

The Quality of State-Property Reporting: Determinants and Intervening Role of Optimization Management in Indonesia Regional Case

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The Quality of State-Property Reporting: Determinants and Intervening Role of Optimization Management in Indonesia Regional Case

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¹⁵ Abstract

This study aims to examine the effect of legal audits, internal control systems, IT use and internal auditors' role as determinants of state property reporting quality, and the mediating role of management optimization. This research focuses on a specific case in Tegal Regional Government, reflecting state property management's success in improving regional financial reporting quality. The respondents were 76 employees, including users, managers, and keepers of state property. Multiple regression was used to test the relationship between variables. The results show that the internal control systems and IT use positively affect the management optimization of state property; second, the internal control system, IT use, and management optimization positively impact on the quality of state property reporting. The results also prove that management optimization mediates the effect of internal control systems and IT use on state property reporting quality. These findings suggest that the quality of the state property reporting is determined by internal factors: internal control system and IT use, which are mediated by management optimization. These results can provide empirical evidence for the need to strengthen internal control systems and IT use to manage state property reporting.

Keywords: *the quality of state-property reporting; state-property management optimization; legal audit; internal control; IT use; supervisory role*

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INTRODUCTION

The outline report of Badan Pemerit²⁹ Keuangan (BPK) - the Indonesian Financial Supervisory Board of the first semester in 2019 shows that only 15.86% of the regional government's financial statements in Indonesia received qualified opinions, decreasing 5.03% compared to 2018 (BPK, 2019). Obtaining opinion is a representation of the financial statements that not fulfilled the minimum government accounting standards. This phenomenon reveals that most financial statements do not comply with government accounting standards, particularly the state property reports presentation. Those findings become a critical and urgent problem because of the large amount (BPK, 2018; Rahmatika, 2014)

However, the provisions and regulations are fully comprehensive and transparent to configure good state-property governance at many regional government authority levels, but

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there are still enormous weaknesses (Wahyuni et al. 2018). Poae et al. (2017) proposed that state-property management's weakness is an essential factor for getting an unqualified opinion on regional government financial statements. Ineffective governance will decrease the state-property report's quality annually, which is insufficient for regional government financial statements (Setiadi et al. 2018)

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Meanwhile, the Regulation of Minister of Internal Affairs no. 19 of 2016 concerning Guidelines for the State-property Management for Regional Government, article 479, paragraph (3) describes the state-property report used to prepare the annual regional government balance sheets. It explains that the quality of state-property reporting also determines the quality of regional government financial statements; therefore, it requires good and proper governance (Rahmatika, 2014). The state-property issues also are experienced by most Indonesia regional governments, including Tegal Regional Government. It is reflected in the audit results of the Indonesian Financial Supervisory Board, which stated that Tegal Regional Government obtained an unqualified opinion from 2012-2017 because the management of state property was not optimal (BPK, 2019). In the audit process, the most severe problem is when it had a property physical inspection and value calculation, especially uncertified lands, old buildings, roads, irrigations, and other assets (Gumilang, 2018). Besides, the opinion results in 2016 showed that many state properties could not be traced, such as (1) untraced equipment and types of machinery for Rp. 27.73 billion; (2) untraced irrigation channels and networks for Rp. 174.93 billion; (3) other untraced fixed assets as much as Rp.12.22 billion, and (4) other assets worth Rp.103.17 billion. That condition makes the auditor could obtain insufficient audit evidence (Gumilang, 2018).

Several studies by Anshari and Syofyan (2016), Arifani and Haryanto (2018, Erimalata (2016), Nurlis and Yudiati (2017), Simamora and Halim (2015), and Wahyuni et al. (2018) mentioned the determinants of the quality of regional state-property reporting, which include the audit of asset litigation, government internal control systems, utilization of information technology and the inspectorate's role as internal government auditors. Another critical variable is the optimal state-property management (Maulidiah, 2017; Zulkifli & Winarko, 2019); even Poae et al. (2017) stated that state property management tend to be mediated determinants of the quality of state-property reporting.

