
Impact of Capital Expenditure Allocation on the Local Government Assets and the Role of Revenue Sustainability: Evidence from North Sumatra

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ABSTRACT

The purpose of this study is to identify the impact of the capital expenditure allocation to increase local government Assets in North Sumatra and its influence to the sustainability local revenue. This research was carried out by identifying the magnitude of the effect of testing capital expenditure authorized and expended in the form of fixed assets in North Sumatra. Data analysis technique done by the analysis of structural equation modelling in order to see the extent of aggressiveness district municipality spends for public in order to acquire assets as a form of wealth area and eventually result in the reception area in the time period 2006 to 2015. Results indicated the capital expenditure allocation increases local government assets in North Sumatra and its influence on regional revenue sustainability.

JEL Classification: D24; E22; G31.

Keywords: Allocation of Capital Expenditures; Assets Increase; Local Government; Regional Acceptance.

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1. INTRODUCTION

There are many kind of details and rules around capital expenditure allocation but the issue of local assets are still having some problems. One of the problems is the planning and budgeting process. In the area of asset management, practices are often budgeted for something that is not needed, it takes a while not budgeted. This can happen because of their particular interests, such as rents, received by local officials prior to the procurement of goods carried. Other issues are such as the case of procurement of goods or services. This stage is the most difficult stage because the prone to corruption, "threat" of a suspect (and to convict) is quite large. Therefore, the problem often arising is: the procurement mechanism of direct appointment, direct elections, or tender free? Some local officials sources are often not willing to be a procurement committee for fear of being caught in a corruption case. Although local officials have the certification exam (a requirement to be a committee of procurement of goods and services according to Presidential Decree No.80/2003), generally they prefer not to pass so that they will not be responsible for the procurement of goods and services. Besides, there are also, in some districts/cities, officials relating to the budget for maintenance.

Maintenance expenditures turned out to be one of the most frequent shopping object nonfictionous accountability. When examined in the Budget Realization Report (LRA), or in the calculation of the budget, the budget for maintenance expenditures were realized to be 100%. No trace exhausted.

Based on research (World Bank, 2008), phenomenon of ghost expenditures is common. That is, the allocation for maintenance is always budgeted incrementally although there are many assets that are not working or missing. This happens because of a lack of transparency in the removal and transfer of rights of the government assets. The issue is no less important in the asset management area which is located on the abolition of regional assets. Elimination of significant assets, that are no longer the value of an asset, will be included in the balance sheet. Removal of the ledger is done after the ownership of the asset is no longer in the area, but in the other party or destroyed or discarded (Alves & Lopes, 2014). In the accounting perspective, the removal is done by making a journal, for example: account to be debited equity fund invested in fixed assets and fixed assets crediting (Andayani, 2004). Since the enactment of Regulation No. 24 Year 2005, concerning the Government Accounting Standards (SAP), a benchmark of the performance of local governments can be seen from the financial statements of local government (LKPD), which must first be audited by BPK (Dalimunthe, et al, 2016). Information in LKPD should be able to meet the needs of users, which according to SAP are public, legislators, regulatory agencies, auditing agencies, donors, investors, lenders, and government.

Dongori (2006) stated that the impact of the implementation of regional autonomy laws and the issuance of Law No. 34 of 2000, which limits local tax levies can provide considerable influence on the reception area (Tarmizi, et al, 2016). Availability of resources potential and readiness of the region are important factors in the success of the region's autonomy. Financial areas, particularly on the revenue side could become unstable in entering this autonomy era. Andayani (2004) argued that the financial crisis caused by insufficient revenues or revenue to meet expenditure needs. Regions that do not have the readiness for autonomy era can experience the same thing, fiscal pressures (fiscal stress) becomes higher due to the increasing demands of independence shown by the increasing acceptance of its own to finance existing expenditure. Regional autonomy requires the regions to increase local revenue (PAD). Along with increased independence, the area is expected to release (or at least reduce) the dependence on the central government. In this era, the PAD should ideally be a major component of local financing. But the efforts of local governments are experiencing difficulty because of the enactment of Law No. 34 Year 2000 on Regional Taxes.

