financial information provided and to predict the future situation. As a result, these reports have a significant bearing on the realization of the objectives, and increasing their quality can make investment companies more efficient and maintain and develop their resources.

Several studies related to asset management and financial reporting quality are still very limited. Cagle (2003) in his research concluded that

infrastructure assets have a significant effect on financial reporting under the Governmental Accounting Standards Board Statement No. 34 (GASB 34). Akbar and Lukman stated that the application of the concept of asset management has proven to produce positive results and generate significant profits for private sector companies. The success of the private sector began to be overseen by government officials and public companies.

According to neoclassical theories, companies invest their investments to maximize their value, with marginal benefits equal to the marginal costs of this investment. In the Keynesian framework, which is predicted, investment is determined by priority for growth or financial security, and in the representation that addresses the problems of information asymmetry, companies may be diverted from their desired level of investment and therefore suffer from inadequate investment or additional investment. Take away Therefore, there can be a relationship between financial and financial reporting quality.

Some of the most important duties of the company's financial director are:

1 .Estimated capital requirement: A financial manager should have an accurate and comprehensive estimate of the company's capital requirements. It depends on expected costs, profits, future development plans, and related policies. Estimates should be adequately selected to maximize company revenue.

2 .Determine the capital mix: Once the required capital estimate has been made, it must also be decided for the capital structure. This involves analyzing the stock value in the short and long term. Determining the structure and composition of the company's capital depends also on the proportion of capital owned by the company and the additional budgets to be financed out of the company.

3. Selection of budget resources: A firm has several options to get additional funding, each choice depending on the relative advantages and disadvantages of each source and the financing period.

Over the past 40 years, there has been a lot of change in financial management, which is more focused on increasing global competition, technological advancements, eliminating and overturning some of the previous laws and regulations, and exchange rate fluctuations. In general, with the advent of new industries and old-fashioned measures of the industry to achieve changes and adaptation of new technologies, financial management issues have also been encountered with many innovations.

According to what has been said before, the evolution of financial management has three important features as follows:

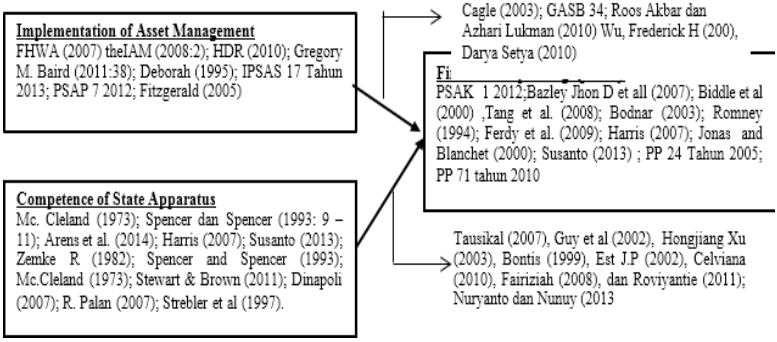
1 .Financial management is a relatively new branch of management science.

2 .Financial management, as it is currently used, is based on decision-making, and uses data analysis tools and methods, computer, economics, and financial accounting.

3. The continuous movement and the ever-increasing speed of economic progress are promising that financial management will not only play a more important role, but will also increase the speed of the progress of this discipline, in order to enable managers of companies that are always faced with new challenges and challenges. There are financial and capital issues.

2.3 Competence of State Apparatus and Financial Reporting Quality

Tausikal stated that financial report should be prepared by personnel who have competencies in the field of financial management and accounting systems, so as to generate useful financial information to the user. Competence is the knowledge and skills needed to accomplish the task. Adequate human resource competencies in terms of quantity and quality will increase the value of government financial reporting information. Researches from Xu examined the key factors of accounting quality information. The results stated that human resources, organizational systems and external factors are critical factors in determining the quality of accounting information.



Hypothesis 1: The Implementation of Asset Management affects the Financial Reporting Quality

Hypothesis 2: The Competence of State Apparatus affects the Financial Reporting Quality.

3. METHODOLOGY

The analysis unit of this research was all 17 districts, municipalities, and province in South Sumatra. The target populations in this study were all districts, municipalities, and province scopes in the Regional Government of South Sumatra Province. The observation unit in this study is PPKAD / BPKAD in the districts, cities and province scopes in South Sumatra. Hypothesis testing was done by using multiple regression analysis (Multiple Regression Analysis).

4. RESULT AND DISCUSSION

Validity and reliability test results for eleven items of Implementation of Asset Management variables, 11 items of Competence of State Apparatus variables, and 12 items of financial reporting quality variables indicated valid and reliable results.

