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**Optimizing the Utilization of Local Government  
Assets in Gorontalo District**

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**ABSTRACT**

This study aims to analyze the management of Regional Owned Assets by the Gorontalo District Government, focusing on optimizing the utilization of BMD to increase Regional Original Revenue. The study evaluates BMD management practices in Gorontalo District from 2018 to 2022 using qualitative methods through interviews, observations, and documentation. The results show that BMD management includes inventory, appraisal, and legal audits to ensure effective asset utilization. Schemes such as leasing and lending have significantly contributed to Regional Original Revenue. Although revenue from BMD is fluctuating, optimization efforts are ongoing. Challenges include asset maintenance for maximum results. The implications of this study highlight the importance of strict supervision and the application of good state financial management principles for efficient and sustainable BMD management.

*Management of Regional Owned Assets, Optimization, Regional Original Revenue*

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**INTRODUCTION**

Law Number 17 of 2003 on State Finance stipulates that the financial aspects of the state include regional revenue, regional expenditure, and regional assets. Effective management of regional finances is key to achieving optimal state financial management. State finance encompasses not only rights but also all obligations measurable in monetary or goods terms. Government Regulation Number 28 of 2020, which amends Government Regulation Number 27 of 2014, governs the Management of Regional Assets (BMD), defining BMD as assets acquired through the Regional Revenue and Expenditure Budget or other legitimate sources (State Gazette of the Republic of Indonesia, 2014). The management of BMD is further regulated by the Minister of Home Affairs Regulation Number 19 of 2016, which was updated by the Minister of Home

Affairs Regulation Number 47 of 2021 to enhance the administration of regional financial management and the recording of regional assets.

Regional assets include items acquired through grants, donations, contracts, laws, or legitimate court decisions (Mawikere & Neyland, 2021). The implementation of state financial management cannot be separated from the implementation of regional autonomy. Each region is given the opportunity to manage, develop, and build its area according to its potential and needs. According to Mardiasmo (2005), there are three main aspects that support the creation of good governance: supervision, control, and inspection. In the current era of regional autonomy, each district/city government is given greater authority to manage its own affairs, including the authority to manage its finances in order to carry out the main duties and functions of government, development activities, and services to the community (Horota et al., 2017).

The management of regional assets not only includes items directly owned by the regional government but also those controlled by the regional government. Ineffective management can lead to wasted acquisition and maintenance costs that exceed the benefits obtained. Therefore, strict supervision and control are necessary to optimize the management of regional assets. The prevailing regulations stipulate that the utilization of regional assets can be carried out in various forms such as leasing, borrowing, utilization cooperation, and others, in accordance with the Minister of Home Affairs Regulation Number 19 of 2016.

The utilization of regional assets is not only aimed at enhancing public services but also at supporting regional original revenue (PAD) in a lawful manner (Simatupang et al., 2024). Optimizing the utilization of regional assets can increase PAD contributions from other legitimate sources, as stated in the data on the realization of Other Legitimate PAD for certain years. Regional governments are expected to achieve financial independence by optimizing the management of their assets in accordance with applicable regulations and the principles of good state financial management.

To optimize assets, an inventory, valuation, and assessment of the potential assets must be conducted by gathering all types of assets, both movable and immovable (Faan et al., 2023). The inventory process aims to identify the origin and information related to the assets, including their size, volume, specifications, type, brand, and acquisition cost (Wicaksana et al., 2021).

Additionally, regional assets can be utilized effectively when they are in good and usable condition. According to Handayani (2007), the condition of assets has a proven influence on their utilization (Pauweni et al., 2017). In their use, assets must be in good condition to achieve optimal results. Well-maintained

regional assets can support the execution of core tasks and functions (tupoksi) of employees, thereby enabling them to provide quality public services to the community. Furthermore, assets in good condition can also attract interest from external parties to lease or collaborate with the regional government in utilizing these assets.

Optimizing the utilization of regional assets can enhance local own-source revenues categorized under Other Legitimate PAD. Below depicts the development of the realization of Other Legitimate PAD in the Financial Statements of the Gorontalo District Government from 2018 to 2022.

**Table 1.**  
**Realization of Other Legitimate PAD**

No.	Year	Realization (IDR)
1.	2018	106.855.069.181,49
2.	2019	113.409.659.290,41
3.	2020	91.769.965.051,68
4.	2021	86.394.033.644,92
5.	2022	87.751.604.550,24

*Source: Data processed, 2024*

In 2018, the revenue from Other Legitimate PAD amounted to Rp. 106,855,069,181.49. However, from 2019 to 2021, this figure decreased to Rp. 86,394,033,644.92. In 2022, there was a slight increase to Rp. 87,751,604,550.24, yet it still indicates uncertainty in local revenue acquisition.

