



The Effect of Asset Planning, Asset Valuation, and Asset Supervision on the Quality of Financial Statements at the Department of Industry, Trade, Cooperatives, Small and Medium Enterprises of DKI Jakarta Province

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ABSTRACT

This study looks at the effects of asset planning (X1), asset valuation (X2), and asset supervision (X3) on the DKI Jakarta Industry, Trade, Cooperatives, and SMEs Department's 2024 financial report quality (Y). Purposive (judgment) sampling was used to choose a sample of one hundred employees. Multiple linear regression was used to evaluate the data, along with t-tests, F-tests, coefficient of determination, and validity, reliability, and classical assumption tests using SPSS. With an R² of 72.2%, the results demonstrate that every variable has a favorable and significant impact, both separately and together. Asset supervision is the most influential of these. In order to improve the quality of financial reporting, these findings emphasize the significance of enhancing planning, carrying out frequent valuations, and enhancing oversight through internal controls

INTRODUCTION

Financial statements serve an essential function in presenting the financial condition of an organization, whether in the public or private sector. Beyond acting as periodic indicators of performance, these reports are a key mechanism for ensuring transparency and accountability, supporting stakeholders in making informed strategic decisions. In line with Government Regulation No. 71 of 2010 on Government Accounting Standards (SAP), the quality of financial statements must be assured by meeting several fundamental characteristics: they must be relevant to users' decision-making needs, reliable in terms of accuracy, comparable to identify trends over time, and sufficiently understandable for stakeholders.

Within the public sector, the management of regional government assets plays a critical part in producing high-quality financial statements. Effective and well-structured asset management, rooted in principles of efficiency and sound administrative practice, is expected to strengthen local governments' financial capacity to support development and reinforce public trust in the management of state finances. One of the key determinants of the quality of financial reporting at the regional level is how well these assets are managed, as they not only represent economic resources but also reflect the performance of regional financial governance.

Despite this, the practical implementation of asset management continues to encounter significant obstacles, including within the Jakarta Provincial Government. The main challenges identified concern a series of problematic assets recorded from 2018 to 2023. Evidence indicates persistent administrative and supervisory weaknesses that hinder optimal asset utilization. Member V of the Supreme Audit Agency (BPK RI), Ahmad Noor Supit, noted that although Jakarta received an Unqualified Opinion (WTP), BPK still identified several issues in the province's financial reports. The 2023 audit results for DKI Jakarta, for example, revealed continuing shortcomings in the management of regional finances.

These challenges include incomplete or unclear administrative documentation, disputes over land and buildings involving third parties, and weaknesses in internal oversight mechanisms. There are also instances where physical assets cannot be located despite being recorded, increasing the risk of financial losses and limiting their potential public benefit. In practice, inconsistencies between administrative records and actual asset conditions remain common, along with unidentified assets and unresolved disputes that restrict their use. The absence of an integrated supervision and recording system further contributes to ineffective asset management, ultimately affecting the accuracy and dependability of regional financial reporting.

Such issues frequently appear in BPK's audit findings regarding regional financial statements (Syafiqni, 2023). This highlights the need for stronger asset management practices through improved planning, valuation, and oversight to significantly enhance financial reporting quality. Addressing these challenges requires strengthening managerial functions in a structured and sustainable manner, in line with Minister of Home Affairs Regulation No. 19 of 2016. This

includes comprehensive asset planning through the development of the Regional Government Asset Needs Plan (RKBMD), ensuring assets are acquired based on actual organizational requirements. Accurate valuation ensures that asset values reported in financial statements reflect their real condition, while rigorous oversight—through internal audits and continuous monitoring—helps reduce misuse and data discrepancies.

This study seeks to examine these issues by analyzing how asset planning, valuation, and oversight contribute to the quality of financial reports within the Jakarta Capital City Government's Department of Industry, Trade, Cooperatives, and Small and Medium Enterprises (PPKUKM), an agency characterized by complex operational demands in managing the capital's microeconomic sector.

