

# Management of Regional Assets in Preventing Corrupt Criminal Acts

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## ABSTRACT

This study investigates the management of regional assets in preventing corrupt criminal acts. This research was conducted with a standard approach. The research findings indicate that the management of regional assets prevents corrupt criminal acts. The first step in preventing illicit acts of corruption in the management of regional assets is the completion of regulations governing Regional Assets. Regulation is a guarantee that must exist so that the management of Regional Assets can be carried out correctly, thereby indirectly ensuring that no irregularities or frauds will occur during the management phases of Regional Assets. Each SKPD director is in charge of the administration of regional assets whose use status has been determined. The president of the SKPD is required to administer regional assets in order to facilitate the management of regional assets within the SKPD. Local governments must implement preventative and coercive security. Considering that orderly management of Regional Assets can be an effective strategy for enhancing performance, transparency, and accountability in the management of Regional Assets, orderly management of Regional Assets continues to exist. The increase in Regional Assets-related corruption indicates that the internal control system is still deficient.

**Keywords:** Corrupt criminal acts, local governments, regional assets.

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## 1. INTRODUCTION

Article 1, paragraph 3 of the 1945 Constitution of the Republic of Indonesia states that Indonesia is a rule-of-law state. This is the foundation for acting in accordance with the law in all circumstances. In tandem with the amendments to the Republic of Indonesia's Constitution of 1945, the policy regarding regional government has undergone fundamental changes. The modifications are prompted by a desire to accommodate the spirit of regional autonomy in the struggle for the welfare of local communities. Regional autonomy gives the regions the latitude to manage their own domestic affairs in a democratic and accountable manner within the framework of the Unitary State of the Republic of Indonesia. Regional autonomy is defined by Law Number 23 of 2014 as the right, authority, and responsibility of autonomous regions to regulate and administer their own government affairs and the interests of local communities in accordance with statutes (Basuki, 2022).

Government Regulation Number 6 of 2006 concerning the Management of State/Regional Assets, which outlines provisions regarding planning needs and budgeting, procurement, use, utilisation, security and maintenance, valuation, deletion, alienation, administration, guidance, supervision, and control, marked the beginning of regulations pertaining to the management of state/regional assets. Along with the growth and increasing complexity of state/regional assets management, its optimal implementation becomes impossible. The Government Regulation Number 6 of 2006 was superseded by Government Regulation Number 27 of 2014 concerning the Management of State/Regional Assets.

Upon the implementation of Government Regulation No. 6/2006 regarding the management of state and regional assets, Minister of Home Affairs Regulation No. 17/2007 on Technical Guidelines for the Management of Regional Assets was enacted. Then, with the promulgation of Government Regulation Number 27 of 2014, Minister of Home Affairs Regulation Number 19 of 2016 concerning



Guidelines for the Management of Regional Assets was enacted. According to Ministerial Regulation No. 19 of 2016, the management of regional assets encompasses the planning and budgeting of needs, acquisition, use, utilization, security and maintenance, valuation, alienation, destruction, deletion, administration, guidance, supervision, and control of regional assets.

Fixed assets have a crucial role due to their substantial value relative to other balance sheet components. The asset information in the balance sheet report illustrates the condition of wealth and economic potential owned by local governments, allowing the public to evaluate, for example, the desirability of investing in the security sector. Things such as how advantageous it is to invest in the region in terms of investment security and potential returns are considered. The way financially independent is the local government in terms of investment and prospective profits (Aryanto & Santoso, 2022).

In Regulation of the Minister of Home Affairs, Number 19 of 2016 regarding Guidelines for the Management of Regional Assets, regional asset management is defined as a series of activities, including planning and budgeting for needs, providing, using, securing and maintaining, evaluating, transferring, canceling, deleting, managing, developing frameworks, monitoring, and controlling. Article 18, paragraph 1, confirms that regional assets requirements planning is prepared by taking into account the mission and functional needs of regional apparatus as well as the availability of existing regional assets. Regional ownership planning must reflect the actual requirements of regional ownership in regional apparatus organizations in order to serve as the foundation for the development of regional ownership work plans (Lumingkewas & Supit, 2023).

An overview of regional asset management in the Province of East Kalimantan, specifically Kutai Kartanegara Regency, in 2020, the results of the identification of the number of official vehicles based on SIMDa BMD from 18 sub-districts and offices amounted to 5,317 in the form of motorbikes and cars, while those needed in accordance with Regional Regulation Number 46 of 2018 amounted to 2,578 so that the excess/shortage based on Regent Regulation Number 46 of 2018 amounted to 2493. Following the identification of official vehicles and working documents, Regional Apparatus Organisations submitted 715 surplus vehicles. The number of official vehicles that cannot be withdrawn or have not yet been given over is 1527, while the number of vehicles that are handed over in excess is 1527. After structuring and regulating the use of official vehicles, the total number of official vehicles was 4555. Determine the number of regional assets in Kutai Kartanegara, and it is the responsibility of the region.