The utilization of regional assets over the past 5 years, accumulated under Other Legitimate PAD as shown in Table 1, is detailed below:

**Table 2.**  
**Realization of PAD sourced from Utilization of Regional Assets**

No.	Year	Realization (IDR)
1.	2018	3.674.822.000,00
2.	2019	318.348.000,00
3.	2020	82.390.000,00
4.	2021	158.234.000,00
5.	2022	278.908.000,00

*Source: Data processed, 2024*

In 2018, its contribution was quite significant, reaching Rp. 3,674,822,000.00. However, there was a decline in 2019 and 2020, amounting to Rp. 318,348,000.00 and Rp. 82,390,000.00, respectively. In 2021, revenue from the utilization of regional assets increased to Rp. 158,234,000.00, and in 2022, it further rose to Rp. 278,908,000.00.

From the data presented, it is evident that the value of utilizing regional assets was very high in 2018 but experienced a significant decline in 2019. However, there has been a gradual upward trend observed in 2021 and 2022. Looking at the component within Local Own-Source Revenues, one of them is the Proceeds from Utilization of Regional Assets. However, when comparing the realization based on the data in Tables 1 and 2, in 2022, the Local Own-Source Revenue derived from the Utilization of Regional Assets amounted to only 0.31% of the total Other Legitimate PAD.

Regional governments are expected to create local own-source revenues by optimizing their assets through various forms of utilization regulated in the Minister of Home Affairs Regulation Number 19 of 2016 concerning Guidelines for the Management of Regional Assets, such as leasing, borrowing, utilization cooperation, build-operate-transfer (BOT), build-transfer-operate (BTO), and infrastructure provision cooperation. The optimization of regional asset utilization, especially land, will have a significant impact on local own-source revenues, which will then be used to support regional development and provide better public services to the community (Qurani & Narastri, 2024). Based on the foregoing description, the objective of this study is to examine the optimization of the utilization of regional assets in Gorontalo District (Review of Minister of Home Affairs Regulation Number 19 of 2016 concerning Technical Guidelines for the Management of Regional Assets).

## **RESEARCH METHOD**

The object of this study is the Gorontalo District Local Government. The operational definition of the main variable includes asset inventory for data collection, coding, grouping, and asset bookkeeping, as well as legal audits to ensure the validity of ownership through administrative, physical, and legal security measures. Asset conditions are analyzed through maintenance and upkeep to support performance and public service delivery. Other variables, such as assessment, supervision, and control, are also evaluated to assess asset value and implement effective oversight. Informants include officials and staff directly involved in the management of regional assets, with qualitative data collected through interviews, observations, and documentation as the primary sources of information. The data analysis method used in this study is quantitative data analysis. Data analysis techniques employ data triangulation (Arikunto, 2013), consisting of three stages: data reduction, data presentation, and conclusion drawing.

## RESULT AND DISCUSSION

Regional Assets (BMD) play a crucial role in governance and public service, supporting national operations, development, and community welfare. The management of BMD must be transparent, efficient, accountable, and ensure value certainty, focusing on value creatio (Haryanto, 2019). However, ineffective management can lead to maintenance costs, depreciation, and potential deviations that are detrimental to the region. According to Government Regulation No. 27 of 2014, BMD encompasses all items acquired through regional budgets or other legitimate sources, managed by regional apparatus organizations with functional principles, legal certainty, transparency, efficiency, accountability, and value certainty throughout the management cycle, including planning, procurement, utilization, security, maintenance, assessment, transfer, disposal, administration, development, supervision, and control.

