

# Mediation of Asset Optimization on the Effect of Asset Inventory and Quality of Human Resources in the Quality of Regional Government Financial Reports in Indonesia

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This study was conducted to analyze the direct and indirect effects of asset optimization mediating the effect of asset inventory and quality of human resources on the quality of local government financial reports. The total sample of the study was 105 respondents. This research used an explanatory methodology with partial least square data analysis techniques utilizing smart PLS 3.0 software, a variant-based statistical equation modelling method designed to solve multiple regression. The results of this direct research show that asset inventory affects the optimization of assets and the quality of financial statement sources whereas the quality of human resources affects the optimization of assets but does not affect the quality of financial statements. The results of the indirect relationship show that optimization of assets can mediate the effect of asset inventory and quality of human resources and consequently, the quality of financial statements.

**Key words:** *Asset Inventory, Quality of Human Resources, Optimization of Assets, Quality of Financial Statements.*

## **Introduction**

### ***Research Background***

Law number 15 (2004) concerning auditing financial statements and the financial responsibility of the state in article 16 states that financial statements are either 1. Fair without exception, 2. Fair with exceptions, 3. not fair, 4. refusing to give an opinion - where opinion is an examiner's professional statement regarding the reasonableness of a financial statement presented in the financial statements. In granting opinion the financial statements of regional governments must meet several criteria, including: a). Compliance with government accounting standards, b) adequacy of disclosure, c). Compliance with statutory regulations, d). Effectiveness of internal control systems. Indonesian regional government financial reports from 2015 to 2018, experienced an increase from unnatural opinion to reasonable opinion with the exception that what was excluded in the financial statements was fixed assets. One of the factors causing the quality of local government financial reports in Indonesia is that the management of fixed assets and the quality of human resources of employees in financial management are not yet optimal. The quality of human resources in local governments in Indonesia is still low and there is a lack of financial management staff with educational backgrounds in the economy, especially accounting with most local government administrators in Indonesia having non-economic backgrounds. Lack of basic understanding in financial management in regional government results in poor regional financial management.

Due to the low quality of human resources, the inventory of fixed assets is not carried out resulting in a consequent low impact on the optimization of fixed assets and a decrease in the quality of local government financial reports. The quality of reliable human resources can be seen from the aspects of physical quality, mental quality and intellectual quality as well as the role of a leader in motivating subordinates to be pro-active in accommodating these assets so that they can be optimized to produce a quality financial report as stated in Government Regulation No. 71 of 2010.

Utilization and optimization of regional assets can increase or boost local own-source revenue, therefore, asset management in the future must aim at ensuring sustainable capacity development of regional governments. Pekei (2014) and Putra (2012) conducted a study and found that the better the implementation of asset management, the more effective the management of assets of a region. Putra's research results (2012) state that planning, implementation, guidance, supervision and control simultaneously affect the management of regional property. Jusmin (2013) conducted a study on the effect of asset management on the level of optimization of fixed assets using the variables of asset inventory, legal audit, asset valuation, asset supervision and control as well as asset optimization. The results show that both individually and together the asset inventory significantly influences the optimal assets of regional governments. To ensure effective utilization of assets, effective decisions regarding

the asset cycle must be made and thus it becomes important to gather useful information about the life cycle of assets..

### ***Research Problem***

Based on the research background, the problems in this study were formulated as :

1. Does the inventory of assets and the quality of human resources affect the optimization of assets?
2. Does the inventory of assets and quality of human resources affect the quality of financial statements?
3. Does asset optimization mediate the effect of asset inventory on the quality of financial statements?
4. Does asset optimization mediate the effect of the quality of human resources on the quality of financial statements?

### ***Purpose and Research Objectives***

Based on the identification of the problems formulated above, the objectives of this study are:

1. Analyze the effect of asset inventory and quality of human resources on asset optimization.
2. Analyze the effect of asset inventory and quality of human resources on the quality of financial statements.
3. Analyze asset optimization as a mediating variable on the effect of asset inventory on the quality of financial statements.
4. Analyze asset optimization as a mediating variable on the effect of the quality of human resources on the quality of financial statements

## **Study of Literature and Thinking Framework**

### ***Literature Review***

#### ***a. Stewardship Theory***

Stewardship theory views that organizational management as "Steward / stewardship", requires mindful and wise action in the interests of the organization (Donaldson and Davis, 1991). As conditions become more complex with higher demands for accountability in public sector organizations, it is increasingly difficult for principals to carry out management functions themselves. The separation between the ownership function of the community and the management function of the government is becoming increasingly apparent.