The existence of this law is often considered as it becomes a disincentive for the region, due to restricting the area to extend the local taxes that local revenues will come in future increases. Optimization of regional assets using information technology systems owned by the local government should have the facility of e-audit system that is integrated as Electronic Procurement Service (LPSE) while other systems have not been developed in an integrated manner, among others: Regional Development Management Information System (Simbangda); Regional Financial Information System (SIPKD); Result Management Information Systems Control (SIMHP); Regional Property Management System (Muda & Dharsuky, 2015).

2. DISCUSSION AND RESEARCH FRAMEWORK

Acquisitions and asset management process start with the current year procurement conducted by the procurement plan according to DIPA capital expenditure in the current year. It is important to mention that public policy by government is the engine of macroeconomic activity in the nations (Katircioglu, 2010). Supporting evidence of the transactions must be obtained by the complete asset, ie., SPP, SPM, SP2D as well as evidence supporting a parcel of tender documents, contracts, progress reports, examination of BA, BA handover of goods even physical truth (Ministry of Home Affairs, 2017). Handover to routine establishments is intended for the purpose database as the basis for monitoring the physical assets of both broad land, buildings, vehicle fleets and inventory, including its value as part of the asset management. After the procurement process is completed, the assets are handed immediately over to the routine agencies to be recorded and recognized under the control of the institution. Recording and reporting of assets is one unit, meaning that the process of transaction data input is done, where it will automatically be recorded in the diaries, ledgers and directly to the Balance Sheet, and the Budget Realization Report (LRA). After the handover process to the agency is routinely completed, based on the supporting documents of transactions such as SPM, SP2D is being recorded with used applications. And the implementation can occur spending on goods but the results are presented in the form of assets.

In this process it has to be truly believed that physical output is in the form of fixed assets or consumables. For example, in DIPA, an agency has planned to construct the pavilion exhibition of the earth. Because nature is not intended to be permanent, proposed as shopping goods. But in its implementation, agency managers feel a need to simultaneously be made permanent so that the course can be used for exhibitions next year without the cost of the bridge again. So, it becomes a permanent bridge. The results of the audit stated is a fixed asset, because according

to the Government Accounting Standards (SAP), a category which can be said to have a fixed asset of which is the technical and economic life of more than 12 years, can be depreciated as material value.

These conditions must be observed in the procurement of goods and recording process on assets. Such conditions should be listed as an asset on the balance sheet. Several years ago, the asset management process was done simply, which finished the procurement of goods, handover to a regular agency, was given a registration number, made a cardstock, were recorded in the statement of goods/assets (LMBT) and go away, without an inventory so there is no reliable database. However, in line with current technological developments, each procurement is put on record through the application, which is a system that accommodates recording of goods directly from the input process, mutilation of the ledger, trial balance to be balance with agencies. But even this process does not necessarily take place rapidly, there are still many obstacles in the field in its application. After two years since the issuance of Government Regulation No.6 of 2006, the process of changing the mindset of the original focus of asset management asset administration approach towards asset management approach has yet to take its place.

Until now, not all agencies have a database that is adequate, reliable database that can make us believe that a ministry has a total value of assets spread across multiple locations, especially the many units of work there are assets that have not managed and administered in accordance PP numbers 6 in 2006. Still there are assets that have not secured physically, administratively and legally and there are assets that are not used in accordance with authority Ministry agencies and also ignore the potential for non tax state revenue that may be generated (Muda & Dharsuky, 2015). Changes needed in implementing asset management are linked with the manager of the goods, the goods and the third party will use/transfer of assets by strengthening public participation (represented by the public), private (represented by a third party/private) and community (business and users goods) by creating accountability (accountability), transparency (transparent) and the rule of law (obedience rules) consistent, openness (open/focus on stakeholder) so that stakeholders can assess the performance of each party involved in asset management, fairness (treatment fair) to convince the various parties, especially the private sector, that there is no corruption, collusion and nepotism in the use or transfer of assets.