Otherwise, the relationship between various state-property quality determinants is inconclusive, including the mediating effect of state-property optimizing management. A study by Haryanto (2013) showed that IT use has a positive and significant impact on state property reporting quality. However, Nurlis and Yudiati's research (2017) shows a different finding that IT use does not affect state property reporting quality. Jaenudin et al. (2017) provide empirical evidence that state property management's internal control positively influences fixed asset information reliability. Siregar (2016) stated that human resources quality, state-property management, ownership, leadership commitment, and internal control systems significantly affect state-property reports' quality. It also explained that inspectorates' role as internal auditors could be a moderating variable in the relationship. However, Septiana (2017) also said that the internal auditors' function does not significantly influence regional government financial reporting quality. Eriadi et al. (2018) stated that state-property evidence physically and legal audit documentation significantly affect state-property management effectiveness. Bles (2015) explained that legal audits do not affect state-property management. Ekayanti et al. (2018) and Mainar et al. (2017) show that internal control system and information system of assets have a significant and positive influence on regional state-property management effectiveness. Another study by Tauhid et al. (2018) showed that internal auditors' role has a significant positive effect on optimizing state-property management. However, Ratmono and Rochmawati (2018) explained that internal auditor supervision does not optimize regional state-property management. Numerous studies above describe the unclear influences on the determinants of state property reports' quality, but limited in analyzing state property management as a mediating factor (Eriadi et al. 2018; Maulidiah, 2017; Zulkifli & Winarko, 2019). However, these studies are also limited to testing the

effectiveness of state property management, which illustrates internal control effectiveness. ¹⁶ Based on the background, this study aims to examine the effect of legal audit, internal control system, IT use, and the inspectorate's role as an internal auditor on regional state-property reporting quality. It also explains the mediating role of optimization of regional state-property management. The regional government's context in Tegal shows a significant change in state-property reporting quality, ² which can indeed be a successful model for applying state property reports' quality.

This research based on the Stewardship Theory. The theory assumed that the managers prioritize the organization's interests compared to regard them as rational economic people who are quite interested in achieving personal benefits (Jefri, 2018). Trusted human nature is the basis for creating this theory, where management is expected ²⁶ to be the manager of the company prioritizing the interests of the company or the shareholders of their parts (Davis et al., 2018). The stewardship theory supports the implementation of governance that supports relevant, accountable, and transparent financial reporting. Achieving good governance will be realized in regional state-property management that supports better public service reforms. Various mechanisms have been created to help this, such as legal audits, internal control systems, IT use, and internal auditors' supervision (Vasileva, 2018).

The stewardship assumption states that steward-relations will act in their own best interests and maintain their wealth through maximum performance (Davis et al., 2018). This assumption implies that the regional government as a steward is responsible for securing state property, both physically and legally. A legal audit is the number of audit processes to safeguard the regional state-property administration and security, which examined and proved those properties. By collecting the status and procedures for the control and identification of legal problems, ³¹ at might arise, the government could choose the solution (Jusmin, 2013; Widayanti, 2010). Regulation of the Internal Affairs Minister No.19, 2016, on the Guidelines of Regional State-Property Management explains safeguarding will increase adequate confidence in the existence of regional state-property delivery already has enough basis. This statement ¹⁹ was reinforced by Siregar's (2016) study, which showed that legal evidence of state-property has a positive effect on its report quality. Thus, it can be proposed that:

H1 : legal audit ² has a significant positive influences on the quality of state-property reporting.

This study confirms the existence of coercive pressure by DiMaggio and Powell (1983), that organizations are formed by the institutional context adaption around them. Coercive pressure to adaption occurs when organizations adapt to the conditions around them, and other organizations or public pressure, ⁸ such as the influence of regulatory, political, and legitimacy issues (Brookes & Altinay, 2017). According to the Government Regulation Number 60 of 2008, Internal Control System is a systematic process carried out to provide adequate confidence that a government agency's activities have been running following laws and regulations, ⁹ as well as practical and efficient in realizing good governance (Malau, 2017). That rule about the government's internal control system as a coercive isomorphism scheme requires the regional governments to perform enough control in all operational activities. By its objectives related to the reliability of reporting and compliance with regulations, it will manage the control's environment, including state-property preparation, deliver according to procedures for achieving the central government's objectives. The statement is supported by Jaenudin et al. (2017), who stated that internal control in state-property management has a significant positive effect on the reliability of state-property reporting. Thus, it proposed that:

H2 : the internal control system has a significant positive influences on the quality of state-property ²⁸ reporting.