## 2. METHOD

The type of research in this legal research is normative or doctrinal legal research. The data used in this research is secondary data obtained indirectly in the sense that this data is obtained based on literature studies and documentation studies related to the objects and problems studied, such as Law Number 23 of 2014 concerning Regional Government, Government Regulation Number 28 of 2014 concerning Amendments to Government Regulation Number 27 of 2014 concerning Management of State and Regional Assets, and Minister of Home Affairs Regulation Number 19 of 2016 concerning Guidelines for the Management of Regional Assets.

### 3. COMPLETENESS OF REGULATIONS RELATED TO THE MANAGEMENT OF REGIONAL ASSETS

The management of regional assets must be based on policies and regulations that fully cover the essential aspects of professional management while allowing regions to innovate in order to find the most suitable concept according to local conditions and culture in order to maximize community benefits. The Regional Government Law mandates that all government agencies provide the highest level of community service feasible. Every government agency or service unit is expected to be capable of innovating without violating applicable legal provisions in order to facilitate the community's access to services.

Regulation is necessary to ensure that the management of regional assets is carried out properly, thereby indirectly ensuring that no irregularities or frauds will occur during the management phases of regional assets, for instance, in the procurement stage, which is, in actuality, a relatively difficult stage (Rosihan *et al.*, 2017).

The authority to determine the management policy of Regional Assets, including the utilisation aspect, is in the hands of the Regional Head. Article 78 of the Regulation of the Minister of Home Affairs No. 19 of 2016 regulates the policy of Utilisation of Regional Assets, namely:

1. The utilisation of regional assets is carried out by (a) the Goods Manager with the approval of the Governor/Regent/Mayor for regional assets under the control of the Goods Manager and

- (b) the Goods User with the approval of the Goods Manager, for regional assets in the form of part of the land and/or building that is still used by the Goods User, and other than land and/or building.
2. The utilisation of regional assets is carried out based on technical considerations with due regard to regional interests and public interests.
  3. The utilisation of regional assets can be carried out as long as it does not interfere with the implementation of the duties and functions of regional government administration.
  4. The utilisation of regional assets is carried out without requiring the approval of the Regional People's Representative Council (DPRD; [Ferdinanto et al., 2023](#))

In consideration of the realization that the Minister of Home Affairs Regulation Number 47 of 2021 concerning Procedures for the Implementation of Bookkeeping, Inventory, and Reporting of Regional Assets has a positive impact on local governments and is a solution or key to resolving issues related to the management of regional assets, it is intended that local governments expedite the implementation of concrete measures in order to be able to present reports in the format specified by the regulation. The pre-application of these regulations is viewed from the perspective of the changing dynamics of regional assets, which necessitates the implementation of the mandate of stricter regulations ([Ruda et al., 2019](#)).

The existence of the Minister of Home Affairs Regulation Number 47 of 2021 aims to perfect the previous regulation by looking at the implementation and developments in the field so that the implementation of this transition runs as one of the solutions for local governments in solving Regional Assets problems and aims to achieve better administration than before. In addition, there is also a change regarding leases for regional assets that have more characteristics.

According to Tjandra and Harsono, the juridical basis is utilized in the drafting of rigorous and high-quality legislation governing the administration of regional assets that are governed by regulations. The legal provisions that provide the legislator with authority (*bevoegheid competentie*) to organize and regulate the Operational Standards for the Implementation of Regional Assets Management in detail and in accordance with the circumstances and conditions of the region constitute the juridical basis ([Tjandra & Harsono, 2009](#)).

Regional assets management includes regulations pertaining to the visibility of assets. The regulation at issue is the requirement for an all-encompassing legal policy. This is due to the absence of guidance for the subsequent management process. Until now, the government has set policies for the administration of regional assets without inspecting the assets' actual condition. As a result, asset management is not optimized, as not all issued regulations correspond to field conditions ([Anartany & Suseno, 2018](#)).

Due to regulations, there has been a rise in Regional Assets-related corruption offenses:

### *3.1. Existing Provisions are Insufficient to Construct a Control System for the Entire Asset Management Cycle*

There are still many provisions that have not been issued, particularly regarding the phases of Regional Assets's use, utilization, security, and maintenance. The government responsible for technical matters must still exert considerable effort to finalize the provisions governing the administration of state and regional assets.