In an official release issued by the agency, there are 16 ministries/institutions who have received an unqualified opinion (WTP). It should be underlined that the ministry/agency is newly established ministerial institution that its asset or BMN quantity is not too large. It is certainly simplifying the management and administration of the assets or BMN they have (Muda & Dharsuky, 2015). Other things in the Ministry of Religion that had thousands of working units had assets scattered and were obliged to implement the application assets that certainly makes sense to still have some problems in implementation. On the other hand, not less than 60 ministries/agencies are still getting disclaimer opinion related to asset management that they manage and governance. Yardstick Award Opinion was submitted by the CPC since the enactment of Regulation No. 24 Year 2005, concerning the Government Accounting Standards (SAP). One measure of the performance of local governments can be seen from the financial statements of local government (LKPD), which must first be audited by BPK. Information in LKPD should be able to meet the needs of users, which according to SAP are public, legislators, regulatory agencies, auditing agencies, donors, investors, lenders, and government.

To get on LKPD WTP opinion of the audit team is quite difficult given that the usual management of cash flow is not well controlled, intense government control system (SPIP) over the area of financial management is still weak, and the asset management area is not equipped with a complete administrative evidence. The result of the deepening of the CPC significant weaknesses in the presentation of fixed assets among others is the registration card inventory items (KIB) that are not supported in recording support such as a card room inventory (KIR). Most of the physical goods cannot be directly identified as not given a registration number or the item number attached to the physical registers. There are goods but are not recorded in KIB. Card inventory is made based on the data of the physical realization but follow the data from DPPAD. The existence of inequality yields between KIB and balance. Adequate asset management should include the procurement of assets, transferring assets, asset inventory, asset accounting and management information systems accounting areas possessions, and the preparation of financial statements. If all goes well, the process concerning the assets of a regional information will be accurate and avoid the disclaimer financial statements. Weaknesses that should be corrected are associated with assets that can affect CPC opinion among the others:

- Not all SKPD / office inventory and revaluing its fixed assets.

- Registration of assets only from capital expenditure for the year was so that the assets has been derived from capital expenditure accumulated not previously reported.

- The beginning balance of fixed assets on the balance sheet have not been adjusted for the ending balance of the previous year audit so that the final balance sheet after mutation has been coupled with the current year end still displays the error data.

Efforts are being made to resolve opinion "Reasonable with Exceptions" (WDP), which can be done for example by Ministry of Home Affairs (2017):

- Solving problems by continuing the validation of assets and inventory of all assets on education in a comprehensive manner;

- Strengthening the budget management system and procedures relating to the procurement of assets;

- Disseminating good financial governance at all levels of government in accordance with Regulation No. 58 of 2005 and Regulation No. 13 of 2006 with the pattern of technical guidance and continuous training.

According to Regulation 32 of 2008, in an effort to increase the revenue, so as it is not to establish policies that burden the business world and society. Such efforts can be reached through the simplification of administrative procedures system and collection of taxes and levies, increase taxpayer compliance and levy payers area as well as improve the control and supervision of polling PAD followed by improving the quality, convenience, accuracy and speed of service. Theoretically measurement of local independence is measured from the PAD. In accordance with Law No.33 of 2004, it is stated that the PAD consists of: taxes, retribution, the results of which are separated regional wealth management, and other legitimate PAD. However, among all the components of revenue, taxes and levies are the biggest contributors, so it appears the assumption that PAD is identical with taxes and levies. The original incomes (PAD) are all local revenues derived from the economic resources native to the area. Muda and Dharsuky (2015) explained that the resources are obtained from the Local Revenue Local Taxes, Levies, Regional Wealth Management Separated and other PAD legitimate.

According to Tarmizi et al. (2016), "a capital expenditure of local government spending benefits beyond one fiscal year and will add assets or wealth area and will further add to shopping routine as maintenance costs on the Group Shopping Public Administration". Based on the Regulation of the Minister of the Interior No. 13 of 2006 Article 53, Paragraph 1 of the Code of Fiscal Management also mentioned that the capital expenditure is the expenditure made in the framework of the purchase/acquisition or construction of fixed assets intangible that have a benefit value of more than twelve (12) months for used in government activities, such as in the form of land, equipment and machinery, buildings, roads, irrigation and networks, and other fixed assets. Some previous research literature related to this study is presented in Table 1. The conceptual model can be developed based on the theory and literatures is shown in Figure 1.