### ***Operational Theory***

According to Siregar (2004: 178) understanding of assets based on sustainable development perspectives concerns three main aspects:

- 1) natural resources,
- 2) human resources, and
- 3) Infrastructure

Assets are defined as resources that are controlled by local governments as a result of past events. As for the ownership of assets by the regional government, the aim is to obtain future economic benefits or potential services that flow into the regional government. In summary, the goal is for the people to become prosperous. Based on this, it is not strange that the regional head struggles to have as many assets as possible so that the people prosper. Rahman, S.N (2009).

#### ***a. Asset Inventory***

Management of State / Regional Property has been regulated in Government Regulation of the Republic of Indonesia Number 27 of 2014 and Regulation of the Minister of Home Affairs Number 19 of 2016 concerning Technical Guidelines for Management of Regional Property that explains that inventory is an activity to collect data, record, and report the results of data collection of Property Country / Region which is carried out by the Goods User every year. Fixed assets that are actually owned by the Regional Government can be determined from the results of the inventory, after which an assessment is carried out in accordance with the Regional Government's accounting policies.

The purpose of fixed asset inventory is to achieve:

1. Confidence in the physical presence of goods contained in inventory documents and the accuracy of their quantities.
2. Knowledge of the current condition of the goods (good, lightly damaged, and heavily damaged);
3. Completion of administrative procedures: a) make a proposal for the removal of heavily damaged goods, b) take responsibility for items not found / lost, and c) record / book items that have not been recorded in the inventory documentation.
4. Notation of existing problems with inventory, such as land disputes, unclear ownership, inventory controlled by third parties;
5. Provision of information on the value of regional assets as a basis for preparing the regional initial balance sheet.

Therefore, the implementation of the inventory must be carried out correctly with relevance between the data and the condition of real and accurate goods, especially in recording them in

the inventory and reporting items. This is completed so that the real condition of the goods can be known and there is no waste or loss for the organization as explained by Mardiasmo (2004) and Siregar (2004).

#### ***b. Quality of Human Resources***

Asset management in the administration of government, especially in the management of assets, intellectual abilities, physical abilities and mental abilities is needed by government officials to secure and optimize their assets. Isaac's research (2002: 5) found that human resources are the key holders of all activities. The amount of capital collected can be lost without meaning if human resources as managers do not have the right capacity to manage the capital, as well as what was expressed by Werther and Davis (1996) in Izzati (2011) and Ndraha (1997) in Izzati (2011) ).

#### ***c. Optimizing Asset Management***

The purpose of asset management is to optimize the potential service provision of the asset concerned, minimize risks and costs, and increase the positive value of natural and social capital in the life cycle of an asset. Good Governance and the placement of the right business system, the right process, and the placement of human resources who have the appropriate capabilities are essential factors in achieving the above objectives.

#### ***d. Quality of Financial Statements***

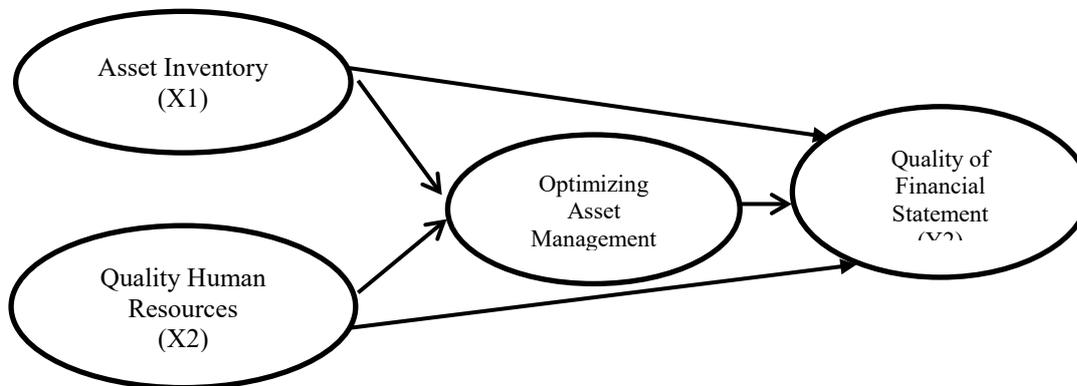
Government Regulation Number 71 of 2010 concerning Government Accounting Standards, states that the qualitative characteristics of financial statements are normative measures that need to be realized in accounting information so that they can meet their objectives. The following four characteristics are normative preconditions so that government financial reports can meet the desired quality: relevant, reliable, understandable and comparable. These criteria refer to the information presented in the financial statements. This is in accordance with Ronan Murphy Payamta (2006) finding that the criteria will improve the quality of information presented in financial statements.