4.1 Descriptive Analysis

The result of the Implementation of Asset Management (table 4.5) of 4.67 is in quartile 4 (Q4) or interval 4 – 5, included in Good category. This obtained magnitude of 4.35 is equivalent to 93.38% (4.67 / 5 x 100). Score size obtained did not reach 100% as expected, so between the ideal levels expected with actual conditions, there was a gap of 6.62%. This gap shows the Implementation of Asset Management has not reached the ideal level. The result of Competence of State Apparatus (table 4.10) of 4.35 is in quartile 4 (Q4) or interval 4 - 5 included in Good category. This obtained 4.0 is equivalent to 86.97% (4.35 / 5 x 100). Score size obtained did not reach 100% as expected, so between the expected ideal levels with the actual condition, there was a gap of 13.03%. This gap shows the Competence of the State Apparatus has not reached the ideal level. Respondent's assessment of Financial Reporting Quality has a mean value (grand mean) of 4.61 and is categorized Good because this value is in quartile 4 (Q4) or interval 4 - 5. Although it was already in Good category, the scores obtained did not reach 100% as expected. The average magnitude of 4.61 obtained is equivalent to 92.2% (4.61 / 5 x 100), so between the expected ideal

levels, with the actual condition there is a gap of 7.8%. This gap shows the Financial Reporting Quality has not reached the ideal level.

4.2 Testing Results of Regression Assumptions

Normality test used the Kolmogorov-Smirnov Test. The result is as follows:

The value of D_{count} = 0.088 with the p-value (sig value) of 0.999 obtained from the results of normality test calculation for the residual value data of the model significance (p) is 0.999 is above 0.05. The result of the normality test of the regression model shows that the residual value of the model is normally distributed.

A. Multicollinearity Test

The multicollinearity test results can be seen in the following table.

Coefficients [a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	The Implementation of Asset Management (X1)	.498	2.009
	Competence of State Apparatus (X2)	.498	2.009

a. Dependent Variable: Financial Reporting Quality (Y)

Table 14. Multicollinearity Test Result

Based on the calculation in the table above, the VIF value for each research variable is less than 10, so it can be declared no symptoms of multicollinearity in the regression model used.

B. Heteroscedasticity

To detect heteroscedasticity, Spearman Rank Correlation test was conducted.

Correlations[b]

			ABSr	The Implementation of Asset Management (X1)	Competency of Apparatus Civil Servant (X2)
Spearman's rho	ABSr	Correlation Coefficient	1.000	.067	-.197
		Sig. (2-tailed)	.	.791	.433
	The Implementation of Asset Management (X1)	Correlation Coefficient	.067	1.000	.635**
		Sig. (2-tailed)	.791	.	.005
	Competence of State Apparatus (X2)	Correlation Coefficient	-.197	.635**	1.000
		Sig. (2-tailed)	.433	.005	.

**. Correlation is significant at the 0.01 level (2-tailed).
b. Listwise N = 18

Table 1.5. Homogenitiy Test

The result shows that the variance of residual homogeneous was no heteroscedasticity. The conclusions are based on correlation X with the absolute value of residual (error) not significant at level 5%. The correlation significance value for X1 is 0.791 and for X2 of 0.433 (significance value was greater than 0.05 as the error rate limit).

4.3 Regression Analysis Results

Results of calculations using SPSS obtained regression coefficients and constant values as in the following table:

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.394	.413		.953	.356
	The Implementation of Asset Management (X1)	.421	.190	.431	2.215	.043
	Competence of Apparatus Civil Servant (X2)	.396	.159	.485	2.489	.025

a. Dependent Variable: Financial Reporting Quality (Y)

Table 1.6. Regression Coefficient Result

Regression equations that explain the effect of asset management and Competence of State Apparatus on the Financial Reporting Quality are: Y = 0,394 + 0,421 X1 + 0,396 X2. The regression of asset management variable coefficient (X1) of 0.421 indicates the magnitude of the change in the financial reporting quality score due to the effect of asset management on the Financial Reporting Quality. The positive sign indicates the direction of the relationship is proportional (in alignment), so when there is an increase in the variable score of Implementation of Asset Management, the financial reporting quality score will increase by 0.421 with the assumption that other factors are constant (unchanged). So the better the Implementation of Asset Management then the Financial Reporting Quality will be higher (good). The regression coefficient of the Competence of State Apparatus variable (X2) of 0.396 shows the number of changes in the Financial Reporting Quality (Y) due to the influence of the competence variable of the state apparatus on the Financial Reporting Quality. A positive sign indicates the direction of a proportional relationship (in alignment). So every time there is an increase of one unit score of competence variable of state apparatus (X2) then the Financial Reporting Quality will increase by 0.3961 with the assumption that another factor is constant (unchanged). So the higher the Competence of State Apparatus (X2) then the Financial Reporting Quality will be higher (good)

4.4 Hypotheses Testing Results

Hypothesis testing was conducted to determine the effect of all independent variables on the dependent variable using the F test and in the second stage partial test was done to see the significance of each independent variable in the regression model obtained using t-test. Based on the results with f SPSS obtained ANOVA output in the following table.