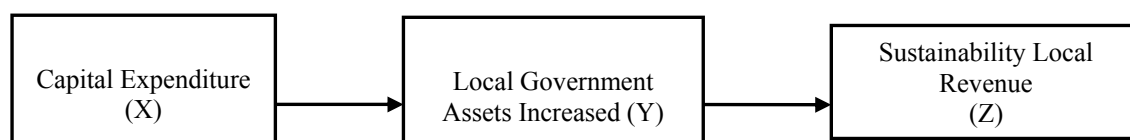


Figure 1.
Research Framework

Regards to the literature and conceptual model that were mentioned before, the hypotheses of this study are proposed then as follow:

H1: Capital expenditure allocation of assets increased the impact of local government in North Sumatra.

H2: Improvement of local government assets and capital expenditure allocation results of an impact on sustainability local revenue district municipality in North Sumatra.

Table 1. Prior Researches

No	Researcher	Title	Variable	Research result
1	Lal & Jimenez (2007)	Assessing the Impact of Fiscal Stress on Capital Debt Financing : Evidence from the States	Political variables, fiscal and budgetary institutions, demographic factors, and economic variables on capital debt financing	The influence of political variables, fiscal and budgetary institutions, demographic factors, and economic variables on capital debt financing.
2	West & Condrey (2010).	Municipal Government Strategies for Controlling Personnel Costs During the Fiscal Storm	Demographic and organizational variables and economic climate.	Jurisdictions whose municipal fiscal conditions are considered to be fair or poor are more likely than cities whose fiscal conditions are perceived to be good to excellent to use many of the cost reduction strategies. Other demographic and organizational variables had some limited relationship with the use of strategies, but were not as significantly associated with cost-containment actions as city economic climate
3	Balakrishnan et al. (2009)	The Transmission of Financial Stress from Advanced to Emerging Economies	Financial crises, financial stress index, emerging economies	Past banking sector financial stress in advanced economies implies that the decline capital flows may be large and drawn-out
4	Alves & Lopes (2014)	Valuation of Local Government Assets in Portugal	Construction stock, Portugal, State assets, valuation	The results of the study show that there are measurement problems in the elaboration of the financial statements, and there is a need for a clarification in definitions, particularly in what concerns the distinction between public and private domain of State assets. The study also suggests that a better account on the State assets, particularly on construction stock, has great implications for the management, repair and maintenance of the existing physical infrastructures.

In the following sections, testing the hypotheses will present with details.

3. METHODOLOGY

This research is a quantitative descriptive research that explains an existing phenomenon and describes clearly the object of the study. To explain the variables that have been identified, the Operational variables are in Table 2 as follows:

Table 2. Operationalization VariableS

Variable	Definition	Indicator	Scale
Local Government Assets Increased (Y)	Realization of assets increase in area from year to year	Total Fixed Assets	Ratio
Sustainability Revenue (Z)	Growth in the number of actual revenues sourced from the local tax, retribution, the results of the wealth management area that is separated and Lail-other legitimate PAD reception	Reports APBD Regency / City Government of North Sumatra.	Ratio
Capital Expenditure (X)	Growth in the number of budget spending, either directly or indirectly related to and associated with the program or activity.	Reports APBD Regency/City Government of North Sumatra.	Ratio

The population in this study was all government City/Regency in North Sumatra Province including 33 counties and cities. The sample used in this study was 25 (twenty five) Regency/City government in North Sumatra in 2006 to 2015. The sample data was provided by using purposive sampling. The model which is designed for this purpose is presenting below:

$$Y = \alpha + \beta_1 X + \beta_2 Z + e \quad (1)$$

$$Z = \alpha + \beta_1 Y + e \quad (2)$$

Where:

Y = Local Government Assets Increased, α = Constant, β = Slope or regression coefficient, X = Capital Expenditure, Z = Sustainability Local Revenue and e = error.

Analysis by SEM AMOS requires several fit indices to measure the correctness of the proposed model.

4. RESULTS AND DISCUSSION

Prior to empirical analyses, descriptive statistics of the related variables are provided in Table 3

Table 3. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Ass Da Y	200	61230,00	1494581,00	443964,0500	248968,17345
KPD Z	200	156,00	1416229,00	46900,3050	138782,42633
CE X	200	1594055,00	681884041,00	124034046,9300	94864099,25514
Valid N (listwise)	200				

Sources : Authors' own calculations.