### ***Framework for Thinking and Hypothesis***

#### ***a. Framework***

The framework in this study is based on several previous studies and some underlying theories so that in this study the conceptual framework are presented in Figure 1 below:

**Figure 1.** Research Conceptual Framework



**b. Hypothesis**

***Inventory of assets and the quality of human resources affect the optimization of assets***

Jusmin's research (2013) shows that, individually, asset inventory is proven to have a positive and significant effect on the level of optimality of assets however the research of Gaffar et al. (2017) found that asset inventory has a negative effect on asset optimization. Likewise, the results of Darno's (2012) research found evidence of a positive influence of the human resource variable on the quality of the user's power item report. These studies encourage researchers to re-examine the effect of asset inventory and quality of human resources on asset optimization, and the hypothesis in this research is:

"Inventory of assets and the quality of human resources affect the optimization of assets"

***Inventory of assets and the quality of human resources affect the Quality of Financial Statements***

Mardiasmo (2004) explains that local governments need to know the amount and value of regional wealth they possess, both those currently controlled and those that are still in the form of potentials that have not yet been mastered or utilized. For this reason, local governments need to identify and create an inventory of the value and potential of regional assets as this is closely related to financial statements concerning the data of assets owned.

Widiastuti's research (2014) shows that human resources have a partial positive effect on the quality of local government financial reports. Another study conducted by Yudianta. et al. (2012) found that the capacity of human resources has a positive effect on the quality of accounting information in the financial reporting SKPD Gianyar Regency. The empirical findings above are in line with Wilkinson's (2000) statement that the quality of information in financial statements is highly dependent on resource inputs in the form of: manpower,

materials, facilities, funds and data and based on these findings and thus the hypothesis proposed in this research is:

"Inventory of assets and the quality of human resources affect the Quality of Financial Statements"

***Asset Optimization Mediates the Effect of Asset Inventory on the Quality of Financial Statements***

Research conducted by Pekei (2014) shows that the application of asset management has a significant and positive effect on the effectiveness of local asset management. Likewise, Putra's research (2012) shows that together, planning, implementation, guidance, supervision and control affect the management of regional assets.

Asset inventory affects the quality of financial statements (Sangaji, 2018) and has a significant effect on legal audit and asset valuation. The results of Gaffar et al.'s (2017) research also found that asset inventory has a negative effect on asset optimization. Thus the hypothesis proposed in this research is:

"Optimizing assets mediates the effect of asset inventory on the quality of financial statements through asset optimization"

***Optimization of Assets Mediates the Effect of Quality of Human Resources on the Quality of Financial Statements***

The influence of the ability of human resources to optimize assets was found by Darno (2012), who stated that the variable of human resources had a positive effect on the quality of the user's power of goods report. This is in accordance with research by Widiastuti (2014), which shows that partially Human Resources have a positive effect on the Quality of Regional Government Financial Reports. Other studies conducted by Nurillah et al. (2014), found that human resource competencies, implementation of the Regional Financial Accounting System, the use of information technology, and the government's internal control system have a significant positive effect on the quality of local government financial reports.

Due to the fact that research on asset optimization results in conflict with other studies, this study attempted to use asset optimization as an intervening variable. Thus the hypothesis proposed for further investigation in this research is:

"Optimizing assets mediates the effect of the quality of human resources on the quality of financial statements"

## **Research Methods**

### ***Research Design***

The research technique used was a survey. This type of research in terms of research objectives is identified as explanatory research and this type of consideration intends to analyze the causality relationship (causality relationship) between the factors that influence the optimization of assets and the quality of financial statement information.