Based on Government Regulation No. 56, 2005, concerning about Regional Financial Information System, requires the regional governments to use the latest information technology

to facilitate the government in data collection, recording, and reporting state-property accurately and quickly. In this case, regional governments must ensure the fulfillment of the various interests of parties involved in compliance with laws and regulations corresponding with the Stewardship Theory. Besides, IT users also support good governance of state property, providing accuracy and timeliness in reporting (Nasrudin, 2015; Rahmawati, 2014). Research of Setiadi et al. (2018) revealed that the appropriate IT-based state property management mechanism would support transparency and accountability in managing state property. The information and communication technology use for the processing and reporting of state-property. This technology also to facilitate data processing, improve the accuracy of the information, accelerate the preparation of reports and other outputs, and facilitate the distribution and communication of the data generated (Brief & Motowidlo, 1986). The regional governments are obliged to utilize advanced information technology, one of which is by implementing the state-property management information system. This argument is supported by Haryanto (2013) that the use of information technology has a significant effect on the quality of asset reporting. Thus, it can be proposed that:

H3 : IT's use has a significant positive influences on the quality of state-property reporting.

The stewardship theory considers regional governments as stewardship partners who need an internal control function to maintain their performance in realizing the central government's objectives (Dumay et al. 2019). Based on this regulation, the supervisory function is under the inspectorate office's authority as the internal auditor. Regional inspectorates contribute to supervisory activities, including inspection, investigation, testing, and assessment functions to ensure effectiveness, efficiency, and detect irregularities. Therefore, the inspectorate's role is needed by the regional governments for increasing confidence in the process of both managing and reporting finance in accordance with the underlying rules. Those facts are confirmed by Rahmatika (2014) who stated that the internal audit has a significant positive effect on regional government financial reporting quality. Thus, it can be proposed that:

H4 : The internal auditor role has a significant positive influences on the quality of regional state-property reporting.

Stewardship management could be achieved if the maximum utility of stakeholders and also organizations are fulfilled (VanSant, 1996). This concept indicates that as a stewardship, the regional government must strive to achieve maximum performance to optimize its utilities. Those efforts have been regulated in the Minister of Internal Affairs Regulation No. 19 of 2016 concerning Guidelines for Management of Regional State Property. Therefore, state-property management must be optimized for results-oriented through the implementation of regional state-property management optimization. This evidence is consistent with Siregar (2016), which states that state-property management has a positive effect on the quality of the state-property reporting. Thus, it can be proposed that:

H5 : optimization of state-property management has significant positive influences on the quality of state-property reporting.

Research on determinants of the quality of state-property reporting has been widely performed, but various factors above also progressed to examine the mediating role of state-property management on state-property reporting (Eriadi et al., 2018; Jacobs, 1999). The various determinants above are believed to affect the quality of the state property report partially, and it comprehensively determines the form of state property management. This optimization management activity will improve state property governance, which significantly affects the quality of state property reports. Studies of Arliet al. (2018); Rahmandari (2017); Trisnanieta al. (2018) reveal the mediating role of state-property management effectively to improve the

quality of state-property reporting. Thus, it can be proposed that:

- H6a : the optimization state-property management has mediating the legal audit on the quality of state-property reporting.
- H6b : the optimization state-property management has mediating internal control system on the quality of state-property reporting
- H6c : the optimization state-property management has mediating use of IT on the quality of state-property reporting
- H6d : the optimization state-property management has mediating internal auditor role on the quality of state-property reporting

The relationship between variables determining the quality of state-property reporting can be theoretically illustrated in the following Figure 1.