This study used Mahalanobis distance outlier that is already available on the AMOS program. Here are the results of outlier detection based on the output of AMOS program.

Table 4. Observations Farthest from the Centroid (Group Number 1)

Observation number	Mahalanobis d-squared	p1	p2
198	109,134	,000	,000
173	58,566	,000	,000
23	19,244	,000	,000
148	15,725	,001	,000
123	13,536	,004	,001
98	13,112	,004	,000
187	12,308	,006	,000
73	11,563	,009	,001
184	10,413	,015	,004
188	9,626	,022	,014
137	8,754	,033	,066
163	8,634	,035	,047
138	7,943	,047	,153
58	7,913	,048	,101
114	7,863	,049	,068
112	7,746	,052	,056
87	7,527	,057	,065
159	7,467	,058	,046
64	7,338	,062	,042
62	7,265	,064	,032
113	7,211	,065	,023
88	6,164	,104	,422
162	6,149	,105	,348
66	5,863	,118	,506
84	5,784	,123	,491
183	4,591	,204	,998
12	4,585	,205	,996
134	4,465	,215	,997
91	4,302	,231	,999
41	4,166	,244	1,000
48	4,004	,261	1,000
13	3,990	,263	1,000
82	3,633	,304	1,000
9	3,532	,317	1,000
109	3,460	,326	1,000
16	3,402	,334	1,000
8	3,345	,341	1,000
65	3,289	,349	1,000
17	3,260	,353	1,000
78	3,177	,365	1,000
7	3,162	,367	1,000
59	2,836	,418	1,000
3	2,750	,432	1,000
19	2,743	,433	1,000
15	2,716	,437	1,000
22	2,699	,440	1,000

Observation number	Mahalanobis d-squared	p1	p2
20	2,690	,442	1,000
14	2,631	,452	1,000
70	2,571	,463	1,000
6	2,570	,463	1,000
189	2,534	,469	1,000
21	2,516	,472	1,000
25	2,512	,473	1,000
24	2,493	,477	1,000
103	2,465	,482	1,000
11	2,419	,490	1,000
10	2,341	,505	1,000
116	2,311	,510	1,000
37	2,268	,519	1,000
4	2,258	,521	1,000
63	2,212	,530	1,000
2	2,202	,532	1,000
5	2,193	,533	1,000
90	2,184	,535	1,000
95	2,103	,551	1,000
52	2,066	,559	1,000
1	2,050	,562	1,000
18	1,904	,593	1,000
193	1,775	,620	1,000
133	1,676	,642	1,000
150	1,643	,650	1,000
125	1,609	,657	1,000
92	1,608	,658	1,000
51	1,573	,666	1,000
39	1,562	,668	1,000
32	1,555	,670	1,000
45	1,538	,674	1,000
61	1,524	,677	1,000
152	1,512	,680	1,000
120	1,499	,683	1,000
72	1,483	,686	1,000
69	1,469	,689	1,000
166	1,439	,696	1,000
151	1,423	,700	1,000
182	1,415	,702	1,000
83	1,393	,707	1,000
44	1,359	,715	1,000
176	1,351	,717	1,000
42	1,317	,725	1,000
47	1,297	,730	1,000
177	1,264	,738	1,000
155	1,249	,741	1,000
38	1,231	,746	1,000

Observation number	Mahalanobis d-squared	p1	p2
111	1,222	,748	1,000
53	1,197	,754	1,000
158	1,147	,766	1,000
57	1,144	,766	1,000
147	1,141	,767	1,000
67	1,123	,771	1,000
124	1,096	,778	1,000

Sources : AMOS Result. (2016).

Mahalanobis d-squared has a maximum value of 109.134 appearing on the sample to 181 and a minimum value of 1096 which appeared on the sample to 124. Thus, the minimum value of Mahalanobis distance does not exist at a significance level below 0.001 indicates that there are no outliers multivariate. Multivariate normality test results can be seen in the following table.

Table 5. Normality Test Results

Variable	min	max	skew	c.r.	kurtosis	c.r.
CE_X	1594055,000	681884041,000	2,220	12,815	8,349	24,101
Ass_Da_Y	61230,000	1494581,000	1,528	8,819	2,704	7,805
KPD_Z	156,000	1416229,000	7,071	40,825	57,802	166,859
Multivariate					75,638	97,648

Sources : AMOS Result. (2016).