### ***Operational Definitions***

The operational definition is as follows.

- a. Asset Inventory (X1) is a process carried out by the asset manager to record all local government assets in Indonesia, in each SKPD. Asset inventory is measured based on the process of data collection, coding/labelling, grouping and bookkeeping/administration both physical and legal. (Jusmin. 2013).
- b. Quality of Human Resources (X2) is the ability of asset managers to carry out a system that functions for authorities to achieve organizational goals effectively and efficiently. Human Resources are measured based on physical quality, mental quality, and intellectual quality. (Randy Mauna Noor. 2015).
- c. Asset Optimization (Y1) is a process/mechanism conducted by asset managers so as to produce clear and accurate data/information about assets. Indicators of Optimization of Asset Management are the planning of needs and budgeting, procurement, use, utilization, security and maintenance, assessment, alienation, annihilation, elimination, administration, guidance, supervision and control. (Syahrani, 2015; Edeme, 2018)
- d. Quality of Financial Statements (Y2) is the level (quality) or fulfillment of criteria or expectation inherent in financial statement information. The criteria used to measure the quality of financial statement information adopts the criteria used in PP No. 71 of 2010. These criteria use 4 indicators: relevancy, reliability, comparability and understandability. (Syahrani, 2015)

### ***Research Variables***

The independent variables consist of:

- a. asset inventory (X1).
- b. quality of human resources (X2)

The dependent variables are:

- a. asset optimization (Y1)
- b. quality of financial statements (Y1)

### ***Population and Samples***

The entire population was sampled resulting in as many as 117 samples as this was completed using the census method. This amount is in accordance with the estimated parameters used according to the Maximum Likelihood (ML) method. The number of questionnaires returned was 105.

### ***Data Collection Techniques and Instruments***

The source of data in this study is primary data. Primary data were obtained using a research instrument in the form of a questionnaire. The questionnaire was delivered directly by researchers in each SKPD. This questionnaire contains a list of structured questions addressed to respondents with the intention of obtaining written information relating to the Asset Inventory, and the quality of human resources towards optimizing asset management and the quality of financial statements

### ***Data Analysis Techniques***

The data analysis technique used in this study is the Partial Least Square (PLS) approach using Smart PLS 3.0 software. PLS is one of the variance-based Structural Equation Modeling (SEM) statistical methods designed to solve multiple regression when specific data problems occur, such as small study sample sizes, missing data and multi-collinearity (Jogiyanto & Abdillah, 2009).

## **Research Results and Discussion**

### ***Research Results***

The number of respondents (n) was 105. Of the 105 respondents, the asset inventory variable (X1), the smallest (minimum) was 2.60 and the largest was 5.00. The average asset inventory of 105 samples is 4.181905 with a standard deviation of 0.528565. The skewness and kurtosis values are -0.63 and 3,411, respectively. So it can be concluded that the asset inventory data is normally distributed because the value of skewness and kurtosis is close to zero. The range value is the difference between the maximum and minimum values of 2.40 and the sum value is the sum of 105 samples which is 439.1.

The variable quality of human resources (X2), from 105 samples of the lowest quality variable of human resources (minimum) is 2.70 and the largest is 4.40. The average quality of human resources from 105 samples is 3.698095 with a standard deviation of 0.391491. Skewness and kurtosis values were 0.061 and 2.394 respectively. So it can be concluded that the asset inventory data is normally distributed because the value of skewness and kurtosis is close to

zero. The range value is the difference between the maximum and minimum values of 1.70 and the sum value is the sum of 105 samples which is 388.3.

Asset management optimization variable (Y1), from 105 samples found the smallest (minimum) value is 3.100 and the largest is 5.00. The average asset inventory of 105 samples is 4.1171 with a standard deviation of 0.4115. Skewness and kurtosis values are 0.3328 and 2.7607, respectively. So it can be concluded that the optimization of asset management data is normally distributed because the value of skewness and kurtosis is close to zero. The range value is the difference between the maximum and minimum values of 1.90 and the sum value is the sum of 105 samples which is 432.3. This data is presented in Table 1 below.