The government-issued provisions must be supplemented by agency policies that are more effective and applicable while not contradicting the aforementioned rules. The regulations and policies issued by the Central Government serve as a framework for implementing an applicable and efficient internal control system for the concerned agency. Therefore, each agency must supplement these regulations with more applicable and effective local policies.

For instance, in the procurement of goods and services (Article 10 point 7 of Presidential Decree number 80 of 2003 stipulates that "The committee shall consist of at least three (three) members who understand procurement procedures, the substance of the work/activity in question, and the laws of contract agreements, both from elements within and outside the agency concerned".

In order to enhance the effectiveness of the control system, these provisions must be supplemented with more specific regulations. For instance, the local government may issue the following policy:

*"In the procurement of goods between Rp 50 million and Rp 100 million, the procurement committee consists of three (three) individuals from the concerned agency who understand the procurement procedures, the nature of the work or activities at hand, and the laws governing contract agreements. In the procurement of goods between Rp 100 million and Rp 1 billion, the procurement committee is comprised of five individuals with knowledge of procurement procedures, the nature of the work or activities involved, and the laws governing contract agreements, one of whom is a member of the technical service to aid in technical evaluation. In procurements exceeding Rp 1 billion, the committee consists of seven individuals with knowledge of procurement procedures, the nature of the work or activity at hand, and contract law,*

including two employees from the technical service to assist in technical evaluation and two employees from the legal bureau to assist in contract document preparation. The increase in regional assets-related corruption offenses as a result of regulatory constraints". (Ministry of Finance of the Republic of Indonesia, 2009).

The preceding example illustrates that the internal control system should be more stringent as risk increases. With this system, the possibility of erroneous supplier identification and price overruns can be diminished. Not only must this be developed for the procurement process but also for planning and budgeting, use, utilization, security and maintenance, valuation, elimination, alienation, administration, guidance, surveillance, and control of state assets.

### 3.2. *The System is Not Managed Properly*

In the implementation of a system, even though the system that is made is good, if it is not run by competent people, has integrity and ethical values, has conducive leadership, and has good working relationships between agencies, then the system cannot run correctly. It cannot assist users in attaining their desired objectives if it is not managed in a healthy manner. In the process of acquiring products and services, irregularities will occur if it is not conducted in a healthy manner. Likewise, in the management of other state assets (Ministry of Finance of the Republic of Indonesia, 2009).

In theory, the procurement procedure for products and services with the mechanism outlined in Presidential Decree No. 80/2003 will create an efficient and effective procurement process if all parties involved operate it in a healthy manner. However, various unhealthy interests often undermine it, such as converting the forum for taking tender documents and answering into a communication forum that organizes the auction.

Although the budget user and the procurement committee have taken the provisions of a second method seriously, the auction is actually controlled by bidder communication that reeks of collusion. Since the budget is established by the legislature and the executive, another possibility is that the procurement process has been regulated, and the auction process is merely a formality. Such unhealthy practices are the cause of the system's inability to function correctly.

## 4. LEGAL SAFEGUARDS FOR REGIONAL ASSETS

Safeguarding is an activity of control measures in the management of regional assets in the form of physical, administrative, and legal action in terms of legal audits, which is the scope for identifying and resolving legal issues pertaining to procedures for controlling or transferring assets, such as weak control rights status, assets controlled by other parties, and unmonitored asset transfers, among others. Consequently, securing regional assets is one of the strategic objectives that the region's assets management policy must achieve (Aira, 2014).

The security of state/regional assets can generally be divided into two:

### 4.1. *Preventive Security*

This preventive security encompasses all activities aiming at managing state/regional assets properly and accurately in order to prevent irregularities in the management of state/regional assets. Article 3 of Government Regulation Number 27 of 2014 on the Management of State/Regional Assets outlines the scope of state/regional assets management, as previously explained (Mustaknif, 2015).

### 4.2. *Repressive Security*

The objective of restrictive safeguards is to prevent irregularities in the administration of state/regional assets. This safeguard refers to Article 99 of Government Regulation No. 27 of 2014 on the Management of State/Regional Assets, which regulates compensation and sanctions for irregularities in the management of state/regional assets. The article explains in greater detail that any state/regional losses resulting from negligence, misconduct, or violation of the law regarding the management of state/regional assets are resolved through compensation claims in accordance with applicable laws and regulations. In addition, the article stipulates that any party responsible for the aforementioned state/regional losses may be subject to administrative sanctions and/or criminal sanctions in accordance with applicable laws and regulations (Mustaknif, 2015).

## 5. ORDERING REGIONAL ASSETS

Future best practices for structuring and managing regional assets that are more orderly, accountable, and transparent have been inspired by the new paradigm shift in the management of regional assets, evoking new optimism. By fostering good governance, professional and contemporary state

asset management is expected to be able to increase public and stakeholder confidence in state financial management. The direction of controlling state assets (inventory and valuation) is how the management of state assets by each user of goods becomes more accountable and transparent, allowing regional assets to optimize their use and utilization to support community and stakeholder service functions (Pardiman & Nuha, 2009).