Based on normality test results, it can be seen that the value of the critical ratio (c.r) of kurtosis value of 76.638 suggests that the study variables are distributed multivariate normal. As stated by Sirojuzilam et al. (2016), the value of the critical ratio > 5:00 indicates the multivariate normal distribution of data.

Assumptions multikolinierity was tested to determine whether there is a strong correlation between variables or even perfect measurements and latent variables. If there is a perfect correlation between the variables fellow parameter measurement model and the structural model cannot be estimated because of the correlation matrix be positive definite so that the inverse of the correlation matrix cannot be calculated (Lubis et al., 2016). In this study, multicollinierity test was done by observing the correlation matrix output at the AMOS program pairwise comparison parameter correlation of estimates. Based on the observation of a correlation matrix, it was not found that a correlation coefficient is greater than 0.80, so it concluded that there is no multicollinierity problem between the measurement variable and latent variables.

Testing for model fit (goodness of fit) was performed to determine whether the model obtained was right in describing the relationship between the variables being studied so that it can be categorized into a good model. Testing the model in SEM aimed to look at the suitability of the model. Test model fit in Structural Equation Modeling can be analyzed based on several criteria such as the model fit testing are presented in the following table.

Table 6. Results of Suitability Model

Suitability Index	Estimates Value	Criteria	Result Test
Chi-square X ²	0,000	df, $\alpha = 5\%$	Good
RMSEA	0.766	> 0.08 (fit)	Fit
CMIN/DF	0.000	< 2 (marginal fit)	Fit
p-value	0.000	p>0.05 (fit)	Good
CMIN	353,328 (df=3)		Good

Sources : AMOS Result. (2016).

Regards to the Table 6, it is seen that in the overall model is fit, it can be concluded that the model estimation results are acceptable, meaning that the empirical model obtained is in accordance with the theoretical model.

The model that connects the latent variables with manifest variables can be shown as follows in Figure 2:

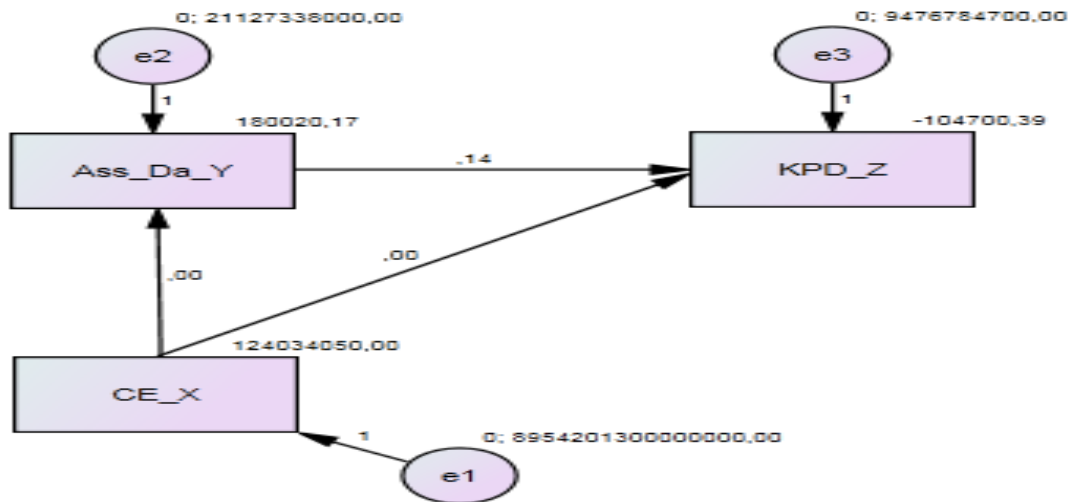


Figure 2.
Measurement Model

Data processing analysis of Structural Equation Model (SEM) by AMOS shows the analysis of the relationship between variables, the results are presenting in Table 7.