**Table 1:** Descriptive Analysis of Research Variables

Analysis Results	X1	X2	Y1	Y2
The mean	4.181905	3.698095	4.117143	4.183810
Median	4,200,000	3,700,000	4.100000	4.000000
Maximum	5.000000	4,400,000	5.000000	5.000000
Minimum	2,600,000	2.700000	3.100000	3.100000
Std. Dev	0.528565	0.391491	0.411484	0.427003
Skewness	-0.630121	0.060718	0.332792	0.287214
Kurtosis	3.411064	2.393792	2.760696	2.737182
Jarque-Bera	7,687684	1.672277	2.188675	1.745803
Probability	0.021411	0.433381	0.334761	0.417738
Sum	439,1000	388.3000	432,300	439,300
Sum Sq. Dev	29,05562	15,93962	17.60914	18.96248
Observations	105	105	105	105

Source: Primary Data, processed

Similarly, with the variable quality of financial statements (Y2) of 105 samples, the smallest (minimum) value is 3.100 and the largest is 5.00. The average quality of financial statements of 105 samples is 4.183810 with a standard deviation of 0.427003. Skewness and kurtosis values are 0.287214 and 2.737182, respectively. So it can be concluded that the optimization of asset management data is normally distributed because the value of skewness and kurtosis is close to zero

## Discussion

Testing the hypothesis and the path coefficient directly between the inventory of assets, and the quality of human resources to the quality of the source by using asset optimization as a mediating variable, shows that all research hypotheses have a significant effect.

### a. *Inventory of assets and the quality of human resources affect the optimization of assets*

Hypothesis test results of the influence of asset inventory and quality of human resources on asset optimization, can be seen in Table 2 below.

**Table 2:** Effects of Inventory of assets and Quality of human resources towards asset optimization

Path	Coefficient Path	T Statistics	Critical Value T	Decision
X1 -> Y1	0.436	4,840	1.96	Significant
X2 -> Y1	0.146	2,173		Significant

Source: Primary Data, processed

The table above shows the results of hypothesis testing: the value of the asset inventory coefficient on asset optimization is 0.436 with a t-statistic value of 4.840 (greater than 1.96); the coefficient value of the quality of human resources towards asset optimization is 0.146 with a t-statistic value of 2.713 (greater than 1.96). This means that the asset inventory variable and the quality of human resources have a significant and positive effect on asset optimization.

Implementation of asset optimization in local governments in Indonesia generally shows that the administration or bookkeeping aspect is a very important aspect and has been completed according to respondent perceptions. The second important aspect is data collection and the last is codification. In terms of the quality of human resources it is found that the physical aspect is a very important consideration after the intellectual and mental aspects, but this is different from the perception of respondents who consider the mental aspect is the most important after the intellectual and physical aspects. That is, if the administration or bookkeeping of the inventory of assets is completed appropriately and correctly and attention is paid to the physical aspects of the quality of human resources, there is ability to improve the optimization of assets, especially in security and maintenance.

This study is consistent with research conducted by Syahrani et al. (2018), Sangaji (2018) and Jusmin (2013) who found that asset inventory had a positive and significant effect on asset optimization. In addition, this research is supported by stewardship theory. Stewards in government organizations realized that service to the community has now become a measure

of the performance of government sector organizations (Morgan et al., 1996). One form of local government services in Indonesia to the community is a form of accountability for regional assets ranging from planning to reporting Regional Property or fixed assets.

In addition Syahrani et al. (2018), Arlini et al (2014), Azhar et al. (2013), Gaffar et al. (2017), also found that the quality of human resources has a positive effect on optimizing asset management. Human resources for local government are a strategic factor in all activities because human resources must not only be utilized as one of the productive factors of production, but are considered as the main assets (assets) of local governments in Indonesia that must be managed properly

**b. *Inventory of assets and the quality of human resources affect the Quality of Financial Statements***

Hypothesis test results of the influence of asset inventory and quality of human resources on the quality of financial statements, can be seen in Table 3 below.