Theoretically, asset management should follow established technical guidelines that encompass the entire asset lifecycle. The gap analysis in this study arises from inconsistencies in previous research. For instance, Meyulinda and Jasintha (2021) reported that planning had no significant impact on financial reporting quality, whereas valuation and oversight did. Conversely, findings by Sut Mutiah et al. (2017) suggested that valuation did not significantly influence reporting quality.

These contrasting results underscore the necessity for further integrative analysis. Moreover, previous studies have predominantly focused on the broader provincial level, leaving a lack of investigation within more specialized technical agencies such as PPKUKM. This study, therefore, seeks to fill that gap by offering a more detailed understanding of asset management practices at the organizational unit level.

Based on these considerations, the research questions proposed are: Do asset planning, asset valuation, and asset oversight influence the quality of financial reports, both individually and collectively? The purpose of this study is to assess the effect of these three aspects on the quality of financial reporting within the Jakarta Capital City Government's Small and Medium Enterprise Development Agency (Dinas PPKUKM).

The expected contributions of this research are twofold. Theoretically, it aims to enrich public sector accounting literature, particularly in the field of regional asset management. Practically, the findings are intended to serve as a reference for local governments in improving asset management practices to produce more accurate, transparent, and accountable financial reports, thereby reducing potential audit findings in the future. Ultimately, the study's results are expected to inform recommendations that support a more reliable and accountable asset management system in local government institutions.

THEORETICAL REVIEW

Management of Regional Government Assets (BMD)

The management of Regional Government Assets (BMD) is not merely a routine administrative activity, but rather a comprehensive asset life cycle. Referring to Ministry of Home Affairs Regulation No. 19 of 2016, this management encompasses a wide range of activities, from needs planning and budgeting, procurement, use, utilization, security, maintenance, valuation,

transfer, disposal, and write-off, to record-keeping and supervision. Management conducted in an orderly, effective, and efficient manner is an absolute requirement for achieving transparency and financial accountability at the local level. In practice, the management of local government assets (BMD) often becomes a critical point identified in audits by the State Audit Agency (BPK). Therefore, improving governance in this asset sector is a crucial instrument for local governments to achieve and maintain an Unqualified Opinion (WTP), which reflects the fundamental health of the agency's financial statements. (Luthfiani & Ak, 2022)

Asset Planning (X1)

Asset planning is considered the earliest strategic step that determines the success of overall asset management. This process involves the systematic identification of asset needs, the conduct of an inventory of existing assets, and the preparation of the Regional Government Asset Requirements Plan (RKBMD). Thorough and accurate planning ensures that every asset acquisition is truly aligned with the agency's core duties and functions, thereby preventing budget waste on unproductive assets. From a reporting perspective, good planning serves as the primary foundation because it ensures the validity of the initial data entered into the accounting information system. With credible initial data, the financial statements produced at the end of the period will have a high level of accuracy and be able to realistically depict the organization's resource needs and position. (Adithya & Andini, 2023).

Asset Valuation (X2)

Asset valuation is a critical technical process for determining the fair value of an asset at a specific point in time, in accordance with the guidelines established in the Government Accounting Standards (SAP). Given that fixed assets often constitute the largest nominal value component in a local government's balance sheet, accuracy in valuation is non-negotiable. Inaccurate valuation, whether overvalued or undervalued, can cause significant distortions in the financial position presented in financial statements. Therefore, the application of consistent and standard-compliant valuation methods is essential to ensure that the information regarding local government assets presented in the balance sheet is truthful and economically accountable to stakeholders. (Suhayati & Herdiah, 2021)

Asset Supervision (X3)