Table 7. Regression Weights: (Group Number 1 - Default Model)

		Estimate	S.E.	C.R.	P	Label
Ass_Da_Y	<--- CE_X	,002	,000	19,543	***	par_1
KPD_Z	<--- Ass_Da_Y	,141	,047	2,975	,003	par_2
KPD_Z	<--- CE_X	,001	,000	5,752	***	par_3

Sources : AMOS Result. (2016).

Valuation of regression weight for causality used the CR value. The results based on Table 7 show that all the regression coefficient is significantly different from zero, therefore, the null hypothesis that the regression weight is equal to zero is rejected, and the alternative hypothesis that each indicator has a causal relationship which means that the model can be accepted.

1. Growth capital expenditure (X) significantly affects assets improvement area (Y) by 0.002.
2. Local government assets increased (Y) has no significant effect on the sustainability local revenue (Z).
3. Growth capital expenditure (X) significantly affects the sustainability local revenue (Z). by 0.001.

The strength of the dimensions that make up the latent factors can be tested by using the Critical Ratio (CR) to regression weight generated by the model. CR was identical to t count in the regression analysis. CR greater than 2.0 indicates that the variable was significantly the dimension of factors. It is also indicated by the results of the mark *** AMOS output that the probability was below 5% alpha (0.000).

Total effects effect of X on Y by Z at 69.5% is contained in the following table:

Table 8. Total Effect

	CE_X	Ass_Da_Y
Ass_Da_Y	,811	,000
KPD_Z	,695	,253

Sources : AMOS Result. (2016).

Total direct effect of X on Y for 81.9% is contained in the following table:

Table 10. Direct Effect

	CE_X	Ass_Da_Y
Ass_Da_Y	,811	,000
KPD_Z	,490	,253

Sources : AMOS Result. (2016).

Total indirect effect of X on Y by Z at 20.5% is contained in the following table:

Table 11. Indirect Effect

	CE_X	Ass_Da_Y
Ass_Da_Y	,000	,000
KPD_Z	,205	,000

Sources : AMOS Result. (2016).

The government issued a regulation on asset management, but until now we are still sinking asset management, which is still in the process of revamping. Meaning has not reached the stage where the leadership can monitor the assets under its control quickly and accurately. It is evident, among others, that no entirely working units within an agency has conducted an inventory of assets, so that the overall automated asset value is not known that in the end the presentation in the financial statements cannot be relied on. Such conditions occur in almost all the local governments. Asset management can overcome this condition so that the item can be recorded and maintained through adequate asset management. Handover to routine establishments intended for the purpose database as the basis for monitoring the physical assets of both broad land, buildings, vehicle fleets and inventory, including its value as part of the asset management. After the procurement process is completed, immediately the assets handed over to the routine agencies to be recorded and recognized in under the control of the institution. Recording and reporting of assets is one unit, meaning that the application process of transaction data input is done, it will automatically be recorded in the diaries, ledgers and directly to the Balance Sheet, and the Budget Realization Report (LRA). After the handover process to the agency routinely completed, and based on supporting documents recording the transactions are made using the application.

The implementation can occur spending on goods but the results are in the form of assets. In this process it has to be truly believed that physical output is in the form of fixed assets or consumables. In doing this, agency managers feel a need to simultaneously make it permanent so that the course can be used for exhibitions next year without the cost of the bridge again. So, it becomes a permanent bridge. The results of the audit stated is a fixed asset, because according to the Government Accounting Standards (SAP), a category which can be said to have a fixed asset of which is the technical and economic life of more than 12 years, can be depreciated, material value. But because spending on goods listed in DIPA, then recorded in the application as goods rather than fixed assets, the auditor will make corrections. These conditions must be observed in the procurement of goods and recording process on assets. Such conditions should be listed as an asset on the balance sheet.

Several years ago, the asset management process was done in a simple way, which finished the procurement of goods, handover to a regular agency, was given a registration number, made a cardstock, were recorded in the statement of goods/assets (LMBT) and go away, without an inventory so there was no reliable database. However, in line with current technological developments for each procurement is put on record through the application, which is a system that accommodates recording of goods directly from the input process, mutilation of the ledger, trial balance to be balance agencies. But even this process does not necessarily take place rapidly, there are still

many obstacles in the field in its application. After two years, since the issuance of Government Regulation No. 6 of 2006, the process of changing the mindset of the original focus of asset management asset administration approach towards asset management approach has yet to do. Until now, not all agencies have a database that is adequate, database reliable can make us believe that a ministry has a total value of assets spread across multiple locations, especially the many units of work there are assets that have not managed and administered in accordance PP numbers 6 in 2006. Still there are assets that have not secured physically, administratively and legally and there are assets that are not used in accordance with authority Ministry agencies and also ignore the potential for non tax state revenue that may be generated.