**Table 3:** Effects of asset inventory and quality of human resources on financial statements

Path	Coeffisien Path	T Statistika	Critical Value T Statistik	Keputusan
X1 -> Y2	0.208	2.502	1.96	Signifikan
X2 -> Y2	0.056	0.696		Non Signifikan

Source: Primary Data, processed

The table above shows the results of hypothesis testing which found that the value of the inventory coefficient on the quality of financial statements is 0.208 with a t-statistic value of 2.502 (greater than 1.96) and that the coefficient of the quality of human resources on the quality of financial statements is 0.056 with a t-statistic value of 0.696 (smaller than 1.96). This means that the asset inventory variable has a significant and positive effect on the quality of financial statements, while the quality of human resources has no significant and positive effect on the quality of financial statements.

The quality of financial reports in local governments in Indonesia in general, viewed from the aspect of asset inventory, shows that the bookkeeping and administration aspects of assets are very important aspects and have been carried out according to the respondent perceptions. When viewed from the aspect of the quality of human resources the aspect of physical quality is a very important aspect, but this has not been completed according to respondent perceptions because it still prioritizes the mental aspects. This means that good bookkeeping and

administration of assets will improve the quality of financial statements, and the quality of financial statements can be improved if the financial statements prepared can be understood by all parties.

An orderly inventory process is an inventory process carried out with provisions that can realize improvements in the administration, supervision of finance and state assets effectively, also in order to increase the effectiveness of budgeting planning, procurement, storage and maintenance, distribution and removal of goods. Therefore, the inventory must be carried out properly and correctly according to the condition of the goods so that the intended inventory can be achieved. This study is in line with research conducted by Lucita et al. (2018), Haliah (2013), Oktaviana (2010), Simamora (2012) where the results of the study suggest that asset inventory has a positive and significant effect on the quality of financial statements.

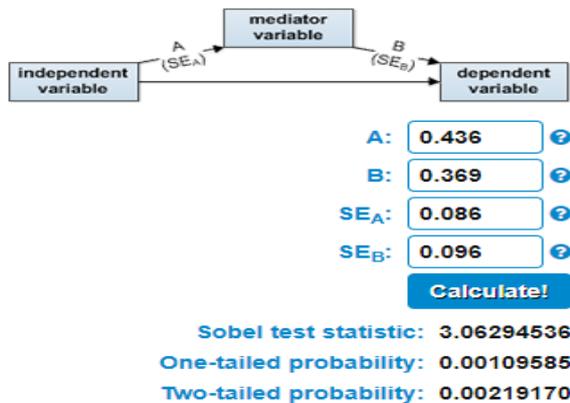
Ishak's research (2002: 5) found that human resources are the key to all activities. Fixed assets that are collected will be lost without meaning if human resources, managers, do not have the appropriate capacity to manage these fixed assets (Werther and Davis (1996) in Izzati (2011) and Ndraha (1997) in Izzati (1997) 2011). In addition, human resources who have an accounting education background or at least experience in finance are needed in a job related to the preparation of financial statements. However, the problems that are commonly faced by local governments are: the lack of human resources who have accounting education background; absence of recruitment policy requiring accounting background, and an assumption that human resources who are not from accounting background are able to carry out tasks without education, training and guidance, (Nazier, (2009) resulting in an effect on the quality of the financial statements produced.

This research is supported by the stewardship theory which describes a situation where management is not motivated by individual goals but rather is aimed at the main outcome goals for the benefit of the organization. The theory assumes a strong relationship between satisfaction and organizational success.

***c. Asset optimization mediates the effect of asset inventory on the quality of financial statements***

Based on the results of the analysis, Asset optimization (Y1) mediates the effect of asset inventory (X1) on the quality of financial statements (Y2) as can be seen in Figure 2 below