**Table 3.**  
**List of Regional Assets of Gorontalo District Government**  
**As of December 31, 2022.**

No	Asset Details	Asset Value (IDR)
1.	Land	183.209.511.859,00
2.	Equipment and Machinery	556.883.874.417,00
3.	Buildings and Structures	858.529.676.070,47
4.	Roads, Irrigation, and Networks	1.918.620.499.815,00
5.	Other Fixed Assets	79.131.321.511,35
6.	Construction in Progress	140.405.213.145,00
7.	Accumulated Depreciation	(2.015.393.800.583,00)
Total Fixed Assets		1.721.386.296.234,82

*Source: Data processed, 2024*

Based on the research, the regional assets that are the subject of utilization of regional assets are as follows:

**Table 4.**  
**Utilization Objects of Regional Assets**

No	Utilization Object of Regional Assets
1.	Land and Buildings for BSG Office at the Gorontalo District Financial Agency
2.	Land for BSG ATM at the Gorontalo District DPRD

	Location
3.	Land for Parking at BSG Cab Limboto at the Gorontalo District Local Government
4.	Land for BSG ATM at the Telaga Biru Sub-District Office
5.	Land for BSG ATM at the Batudaa Sub-District Office
6.	Land for Bupati's Office ATM
7.	Land for Diknas ATM
8.	Land for Telecommunication Tower

Source: Data processed, 2024

Considering the data above, the regional assets that are extensively utilized to generate local own-source revenues (PAD) are primarily Land and Buildings. In line with this, according to the Accrual Basis Government Accounting Standards on Investment Property, local governments must present Regional Assets that meet the criteria as investment property assets (Saprudin, 2017). According to the Accrual SAP Statement No. 17, Investment Property is property used to generate rental income or to increase asset value, or both, and not for use in government activities, utilized by the general public, in the production or supply of goods or services, or for administrative purposes, or sold and/or transferred as part of public service delivery. Government entities may own property used to generate rental income and/or for value enhancement, for example, by managing property on a commercial basis. In this case, properties owned by entities, other than those owned for own use or for sale and/or transferred as part of public service delivery, meet the definition of investment property. Additionally, government entities may own property for lease or for value enhancement, using the proceeds to finance their activities (Janrosl & Khadijah, 2021). For example, an entity may own a building leased commercially to external parties to generate rental income, thus meeting the definition of investment property.

There are Investment Property Assets of the Gorontalo District Government that have also been presented in the Unaudited Local Government Financial Statements, currently undergoing audit by the Audit Board of the Republic of Indonesia Representative Office in Gorontalo Province. These assets have been identified as potential assets for collaboration in the utilization of regional assets. The list of these assets is as follows:

**Table 5.**  
**List of Investment Property Assets**

No	Asset Details	Asset Value (IDR)
1.	Government Office Building	347.500.000,00
2.	Permanent Factory Building	1.747.100.000,00
3.	Permanent Factory Building	81.900.000,00
4.	Permanent Factory Building	186.500.000,00
5.	Mess	83.200.000,00
6.	Boundary Marker Monument	336.500.000,00
Total		2.782.700.000,00

*Source: Data processed, 2024*

The research indicates that the local government's Coconut Flour Factory, leased to PT. Trijaya Tangguh until 2023 for a rental value of IDR 5,000,000,000, is currently unused after the contract expired. To optimize its use, the Department of Industry and Trade of Gorontalo District has requested an assessment from the Provincial Office of the National Land Agency (KPKNL) in Gorontalo. This study, based on Minister of Home Affairs Regulation No. 19 of 2016, involved interviews with Dr. H. Roni Sampir, Mr. Hariyanto Manan, and Mr. Heru Setiawan from the State Audit Board (BPKP) of Gorontalo Province. The results emphasize the importance of Asset Inventory, Legal Audit, Asset Condition, Assessment, as well as Supervision and Control to optimize the utilization of regional assets in Gorontalo District, which have contributed as a source of local own-source revenues.

### **Discussion**

Minister of Home Affairs Regulation No. 19 of 2016 explains that the management of regional assets includes planning, procurement, utilization, utilization, security, maintenance, assessment, transfer, disposal, administration, development, supervision, and control. The utilization of regional assets, not used for the tasks and functions of SKPD, aims for optimization without changing ownership status (Putri, 2020). The utilization methods include Rent, Borrowed Use, Utilization Cooperation Agreement (PKS), and Build Operate Transfer (BGS) / Build Transfer Operate (BSG). The Gorontalo District Government has implemented the Rent and Borrowed Use schemes according to requests from other parties.

## **Rent**

Rent is the utilization of Regional Owned Property (BMD) by third parties for a specified period in exchange for cash. Rental objects include land and/or buildings transferred by the Goods User to the Governor/Mayor, part of the land and/or buildings still used by the goods user, and BMD other than land and/or buildings (Runiawati, 2017). The purpose of renting is to optimize unused BMD in its primary duties and functions and prevent unauthorized use by others. Renting BMD is carried out as long as it does not harm the region and does not interfere with the tasks and functions of the local government. The rental period is up to five years and can be extended. Rental partners include State-Owned Enterprises, Regional-Owned Enterprises, private companies, international institutions, foundations, cooperatives, and other legal entities.