Asset supervision serves as a defense mechanism and quality control within the asset management cycle. These activities include continuous monitoring, periodic evaluations, and the routine conduct of internal audits and physical counts. The primary objective is to ensure that all assets are used optimally in accordance with their intended purpose and are protected from any form of misuse, theft, or unreported damage. Effective oversight ensures strong synchronization and reconciliation between administrative data in the ledger and the physical condition of assets in the field. With strict oversight, the integrity of asset data is maintained, so that financial reports are not only numerically accurate on paper but also physically verified. (Ruda et al., 2023)

Quality of Financial Statements (Y)

The quality of financial statements is the ultimate outcome of the entire process of asset and financial management carried out by local governments. According to Government Regulation (GR) No. 71 of 2010, a financial report is considered high-quality if it meets four key qualitative characteristics: Relevance, where the information is capable of influencing users' decisions; Reliability, where the information is free from misleading interpretations and material errors; Comparability, so that users can identify trends in financial position; and Understandability by information users. The quality of financial reports is a key indicator of local government performance in managing public finances. High-quality reports reflect a high level of transparency, which in turn enhances public confidence in the government's credibility in fulfilling its development mandate. (Indonesia, 2010).

Based on a review of the literature and relevant prior research, the hypotheses for this study are formulated as follows:

H1: Asset planning has a positive and significant effect on financial statement quality.

This is supported by the theory that good planning minimizes data entry errors from the outset, thereby improving the accuracy of financial statements. (Baharsyah et al., 2022)

H2: Asset Valuation has a positive and significant effect on Financial Statement Quality.

Valuation in accordance with SAP ensures that the carrying amount of assets on the balance sheet reflects fair value, thereby making financial statements more reliable. (Suhayati & Herdiah, 2021)

H3: Asset Oversight has a positive and significant effect on Financial Statement Quality.

Strict supervision prevents the occurrence of fictitious assets and ensures the physical existence of assets, thereby improving the audit opinion. (Luthfiani & Ak, 2022)

H4: Asset planning, valuation, and supervision simultaneously have a significant effect on financial statement quality.

Research Framework

The research framework systematically describes the causal relationships in which the independent variables – Asset Planning (X1), Asset Valuation (X2), and Asset Oversight (X3) – act as driving factors that influence the Quality of Financial Reports (Y) both partially and simultaneously. This line of reasoning is based on the assumption that sound asset management at every stage will filter and validate all asset transaction data, ensuring that the final output – the Local Government Financial Report (LKPD) – meets the quality standards established by regulations.

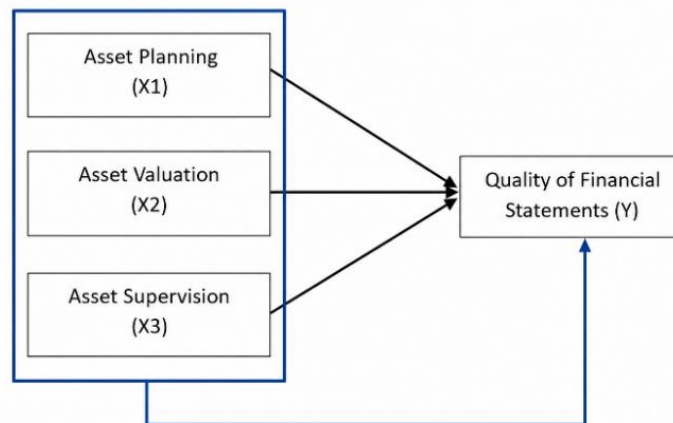


Figure 1. Conceptual Framework

METHODOLOGY

This study employs a quantitative approach with a causal design aimed at testing the effect of asset planning, assessment, and supervision—as independent variables—on the quality of financial statements—as the dependent variable. The study was conducted at the Office of Industry, Trade, Cooperatives, and Small and Medium Enterprises (PPKUKM) of the Special Capital Region of Jakarta.

The population in this study includes all employees involved in asset management and the preparation of financial reports at the agency. The sampling technique employed a purposive sampling method based on specific criteria, such as staff from the supplies department, asset managers, and the accounting/finance department who possess the necessary expertise and direct access to the data under study. Based on these criteria, a representative sample of 100 respondents was obtained for analysis using the research instrument.