Changes needed in implementing asset management is linked with the manager of the goods, the goods and the third party will use the transfer of assets by strengthening public participation (represented by the public), private (represented by a third party/private) and community (business and users goods) by creating accountability (accountability), transparency (transparent) and the rule of law (obedience rules) consistent, openness (open/focus on stakeholder) so that stakeholders can assess the performance of each party involved in asset management, fairness (treatment fair) to convince the various parties, especially the private sector, that there is no corruption, collusion and nepotism in the use or transfer of assets.

Yardstick Award Opinion was submitted by the CPC since the enactment of Regulation No. 24 Year 2005 concern the Government Accounting Standards (SAP). One measure of the performance of local governments can be seen from the financial statements of local government (LKPD), which must first be audited by BPK. Information in LKPD should be able to meet the needs of users, which according to SAP are public, legislators, regulatory agencies, auditing agencies, donors, investors, lenders, and government. To get on LKPD WTP opinion of the audit team is quite difficult, given the usual management of cash flow is not well controlled, intense government control system (SPIP) over the area of financial management is still weak, and the asset management area is not equipped with complete administrative evidence. The results of the deepening of the CPC significant weaknesses in the presentation of fixed assets among the others are:

1. Registration card inventory items (KIB) are not supported by recording support such as a card room inventory (KIR),
2. Most of the physical goods cannot be directly identified as not given a registration number or the item number attached to the physical registers,
3. There are goods but are not recorded in KIB,
4. Card inventory is made based on the data of the physical realization but follow the data from DPPAD,
5. The existence of inequality yields of between KIB and balance.

Adequate asset management should include the procurement of assets, transferring assets, asset inventory, asset accounting and management information systems accounting area possessions, and the preparation of financial statements. If all goes well, the process concerning the assets of regional information will be accurate and avoid disclaimer financial statements opinion. Weaknesses that should be corrected associated with assets that can affect CPC opinion among the others are:

1. Not all SKPD / office inventory and revaluing its fixed assets,
2. Registration of assets only from capital expenditure for the year so that the assets derived from capital expenditure accumulated not previously reported,
3. The beginning balance of fixed assets on the balance sheet has not been adjusted for the ending balance of the previous year audit so that the final balance sheet after mutation coupled with the current year end still displays the error data.

Efforts are being made to resolve Opinion "Reasonable with Exceptions" (WDP) can be done for example by:

1. Solving problems by continuing validation of assets and inventory of all assets on education in a comprehensive manner;

2. Strengthening the budget management system and procedures relating to the procurement of assets; and,
3. Disseminating good financial governance at all levels of government in accordance with Regulation No. 58 of 2005 and Regulation No. 13 of 2006 with the pattern of technical guidance and continuous training.

5. CONCLUSION

The purpose of this study was to identify the impact of the capital expenditure allocation on the local government Assets in North Sumatra and its influence to the sustainability local revenue. This research was carried out by identifying the magnitude of the effect of testing capital expenditure authorized and expended in the form of fixed assets in North Sumatra. Data analysis has been done by the analysis of structural equation modelling in order to see the extent of aggressiveness district municipality spends for public in order to acquire assets as a form of wealth area and eventually result in the reception area in the time period 2006 to 2015. The summary of the results of this study are presenting as below:

1. Capital expenditure's has significant effect on local government assets.
2. Increased local government assets has no significant effect on sustainability local revenue.
3. Growth capital expenditure has significant effect on sustainability local revenue.

Suggestions

Information technology systems owned by local government should have the facility of e-audit system that is integrated as Electronic Procurement Service (LPSE) managed by the Provincial Government Communication, while other systems have not been developed in an integrated manner among the others such as: Regional Development Management Information System (Simbangda); Regional Financial Information System (SIPKD); Result Management Information Systems Control (SIMHP) and Regional Property Management System.

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