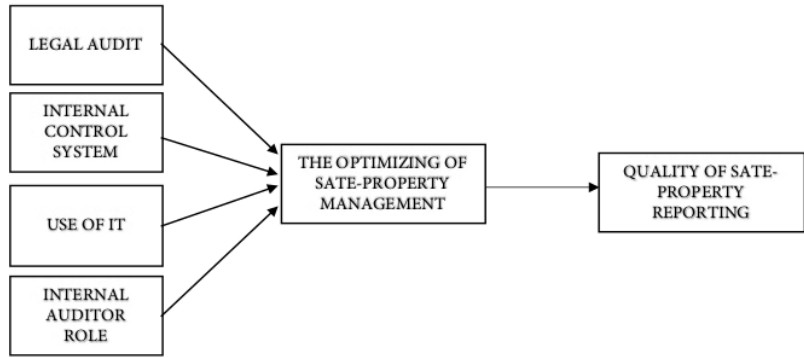


Figure 1. The theoretical framework

RESEARCH METHODS

The Tegay regional government is a unique case reflecting how the Indonesia regional government has succeeded in achieving good state-property governance and increasing qualified opinion on the annual regional financial statements (Mufti et al., 2019). The population included the Tegay Regional employees, who manage state property, including users, regulators, and keepers in 36 regional offices. Seventy-six respondents were asked to answer the research instrument. The data were analyzed by path analysis in multiple regression.

The quality of state-property reporting (QRM) is the dependent variable, measured as a relevant indicator; reliable, relevant, and verifiable; comparable and understandable (Siregar, 2016). The independent variables are (1) Legal audits (LAD) which are the state property audit process's administrative and legal aspects. The organizational elements which include complete certificates and proof of ownership, completeness of decisions, and security of ownership and legal factors such as current legal issues, identification of possible problems and standard solutions (Jusmin, 2013; Dayanti, 2010); (2) Internal Control System (ICS) which refers to the existence of a controlled environment, risk assessment, control activities, information and communication and monitoring of internal controls (Malau, 2017) and Government Regulation Number 60 of 2008; (3) Information Technology (IT) use can be defined as how state property management using availability of devices and networks, use of applications, integrated and computerized management processes, and databases and maintenance of routine physical inspection and application maintenance (Brief & Motowidlo, 1986); (4) The Internal audit role (IAR) can be measure on supervision, inspection, testing, evaluation activities by the auditor (Siregar, 2016); (5) Optimization of state-property management, identifying the existence of several indicators:

planning and budgeting, use, administration, utilization, security and maintenance, assessment, elimination, transfer, guidance, supervision and control, financing, and compensation claims (Oktaviana, 2010). The examination is performed by path analysis through multiple regression, with the reliability and validity testing and the classical assumption fulfillment test.

RESULTS AND DISCUSSIONS

The research data were obtained from respondents and its tested in a pilot study validity and reliability. The validity test describes that all questionnaire items are valid because each item's r-value is higher than 0.50. Meanwhile, reliability test results indicate that the Cronbach's alpha for all variables is higher than 0.70, concluded that all variable are reliable (Ghozali, 2011).

Table 1 below illustrated and detected the problems of the normality, multicollinearity, heteroscedasticity, linearity, and autocorrelation. The normality test showed the Kolmogorov-Smirnov Z value of 0.88 (p=0.200), which means the data were normally distributed. The result also showed that all independent variables have tolerance values > 0.10 and VIF < 10, which means no multicollinearity problem. The Glejser test result showed that all independent variables with t value were not significant at 5%, which means the model is free from heteroscedasticity. The linearity test results indicate a linear relationship between the independent and dependent variables because the linearity deviation was not significant at 5%. The run test showed Asymp sig values of 0.81, exceeding 5%. This means there is no autocorrelation relationship between residuals and model variance. The description above concludes that the equation meets the classical assumptions of regression so that that path analysis can be carried out further.