Data were collected through survey techniques, using both paper-and-pencil and electronic questionnaires. The research instrument was developed using a 1-5 Likert scale to measure respondents' perceptions of the variables asset planning, asset valuation, asset supervision, and financial reporting quality. Before being used for hypothesis testing, the instrument first underwent validity testing (measuring the accuracy of statement items) and reliability testing (measuring the consistency of responses) to ensure that the measurement tool used was accurate and consistent.

The data analysis techniques in this study were conducted in several stages using statistical software. The first stage involved descriptive statistical analysis to provide an overview of the research data. The second stage consisted of classical assumption tests, including tests for normality, multicollinearity, and heteroscedasticity, to ensure that the regression model met the requirements of linearity and was unbiased. The final stage is multiple linear regression analysis to test hypotheses partially (t-test) and simultaneously (F-test), as well as analysis of the coefficient of determination (R^2) to determine the extent to which

independent variables can explain the variation in the financial statement quality variable.

RESULTS AND DISCUSSION

The Jakarta Capital Region Agency for Industry, Trade, Cooperatives, and SMEs play a strategic role in managing government affairs related to industry, trade, cooperatives, and the development of small and medium-sized enterprises in the Jakarta Capital Region. This agency was formed through the merger of related agencies in 2020 to strengthen regional economic synergy; it reports directly to the provincial government pursuant to Governor Regulation No. 57 of 2022, with the primary mandate of fostering economic growth, enhancing the competitiveness of local products, and supporting the micro- and small-scale economy. The research sample involved 100 agency employees, with demographics dominated by women (57%) and 43 male respondents (43%), indicating fairly balanced gender participation. Based on highest level of education, the majority held a bachelor's degree (45 respondents, 45%), followed by an associate's degree (27 respondents, 27%), a master's degree (17 respondents, 17%), and a high school diploma or equivalent (11 respondents, 11%), reflecting a competent educational background for evaluating asset management. Meanwhile, the largest age group was 26–30 years old with 42 respondents (42%), followed by those over 30 years old with 35 respondents (35%), and 18–25 years old with 23 respondents (23%), providing diverse perspectives ranging from the younger generation to experienced professionals regarding the quality of financial reports.

Table 1. Reliability Test Results

Variable	Cronbach Alpha	Description
Asset Planning	0,702	Reliable
Asset Valuation	0,729	Reliable
Asset Supervision	0,794	Reliable
Financial Report Quality	0,755	Reliable

Source: Processed Data, 2025

The reliability test results for the questionnaire items show that all variables used in this study meet the reliability standard, as indicated by their Cronbach's Alpha values. The asset planning variable achieved a coefficient of 0.702, demonstrating that the items measuring this construct are consistent and dependable. The asset valuation variable recorded an even higher value of 0.729, confirming its reliability in capturing respondents' perceptions accurately. Asset supervision obtained the highest reliability score among the independent variables, with a Cronbach's Alpha of 0.794, indicating strong internal consistency. Meanwhile, the variable representing financial report quality also met the reliability threshold with a coefficient of 0.755. These results confirm that all measurement instruments used in the study were reliable and suitable for further statistical analysis.