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.626	2	.813	19.009	.000[b]
	Residual	.641	15	.043		
	Total	2.267	17			

a. Dependent Variable: Financial Reporting Quality (Y)
b. Predictors: (Constant), Competence of State Apparatus (X2), Implementation of Asset Management (X1)

Table 1.7. ANOVA Table for Signifficancy Test

The value of t-test statistic obtained on a test of the influence of Implementation of Asset Management (X1) to Financial Reporting Quality can be seen in table 1.8. Obtained t_{count} value variable Implementation of Asset Management of 2.215 with a significance value of 0.043. The result of the calculation of t-test statistic value obtained t-count is higher than t_{table} (t = 2,215> 2,131), hence Ho test result is rejected. This result is also shown by the significance value of the statistical test (p-value) for asset management (X1) implementation variable to the financial reporting quality of 0.043 is smaller than the acceptable error rate of 5%. So, it can be concluded that there is a significant effect of the Implementation of Asset Management on the Financial Reporting Quality.

4.5 The Influence of Implementation of Asset Management and Competence of State Apparatus on Financial Reporting Quality

The amount of influence simultaneously on the Implementation of Asset Management and Competence of State Apparatus to the Financial Reporting Quality can be seen on correlation and coefficient of determination (R2). The table below is the result of the calculation of the coefficient of determination for the regression equation obtained.

Based on the above table is calculated as follows

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.847[a]	.717	.679	.20678

a. Predictors: (Constant), Competence of State Apparatus, (X2), The Implementation of Asset Management (X1)

Table 1.9. Regression Result

The amount of correlation between the Implementation of Asset Management and competency of the state apparatus is 0.847. The correlation is in a very strong category. The conclusion is there is a strong relationship between the Implementation of Asset Management and competency of apparatus civil servant with financial reporting quality with determination coefficient score (R-Square) of 0,717. The result shows that there is a contribution about 71, 7% from asset management and competency of state apparatus in describing the Financial Reporting Quality. Another contribution of 100% − 71, 7% = 28, 3% is influenced by other factors out of the research.

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	Correlations
	B	Std. Error	Beta	Zero-order
Implementation of Asset Management (X1)	.421	.190	.431	.775
Competency of State Apparatus (X2)	.396	.159	.485	.790

a. Dependent Variable: Financial Reporting Quality (Y)

Table 1.10. Partial Determination Coefficient

Based on the table, we could calculate that:

The effect of X1 on Y = 0.431 x 0.775 = 0.312 or 33.4%

The effect of X2 on Y = 0.485 x 0.790 = 0.326 or 38.3%

Based on the above calculation, it is known that from the two independent variables analyzed, the competency of the state apparatus (X2) contributes more influence to the Financial Reporting Quality with the contribution of the given effect of 38.3% and the influence given by the variable of Implementation of Asset Management X1) is 33.4%.

4.6 Discussion

4.6.1 Effect of Implementation of Asset Management on Quality of Regional Government Financial Reporting

The value of t-test statistic was obtained in a test of the influence of Implementation of Asset Management (X1) to Financial Reporting Quality obtained by t-count variable of Implementation of Asset Management 2,215

with a significance value of 0,043. The result of the calculation of t-test statistic value obtained t-count is higher than t-table (t = 2,215> 2,131), hence Ho test result is rejected. This result is also indicated by the value of statistical significance (p-value) for Asset Management (X1) variable to the Financial Reporting Quality of 0.043 which is lower than the acceptable error rate of 5%. So it can be concluded that there is a significant influence of the Implementation of Asset Management on the Financial Reporting Quality. To see the big influence of X1 to Y by multiplying beta value with zero order value, the value of 0.431 x 0.775 = 0.312 or 33.4% was obtained. The contribution of Implementation of Asset Management will improve the Financial Reporting Quality by 33.4%. .4%. The result of grand calculation of respondents score about the Implementation of Asset Management amounted to 4.67 included in the category of good. The contribution of the largest dimension of asset management is the procurement and recognition of assets while the lowest contribution of the asset management dimension is the dimension of rehabilitation and asset removal. This means that the treatment and Implementation of Asset Management especially in the rehabilitation and asset removal must be well laid out. The treatment of assets in rehabilitation and asset removal is still not well ordered. Many government-owned assets that are under authorization of their assets are impressed not in accordance with government regulations. Government assets that will be removed are often not done according to the stages and criteria in the auction. This caused many government-owned assets to disappear and become obscure so that the removal process and auction results affected the government's financial report. This result was in accordance with the statement of (Cagle, 2003; Kanthik & Khiewngamdee, 2019).