Table 1. Results of The Classic Assumption-Test

Multicollinearity Test		VIF	Tolerance
LAD		0.983	1.018
ICS		0.720	1.389
UIT		0.723	1.384
IAR		0.958	1.044
ORM		0.720	1.389
Glejser-Test:		t	p
LAD		0.273	0.786
ICS		0.099	0.921
UIT		-0.296	0.768
IAR		-0.338	0.736
ORM		1.533	0.130
Linearity Deviation Test -QRR			p
LAD			0.836
ICS			0.798
UIT			0.550
IAR			0.329
ORM			0.897
Kolmogorov-smirnov	Z:	0.880	0.200
Run test	Z:	1.746	0.081

Source: processed primary data, 2019

Multiple regression analyses were carried out within two path-stages (Nam, 2018). The first path was used to determine the effect of partial legal audit, internal control system, IT use, and the internal auditor role on optimizing the state-property management. The second path was determining the effect of legal audit, internal control system, use of IT and the internal auditor role, and optimizing the state-property management on the quality of state-property reporting.

Table 2. below showed the multiple regression of two paths.

Table 2. The Multiple Regression Analysis

	Coefficient	t	p
First Path			
Constant	4.209	5.276	0.000
LAD	0.028	0.277	0.278
ICS	0.190	2.638	0.010*
UIT	0.372	2.591	0.012*
IAR	-0.203	-1.487	0.142
Dependent variable ORM			
F	6.803		0.000*
R ²	0.280		
Adjusted R ²	0.239		
Second Path:			
Constant	0.893	3.653	0.001
LAD	0.035	0.940	0.351
ICS	0.160	8.156	0.000*
UIT	0.409	10.486	0.000*
IAR	0.140	0.383	0.703
ORM	0.264	8.529	0.000*
Dependent variable QRR			
F	127.912		0.0000*
R ²	0.903		
Adjusted R ²	0.896		

Source: processed primary data, 2019

*) significant at alpha 5%

Table 3. The Direct, Indirect Effect and The Sobel Test

	Coefficient of Direct Effect	t	Coefficient of Indirect Effect	Sobel test	Coefficient of Total Effect
LAD → ORM	0,028	0.277	-	-	0.028
ICS → ORM	0.301	2.638*	-	-	0.301*
UIT → ORM	0.295	2.591*	-	-	0.295*
IAR → ORM	-0.152	-1.487	-	-	-0.152
ORM → QRR	0.378	8.529*	-	-	0.378*
LAD → QRR	0.036	0.940	0.011	0.2740	0.047
ICS → QRR	0.361	8.156*	0.114	2.520*	0.475*
UIT → QRR	0.463	10.486*	0.111	2.472*	0.574*
IAR → QRR	0.015	0.383	-0.057	-1.459	-0.042

Source: processed primary data, 2019

*) significant at alpha 5%

The first path-stage analysis shows that optimized state-property management is simultaneously influenced by independent variables, even with a determination of only 28%. The result strengthened that only internal control systems and IT use significantly affect optimizing state-property management. The second path-stage analysis examines optimized state-property management role to mediating on reporting quality. This stage shows results following the first

stage: the internal control system and IT use significantly affect the quality of state-property reporting. The equation shows that the independent variables simultaneously affect state-property reporting quality, with a 90.3% determination. This coefficient means that optimizing state-property management plays an essential role in increasing the determination of variations in state-property reporting quality. Testing the mediation role is done by direct and indirect effect and calculation of the Sobel-tests, as shown in Table 3.

Table 3 above describes the direct and indirect relationship coefficients in the first and second stages. The table shows that only internal control system variables and IT use significantly influence the optimizing of state-property management and the quality of the state-property reporting. The Sobel-test calculation highlights that optimizing state-property mediates the effect of internal control system variables and IT on the quality of state property reporting significantly. The impact of direct and indirect effects could be seen in Figure 2.