Table 2. Normality Test Results Using the One-Sample Kolmogorov-Smirnov Test

NPar Tests
One-Sample Kolmogorov-Smirnov Test

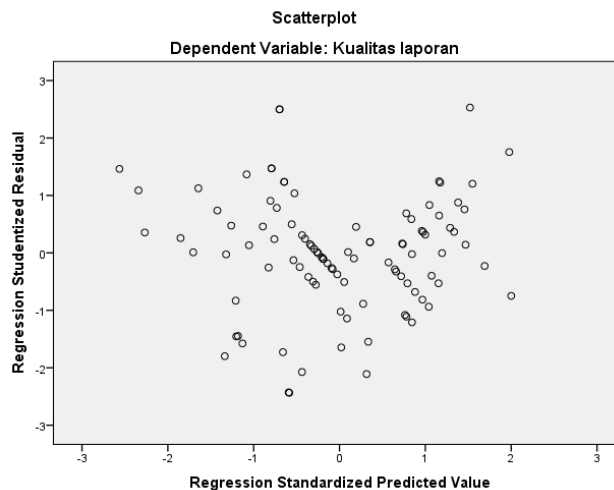
		Unstandardized Residual
N		100
Normal Parameters ^{a,b}	Mean	0E-7
	Std. Deviation	1.68253236
Most Extreme Differences	Absolute	.070
	Positive	.059
	Negative	-.070
Kolmogorov-Smirnov Z		.695
Asymp. Sig. (2-tailed)		.719

a. Test distribution is Normal.
 b. Calculated from data.

Source: Processed data, 2025

The normality test using the One-Sample Kolmogorov-Smirnov Test shows that the unstandardized residuals are normally distributed. The Kolmogorov-Smirnov Z value obtained is 0.695, while the Asymp. Sig. (2-tailed) value is 0.719. Since the p-value is greater than the significance level of 0.05, the data meet the assumption of normality. This indicates that the residuals are normally distributed and the model is suitable for further parametric statistical analysis.

Table 3. Heteroscedasticity Test Result



The scatterplot illustrates the relationship between the regression standardized predicted values and the regression studentized residuals for the dependent variable Quality of Financial Reports. The distribution of points appears to be spread randomly across the plot without forming a specific pattern, curve, or clustering trend. This random dispersion indicates that the assumption of homoscedasticity is met, meaning the variance of the residuals is relatively constant across all levels of the predicted values.

There is no visible funnel shape, systematic widening, or narrowing of residuals, which further suggests that the regression model does not suffer from heteroscedasticity. The residuals also seem centered around zero, reinforcing that the model's error terms behave normally and that the linearity assumption is reasonably satisfied. Overall, this scatterplot supports the validity of the regression analysis and indicates that the model is appropriate for further interpretation.

Table 4. Multicollinearity Test Result

Coefficients ^a					
Model	Correlations			Collinearity Statistics	
	Zero-order	Partial	Part	Tolerance	VIF
(Constant)					
1 Asset Planning	.742	.297	.161	.424	2.360
Asset Valuation	.466	.222	.118	.812	1.231
Asset Supervision	.825	.597	.387	.432	2.314

a. Dependent Variable: Report Quality

Source: Processed data, 2025

The coefficient table summarizes the strength of relationships between the three independent variables – Asset Planning, Asset Valuation, and Asset Supervision – and the dependent variable, Report Quality, while also presenting multicollinearity diagnostics. The zero-order correlations show that all three predictors have positive and meaningful associations with report quality. Asset Supervision demonstrates the strongest simple correlation (.825), followed by Asset Planning (.742), and Asset Valuation (.466), indicating that each variable contributes to improving the quality of financial reporting.

When controlling for the effects of the other predictors, the partial correlations decline but remain positive. Asset Supervision continues to show the largest partial correlation (.597), highlighting its dominant role within the regression model. The part correlations, which reflect each variable's unique contribution, further reinforce this pattern, with Asset Supervision (.387) contributing more independent variance compared to Asset Planning (.161) and Asset Valuation (.118).

The multicollinearity statistics show acceptable tolerance and VIF values for all predictors. Asset Planning and Asset Supervision exhibit moderate multicollinearity (VIF 2.360 and 2.314), while Asset Valuation shows low multicollinearity (VIF 1.231). All values remain well within acceptable thresholds, indicating that none of the predictors pose a risk of multicollinearity problems. Overall, the results suggest that the three asset-related variables are suitable for inclusion in the model, with Asset Supervision consistently emerging as the strongest and most influential predictor of report quality.