In accordance with Minister of Finance Regulation No. 109/PMK.06/2009, the control of regional assets involves inventory, valuation, and reporting activities, as well as their subsequent monitoring. The objective of controlling regional assets is to realize good management of regional assets (BMD) and to follow up on the findings of the Supreme Audit Agency of the Republic of Indonesia (BPK RI). Therefore, all regional assets (BMD) originating from the APBD and other legal acquisitions are the target of controlling regional assets (BMD) (Kartini & Nazirman, 2023).

The management of regional assets stipulates that regional assets must be utilized as much as feasible to support the smooth operation of service tasks and functions, with the potential for asset utilization to generate revenue for the region. In the compilation of accountable regional government financial statements, the administration of regional assets in accordance with the principles of good governance will be an essential asset. The condition of orderly management of regional assets means orderly in every implementation of the management cycle, both physical order, administrative order, and legal order, which is a necessity that must continue to be pursued, especially in order to build resistance to various problems in the future (Pardiman & Nuha, 2009).

We must also continue to do orderly management of regional assets, considering that orderly management of regional assets can be a good strategy to improve performance, transparency, and accountability in the management of regional assets. Orderly management of regional assets has also been one of the BPK assessment indicators for many years in Kutai Kartanegara Regency. One of the main problems is the management of regional assets. The cause is the orderliness in the management of goods data. This results in the regency having difficulty knowing exactly the assets it controls or manages, so the assets managed by the Regency Government tend to be not optimal in their use and will have difficulty developing asset utilization in the future. If observed carefully, the most fundamental problem in the management of regional assets does not lie in how we present the value of assets accurately in the financial statements in accordance with Government Accounting Standards but in our efforts to optimize the function of regional assets in the administration of government and the implementation of affairs, which are its authority. To carry out these affairs and authorities in each region, an agency, office, or what is generally called a regional work unit (SKPD) has been formed.

Asset curbing is part of the follow-up to Minister of Home Affairs Regulation Number 47 of 2021. Asset data collection has been carried out, followed by sorting out old assets that have no owner or are being used. The regency or city government is curbing a number of movable and immovable assets. Through the Regional Assets Management and Finance Agency (BPKAD), the Regency and City Government have formed a Regional Assets Control Team chaired by Assistant III. The team's task is not only to curb moving objects or movable assets in the form of vehicles but also immovable assets such as official houses. So far, what has always been a finding of the Supreme Audit Agency (BPK) every year is that when vehicle assets are not utilized, but maintenance costs are still budgeted, the regency or city government forms a Regional Assets Ordering and Removal Team.

The control of regional assets is expected to be able to provide an overview of the current condition of the value of all regional assets, both those sourced from the APBD and from other legal sources of acquisition. The availability of a comprehensive and accurate regional assets database can be realized immediately. The State Regional Assets Database will play a strategic role in every decision-making process of national goods needs planning by the Goods Manager and the proposed budget allocation in the APBD. There will be a synergistic relationship between budget planners and goods managers to sit at the same table to formulate and determine the amount of planned need for regional assets in the fiscal year so that the physical capital expenditure budget can be more accounted for, truly reflect the real needs of goods and assets according to conditions in the field, and be able to create an effective, efficient, and targeted capital expenditure budget.

In structuring and controlling regional assets, improperly inventoried regional assets in accordance with applicable regulations in ministries and state institutions is a target. The direction of the steps to control regional assets (inventory and valuation) is how the management of regional assets in each use of goods becomes more accountable and transparent so that fixed assets (regional assets) can maximize their use and utilization to support community and stakeholder service functions (Toansiba, 2023).

## 6. CONCLUSION

The first step in preventing illicit acts of corruption in the management of regional assets is the completion of regulations governing Regional Assets. Regulation is a guarantee that must exist so



that the management of Regional Assets can be carried out correctly, thereby indirectly ensuring that no irregularities or frauds will occur during the management phases of Regional Assets. Each SKPD director is in charge of the administration of regional assets whose use status has been determined. The president of the SKPD is required to administer regional assets in order to facilitate the management of regional assets within the SKPD. Local governments must implement preventative and coercive security. Considering that orderly management of Regional Assets can be an effective strategy for enhancing performance, transparency, and accountability in the management of Regional Assets, orderly management of Regional Assets continues to exist. The increase in Regional Assets-related corruption indicates that the internal control system is still deficient.

#### CONFLICT OF INTEREST

The authors declare that they do not have any conflict of interest.

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