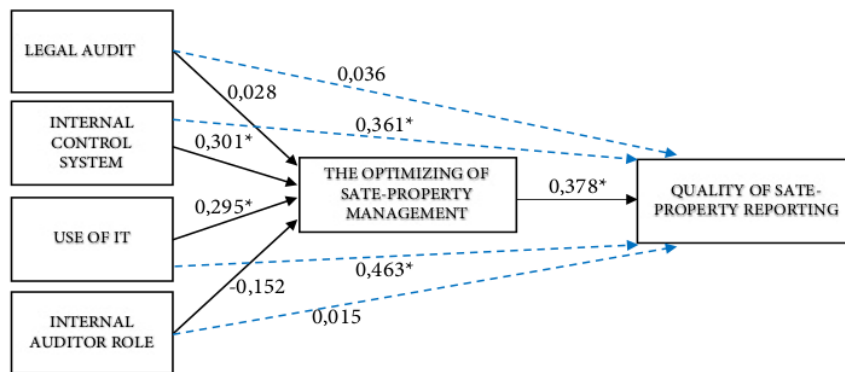


Figure 2. The Path Analysis of Direct and Indirect Effect

Table 4. Summary of hypothesis testing

	Hypothesis	t	Sig.	Conclusion
H1	legal audit significantly positively influences the quality of state-property reporting	0.940	0.351	Rejected
H2	the internal control system significantly and positively influences the quality of state-property reporting	8.156	0.000	Accepted
H3	the use of IT significantly and positively influences the quality of state-property reporting	10.486	0.000	Accepted
H4	the internal auditor role significant and positively impacts the quality of state-property reporting	0.383	0.703	Rejected
H5	optimization of state-property management significantly and positively impacts the quality of state-property reporting	8.529	0.000	Accepted
H6a	the optimizing state-property management mediated the legal audit on the quality of state-property reporting	0.274	0.391	Rejected
H6b	the optimizing state-property management mediated the internal control system on the quality of state-property reporting	2.520	0.005	Accepted
H6c	the optimizing state-property management mediated the use of IT on the quality of state-property reporting	2.472	0.006	Accepted
H6d	the optimizing state-property management mediated the internal auditor role on the quality of state-property reporting	-1.459	0.072	Rejected

Source: Processed results of the research, 2019

Based on the above explanation, the hypothesis testing results are presented in the following Table 4. Table 4 above describes the nine hypotheses; only five hypotheses are accepted, and four are rejected. The accepted hypotheses are H2, H3, H5, H6b, H6c, while H1, H4, H6a, and H6d are rejected. The rejection of H1 shows that the legal audit has no significant influence on state-property reporting quality. The legal audit is understood as assessing the legal and documentation and only supporting the physical state property evidence (Dumay et al. 2019). It only becomes supporting the existence of physical, and its value will be reduced or even meaningless without its physical. Although the legal audit has been categorized as a fair evaluation process, there are cases of dispute over state-property use in a particular regional office (Nurdiana et al. 2016). The existence of conflicts will undoubtedly hamper the optimization of state-property management because it could not be adequately managed by relevant regional offices or even temporarily stopped its use until the case is resolved. It can be considered a reason for the lack of legal audit influence on state-property management's optimization. A legal audit is defined as an action to resolve administrative problems that only need to be resolved not to become audit findings, not continuous improvement. The result is consistent with Bles (2015) and Nurdiana et al. (2016), who stated that the statutory legal audit does not significantly affect state-property management.

Rejection of H4 indicates that internal auditors do not significantly affect the reporting quality of state property. The internal auditors' role in auditing is a step that does not change the quality of reports of state property for repeatedly, and there is no technical improvement. This process may have occurred show the lack of explicitly the previous problem's policies. This evidence contradicts to the stewardship theory, that supports to conducting legal audits and internal auditor roles to secure the state property. An internal auditor would verify and examine state-property evidence only used to support the physical evidence (Dumay et al. 2019). This evidence may cause the insignificant effect of legal audit on the state-property report's quality. It is supported by Setyawati et al. (2015), stating that the legal audit does not affect regional government financial reporting quality.

The internal control system has a significantly positive effect on state-property reporting; it means H2 can be accepted. Government Regulation No. 60, 2008, emphasizes that implementation of internal control in government institutions achieve the goals through effective and efficient activities, reliability of financial reporting (including state-property reporting), securing state assets, and compliance with laws and regulation. This result has supported by Suci & Bârsan (2013) that explaining a public sector organization needs to be supported by adequate internal control for its duties and responsibilities. The results are also consistent with Jaenudin et al. (2017), who described that property management's internal control has a significant positive effect on fixed asset information reliability. The Committee of Sponsoring Organizations of the Treadway Commission (2015) defined that internal control's operational objective is to improve an entity's operations' effectiveness and efficiency, including its operational goals and financial performance, and to safeguard assets against losses. It could say that the internal control system is implemented to ensure compliance with laws and regulations in all aspects of management, including state-property management (Nurlis & Yudiati, 2017).