The results of the hypothesis testing indicate that, individually, asset planning (X1), asset valuation (X2), and asset supervision (X3) have a positive and significant effect on the quality of financial reports at the Jakarta Capital City Government's Department of Industry, Trade, Cooperatives, and SMEs.

Table 5. Coefficient of Determination Test
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.855 ^a	.730	.722	1.70862

a. Predictors: (Constant), Asset supervision, Asset valuation, Asset planning

b. Dependent Variable: Report quality

Source: Processed data, 2025

In the model summary table (Table 5), it can be seen that the coefficient of determination, or Adjusted R-Square, is 0.722, or 72.2%. This means that the variation in the independent variables used in the model – Asset Planning (X1), Asset Valuation (X2), and Asset Oversight (X3) – accounts for 72.2% of the variation in the dependent variable, namely financial statement quality, while the remaining 27.8% is influenced by other factors outside the scope of the variables under study.

Table 6. F Test Result (Simoultan)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	758.739	3	252.913	86.632	.000 ^b
1	Residual	280.261	96	2.919		
	Total	1039.000	99			

a. Dependent Variable: Report quality

b. Predictors: (Constant), Asset Supervision, Valuation Asset, Planning Asset

Source: Processed data, 2025

Based on Table 6 above, the calculated F-value of 86.632 is greater than the critical F-value of 2.70, with a significance level of $0.000 < 0.05$; therefore, the decision is to reject H₀. Thus, it can be concluded that there is a combined effect of Asset Planning (X1), Asset Valuation (X2), and Asset Oversight (X3) on the Quality of Financial Statements (Y). Integrated and optimal asset management enables financial information to reflect the actual condition of regional assets, thereby making financial statements an effective medium for accountability and transparency. Thus, strengthening asset management at all stages is a crucial strategic step to improve the quality of financial reports, which serve as the primary indicator of local government financial performance. Existing empirical research confirms that a comprehensive focus on asset management will have a significant impact on the success of presenting reliable and credible financial reports.

Tabel 7. T Test Result (Partial)
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.645	2.142		.768	.444
1 Perencanaan aset	.259	.085	.248	3.044	.003
Penilaian aset	.204	.092	.131	2.232	.028
Pengawasan aset	.428	.059	.588	7.292	.000

a. Dependent Variable: Kualitas laporan

Source: Data processed, 2025

1. The Effect of Asset Planning (X1): Asset planning was found to have a positive and significant effect on the quality of financial reports, both in terms of value and significance. This finding confirms that systematic planning through the preparation of the RKBMD ensures the validity of the initial asset data entered into the reporting system. Good asset planning provides a direct benefit in the form of the validity of asset data recorded in the local government's financial statements. This is crucial because assets constitute a significant component of the local government's balance sheet. Well-documented assets facilitate internal control processes, risk management, and future asset procurement planning. Furthermore, thorough planning enables the optimal utilization of assets, both to support public services and as a source of local government revenue.
2. The Effect of Asset Valuation (X2): Asset valuation has a positive and significant effect, both in terms of magnitude and significance. The use of fair value in accordance with SAP ensures that the information in the balance sheet reflects actual economic conditions and is free from material misstatement. In the context of asset management in local government, asset valuation is a systematic process aimed at determining the fair value of owned assets, whether in the form of fixed assets, local government property, or other assets.
3. The Effect of Asset Oversight (X3): Asset oversight is the variable with the most dominant influence on the quality of financial statements, as indicated by the highest value and statistical significance. This demonstrates that strict internal controls and routine inspections are key factors in maintaining the reliability of asset data. Strong and continuous asset oversight ensures orderly, accurate, and regulation-compliant asset management, so that the resulting financial statements reflect the region's financial condition fairly and transparently. Recent research also confirms that internal oversight is a main pillar in improving financial performance, which can be measured through the quality of financial statements. Thus, strengthening asset

oversight must be a strategic priority in efforts to improve the financial accountability and transparency of local governments.