In the implementation of rent, the local government assigns a Government Appraiser or Public Appraiser to assess the rental object to obtain a fair value, which becomes the base rental rate. The rental proceeds are deposited into the Regional General Treasury. In Gorontalo District, the implementation of BMD rental has contributed to Local Own-Source Revenue, as evidenced by the realization data of BMD rental income from 2019 to 2023. Despite a decline in 2020, income increased again from 2021 to 2023. Regional Owned Property rented to third parties in 2023 consists of various objects such as office locations, ATM buildings, parking lots, and land for telecommunication towers, with a total rental income of IDR 677,597,000. This rental value is based on an assessment by the State Property and Auction Service Office (KPKNL) of Gorontalo Province. Optimizing the utilization of regional owned property is crucial for increasing regional revenue in accordance with the regulations governing regional owned property management..

## **Loan for Use**

Loan for use is the utilization of goods between the Central Government and Regional Governments or among Regional Governments without compensation, with an obligation to return them after a certain period. Objects include land, buildings, and other items to optimize Regional Owned Property (BMD) that are not used and support governmental tasks. It applies for a maximum of five years and can be extended once. The borrower must not utilize the object without permission and is responsible for maintenance and costs.

In Gorontalo District, the Loan for Use scheme is applied for land and buildings to support governmental services at the Election Supervisory Board (BAWASLU), although it does not generate revenue for the region. To date, the utilization of BMD in Gorontalo District is carried out through lease and loan for use schemes, while Collaboration Utilization Agreements (PKS) and Build



Operate Transfer (BOT)/Build Transfer Operate (BTO) have not been implemented. Siregar (2004) states that legal audit is a scope of asset management work that includes inventory of asset ownership status, asset ownership systems and procedures, identification and resolution of legal issues, and strategies to solve various legal issues related to asset ownership or transfer (Antoh, 2017).

### **Condition of Assets**

The condition of assets has been proven to influence their utilization. In their usage, assets must be in good and proper condition to achieve optimal results (Pauweni et al., 2017). Additionally, assets in good condition can attract interest from parties outside the local government to lease or collaborate with the local government to utilize the existing assets.

### **Appraisal**

Asset appraisal is a crucial process in managing regional assets, conducted to assess the legitimacy of Regional Owned Property (BMD) ownership (Wartuny, 2020). Gorontalo District Government utilizes appraisal data from Public Appraisal Service Offices for the compilation of BMD balance sheets since 2006. This appraisal process continues to be adjusted and improved, including for assets that have not been recorded. The appraisal process is regulated under Ministerial Regulation No. 19 of 2016, involving government and public appraisers who consider the asset's condition to determine its economic life and fair value, especially if it will be utilized by other parties. Steps in utilizing BMD include application, fair value assessment, approval by managers or local leaders, and the creation of utilization agreements. Accurate appraisal significantly influences decisions regarding asset use, maintenance, and disposal, ensuring optimal utilization in accordance with applicable regulations.

### **Supervision and Control**

Supervision is the most essential management function; no matter how well activities are performed, without supervision, they cannot be deemed successful (Nasution & Khair, 2022) Meanwhile, according to (Lindayana et al., 2022) supervision can generally be defined as the way an organization achieves effective and efficient performance, thereby supporting the realization of the organization's vision and mission.

## **CONCLUSION**

Based on the research findings, the indicators of asset inventory, legal audit, asset condition, appraisal, and supervision and control, in accordance with Ministerial Regulation No. 19 of 2016, can enhance the optimization of regional asset utilization in Gorontalo District. Although the Gorontalo District Government has successfully utilized regional assets, contributing to Regional

Own-Source Revenue (PAD), the research indicates weaknesses in the implementation of these measures. Annual inventory, conducted solely for reporting purposes, needs to be enhanced to comprehensive inventory from the outset to ensure asset data accuracy and improve transparency and accountability. Furthermore, efforts to protect assets administratively, physically, and legally have commenced but do not yet cover all regional assets, particularly concerning land ownership certificates. Asset condition maintenance also needs greater attention to ensure efficient budgeting and repairs. Asset valuation is crucial for informed decision-making, but its implementation often faces lengthy processes. Supervision and control over regional asset usage also need strengthening, despite challenges related to limited resources. Therefore, continuous improvement in implementing these measures is expected to enhance the overall benefits and security of regional asset management.

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