Hereafter, IT used significantly positive affects state-property reporting quality, which supports the third hypothesis. It confirms under the coercive isomorphism, which requires the governments to implement the advantage of information technology to facilitate data collection, recording, processing, and reporting of state property. This result is consistent and supports previous studies conducted by Haryanto (2013) and Siregar (2010), who found that information technology positively affects state-property reporting quality. Government Regulation No. 56 2005 concerning Regional Financial Information Systems emphasizes that governments must carry out integrated and computerized management activities, like the state-property application, to improve the state-property management process to report effectively and efficiently. These results, supported by Ekayanti et al. (2018) and Mainar et al. (2017), explained that the asset information system positively affects assets management's effectiveness. The optimal use of IT in

state-property management supports the improvement of the quality of state-property reporting, promoting the H6c acceptance. The use of IT indirectly influences the quality of state-property mediated by optimal state-property management. Thus, state-property management optimally to generate high-quality state-property reporting.

As a result, the rejection of H6a showed that the legal audit could not significantly influence the state-property report's quality by optimizing its management. Administrative safeguards might cause discrepancies in state-property results in legal audits that can only be used as supporting evidence of the physical appearance that will be reported a decline in value if the physical state-property is absent or damaged (Antoh, 2017). The H6b also confirms that the internal control system also significantly influences state-property reporting quality, mediated by optimized state-property management. It confirms how the process to provide sufficient confidence that the state-property management activities have been carried out effectively and efficiently, complying with the regulations (Mainar et al., 2017). His finding confirms that the Indonesian government's internal control system formed optimal management, which is subsequently realized in quality reporting. This reason can be clearly understood because the Government of Indonesia relies heavily on the strict bureaucratic management system, based on rules, procedures, and regulations that lead to intense but slow process (Mufti et al., 2019)

Optimization of state property management separately positively and significantly on the state-property report quality, describes the acceptance of H5. These findings also provide strong evidence of an intervening role in optimizing state-property management, evidenced by a significant direct influence of independent variables on both the reporting quality and optimization of state-property management. These results provide an initial explanation for the results of the hypotheses H6a, 6b, 6c, and 6d.

The internal auditor role does not affect the state-property report's quality, which confirms that internal auditors' supervisory function is just a mechanism of accountability to ensure proper monitoring, auditing, and reporting to help achieve organizational goals (Jefri, 2018). his evidence shows whether the internal auditor's active roles are used as a reference to assess the quality of the state-property report. Rejection of H6d indicates that the internal auditor role does not affect the quality of the state-property information mediated by state-property management optimization. This finding supported by Septiana (2017), who stated that internal auditors' role as a formal mechanism does not significantly affect the process of financial reporting. Those results also indicate that good regional government governance implemented in the state-property reporting quality is more determined by internal factors, the internal control system, and the IT use of optimizing state-property management. Legal audit and internal auditors' roles are not determining the state property governance significantly in securing state assets, although those variables are essential. It contradicts the stewardship theory because it does not fulfill the legal interests and the legitimacy of state property audits (Nurdiana et al., 2016). This interest is also a consideration by several parties from the stakeholders of the regional government.

CONCLUSION

This study suggests that the determinants of quality of positive state-property reporting are internal control systems, IT use, state-property management optimization. The effect of optimized management mediates internal control systems and IT utilization on the quality of state-property reports. It does not mediate legal audits and the role of internal auditors. Regional governments are advised to increase efforts to protect their countries and improve regional office leaders' oversight functions to minimize state-property misused while increasing employee performance and enhancing regional inspectorates' active role in carrying out state-property appraisals for reporting reliability. This research has some limitations. Among others, this research only involves internal employee as internal stakeholder in the regional government. Future research may involve external parties such as internal and external auditors in auditing state property. Future studies are expected to conduct observations within a longer period of time

observations to see how it changes and uses asset management measures for the business sector to compare asset management in the business and government sectors.

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