Asset planning, asset valuation, and asset supervision simultaneously have a strong and positive impact on the quality of local government financial statements. Integrated and optimal asset management ensures that financial information accurately reflects the actual condition of local government assets, thereby making financial statements an effective tool for accountability and transparency. Thus, strengthening asset management at all stages is a crucial strategic step to improve the quality of financial reports, which are the primary indicators of local government financial performance. Existing empirical research confirms that a comprehensive focus on asset management will have a significant impact on the successful presentation of reliable and credible financial reports.

The findings of this study are consistent with the research conducted by Anisya Luthfiani and Sudjana (2022), Abdurahman Ali (2019), and Ely Suhayati and Melinda Bilkish (2021), which concluded that local government asset management policies—including planning, valuation, and supervision and control of assets—have a positive and significant impact on the quality of local government financial reports.

CONCLUSIONS AND RECOMMENDATIONS

This study provides a comprehensive overview of the strategic role of asset management in determining the quality of financial reporting within government agencies. The findings reveal that the quality of financial reports at the Jakarta Capital Region's Department of Industry, Trade, Cooperatives, and Small and Medium Enterprises (PPKUKM) is strongly influenced by the effectiveness of asset planning, the accuracy of asset valuation, and the rigor of asset supervision. Asset planning forms the foundational stage of management, involving the identification of needs, inventory activities, and proper administration, all of which support the accuracy and transparency of financial information and help maintain consistency between recorded data and actual conditions. Meanwhile, asset valuation plays a critical role in ensuring that assets are presented fairly in accordance with accounting standards. An accurate valuation not only enhances the reliability and relevance of financial information but also supports sound decision-making by ensuring that reported values reflect real economic conditions.

The study also highlights that asset supervision is the most decisive factor in safeguarding the integrity of financial statements. Effective supervision—through monitoring, evaluation, and strong internal control systems—helps prevent data distortion, ensures that assets are used appropriately, and minimizes the potential for misuse. Strengthened supervision also increases the credibility of financial reports and reinforces accountability within local government operations. When the elements of planning, valuation, and supervision operate together, they create a synergy that produces transparent and accurate financial reports. This combined effect underscores the importance of improving human resource competencies to support optimal asset management and reinforces that strong asset governance is a key strategy for enhancing report quality.

Overall, the study concludes that the integration of administrative accuracy and physical asset control is essential for achieving public transparency and maintaining an unqualified audit opinion. Consistently implementing effective planning, precise valuation, and disciplined supervision not only improves the quality of financial reporting but also strengthens public trust and supports better governance across local government institutions.

FURTHER STUDY

1. **Practical Measures:** The Jakarta Capital City Government's PPKUKM Agency needs to maintain and increase the frequency of regular physical asset inspections through stricter inventory checks to ensure consistency between system data and on-site conditions. Additionally, coordination must be strengthened during the planning stage to ensure that asset procurement is more effective and efficient.
2. **Competency Development:** It is recommended that ongoing training be provided to asset management staff on asset valuation techniques in accordance with the latest Government Accounting Standards (SAP) to minimize valuation errors in financial reports.
3. **Further Research:** For future researchers, it is recommended to expand the scope of research to include other variables not discussed in this study, such as the use of state-of-the-art technology-based asset management information systems or the more specific impact of human resource competencies.

LIMITATIONS

This study has several limitations that should be considered when interpreting the results and planning future research. First, this study focuses only on a single local government agency; therefore, the generalizability of the findings to all government agencies with different characteristics may be limited. Second, data collection was conducted using a perception-based questionnaire, so there is a possibility that respondent subjectivity influenced the results. Third, the independent variables used were limited to three aspects of asset management, while there are other external factors, such as the government's internal control system (SPIP) and compliance with regulations, that also have the potential to influence the quality of financial reports.

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