4.6.2 The Influence of Competence of State Apparatus on the Quality of Regional Government Financial Reporting

The value of t-test statistic obtained on examination of the influence of Competence of State Apparatus (X2) on Financial Reporting Quality is 2.489 with a significance value of 0.025. The result of calculation of t-test statistic value obtained t-count bigger than t-table value (t = 2,489> 2,131), hence Ho test result is rejected. This result is also indicated by the value of statistical significance (p-value) for the Competence of State Apparatus variable (X2) on the Financial Reporting Quality of 0.025 is smaller than the acceptable error rate of 5%. So it can be concluded that there is a significant influence of the Competence of the State Apparatus on the Financial Reporting Quality which makes the effect of X2 to Y = 0.485 x 0.790 = 0.326 or 38.3%. The contribution of the Competence of the State Apparatus will improve the Financial Reporting Quality by 38.3%. The result of Competence of the State Apparatus amounted of 4.35 is included in the category of Good. The biggest dimension of the Competence of State Apparatus variable is the ability dimension while the lowest dimension is knowledge. This is because many trainings, especially in the field of financial accounting, are rarely attended by the State Apparatus in the finance department. This causes weak knowledge in the process of making financial reports, especially using the latest SAP PP 71 in 2010. In addition, there are still many state apparatus who have not understood the regional financial information system. This condition will certainly affect the Financial Reporting Quality because the knowledge in the preparation and application of accounting, especially the public and financial sectors is still not adequate. This is in accordance with Tausical statement.

4.6.3 Influence of Implementation of Asset Management and Competence of State Apparatus on Financial Reporting Quality

The amount of influence simultaneously Implementation of Asset Management and Competence of State Apparatus on Financial Reporting Quality can be seen that there is a correlation and coefficient of determination (R2). The correlation between Implementation of Asset Management and Competence of State Apparatus with the Financial Reporting Quality is 0.847. The correlation obtained falls into very strong categories. So, there is a close relationship between the Implementation of Asset Management and the Competence of the State Apparatus with the Financial Reporting Quality. From the results, it can be known that the coefficient of determination (R-Square) is 0.717. This result means that there is a contribution of 71.7% of the Implementation of Asset Management and the Competence of the State Apparatus in explaining/influencing the Financial Reporting Quality. While 100% - 71.7% = 28.3% other is influenced by other factors that are not included in the variables studied in this study.

5. CONCLUSION AND RECOMMENDATION

Based on data analysis and discussion of research that has been done, it is concluded that the implementation of asset management has a positive and significant impact on the financial reporting quality. The components or dimensions of asset procurement and asset recognition, asset management, asset maintenance, and asset rehabilitation and removal indicate that implementation of asset management has a considerable effect on the financial reporting quality. Improving the implementation of asset management becomes an important part of improving the financial reporting quality in regional government. Competence of state apparatus has a positive and

significant effect on the financial reporting quality. The components or dimensions of knowledge, skills and abilities indicate that the competence of the state apparatus exerts a large influence on the financial reporting quality. Increased competence of the state apparatus has a major impact on improving financial reporting quality. Implementation of asset management and competence of state apparatus have a positive and significant impact on the financial reporting quality. This influence is large enough that it can be concluded that to achieve good financial reporting quality can be accomplished by improving the implementation of asset management and competence of state apparatus.

5.2 Recommendations

Based on the results of data analysis, the lowest dimension of Implementation of Asset Management is rehabilitation and asset deletion. Asset decisions, policies and procedures still need to be improved. The follow-up activities for each rehabilitation and asset removal must be in accordance with the legal regulations so as to reduce the occurrence of irregularities. Based on the results of data analysis, the lowest dimension of the competence of the state apparatus is knowledge. Increased training, especially in the field of financial accounting and public sector accounting needs to be done to improve knowledge in understanding, compiling, and making quality financial reporting. Training in the socialization of government accounting standards, especially the latest regulations and understanding of regional financial information system is also believed to improve the quality of local government financial reporting. The lowest dimension of financial reporting quality is reliable. This can be seen from the statement obtained by the new SKPD about 50% get Statement Unqualified Statement. Therefore, the improvement of the Financial Reporting Quality

must be done so as to achieve 100 percent WTP Statement in South Sumatera Province. The improvement of quality can be done with the improvement of education and training, especially in financial accounting and public sector accounting and government so that can become skilled in preparing financial reporting.

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