**Figure 2.** Hypothesis Testing for Variables X1 against Y2 through Y1



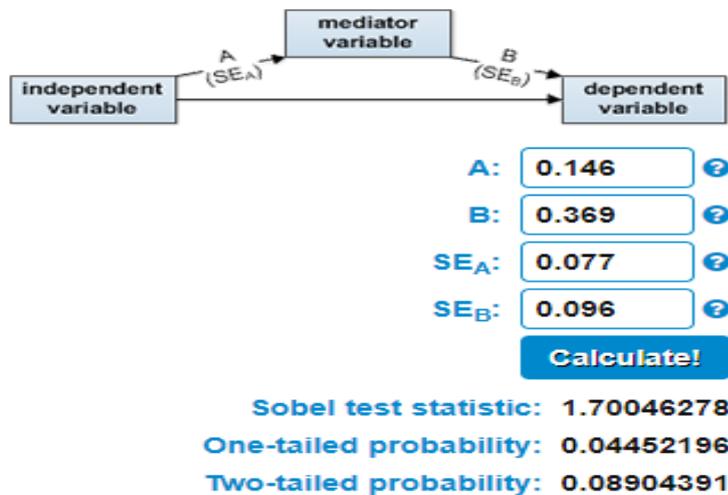
Based on the analysis results, the Optimization of Assets has a significant effect on the effect of the Asset Inventory on the Quality of Financial Statements. This can be seen in the results of the Sobel Test with a one tail statistical Sobel probability value of 0.001 which is smaller than the alpha value (5%), so it can be concluded that the influence of the X1 variable on Y2 is significantly mediated by the asset optimization variable (Y1). The government's need for regional goods or assets is very supportive of the implementation of its duties and authorities. The management of assets owned by the region can function optimally if managed properly. Thus, good, transparent, efficient, responsible and responsible regional asset management will be realized.

Asset inventory has an influence on the quality of financial statements, as found by Sangaji (2018), who states that asset inventory has a significant effect on legal audit and asset valuation. In addition, Putri (2018) also found that asset inventory had a significant positive effect on the quality of financial statements.

**d. Optimization of Assets mediates the Effect of Quality in Human Resources on the Quality of Financial Statements**

The results of the mediating role of the mediating variable Y1 in the influence of X2 on Y2 are shown in Figure 3 below.

**Figure 3.** Hypothesis Test Variable X2 against Y2 Through Y1



Based on the analysis, the asset optimization variable significantly mediates the Quality of Human Resources (X2) to the Quality of Financial Statements (Y2). This can be seen in the results of the Sobel Test with the probability value of the Sobel one tail statistical test of 0.044 which is smaller than the alpha value (5%), so it can be concluded that the influence of the X2 variable on Y2 is significantly mediated by the Y1 variable (Asset Optimization).

Darno (2012) argued that there was evidence of the effect of human resource capabilities on asset optimization and the results of his research found that there is a positive influence on the variable of human resources and the quality of the user's power item report.

## Conclusions and Suggestions

### Conclusion

- a. Asset inventory has a positive and significant effect on asset optimization. In addition, this research is supported by stewardship theory. Stewards at government organizations realized that service to the community has now become a measure of the performance of government sector organizations Morgan et al. (1996). In addition, the quality of human resources has a positive effect on optimizing asset management. Human resources for local governments in Indonesia are strategic factors in all activities because human resources must be utilized as a positive factor of production.
- b. Inventory of assets has a positive and significant effect on the quality of financial statements while the quality of human resources does not have a significant and positive effect on the quality of financial statements. The regular inventory process carried out can bring about improvements in the management and supervision of regional property such that the presentation of fixed assets in the financial statements will be of quality, while the

quality of human resources does not have a significant and positive effect on the quality of financial statements and human resources are the key holders of all activities. If human resources, managers do not have the appropriate capacity to manage fixed assets, the quality of the report will decline. Human resources without accounting education background or very poor experience in finance, are not able to carry out tasks which require a higher level of education, training and guidance and this influences the quality of the financial statements produced.

- c. Optimization of assets mediates the effect of asset inventory on the quality of financial statements. The quality of financial statements can be improved if bookkeeping and administering is conducted properly in the inventory of assets. In this study, asset inventory has a very important impact on improving the quality of financial statements. Good administration and bookkeeping or the maintenance and security of assets will improve the quality of financial statements.
- d. Optimization of assets mediates the effect of the quality of human resources on the quality of financial statements. The quality of financial statements can be achieved if physical quality is the focus and is supported by good accounting capacity quality of the human resources. This means that the quality of human resources can improve the maintenance and security of assets and thus improves the quality of financial statements.

### ***Suggestion***

Based on the research results, discussion and conclusions proposed in this study, the following suggestions can be made.

- a. The aspects of administration and deletion of regional assets still require attention. Therefore, training should be conducted on the administration and ‘write off’ of regional assets for managers of fixed assets in each region.
- b. This body of research still requires investigation of further research variables and indicators. This is based on the finding that the contribution of independent variables in explaining the importance of financial statement quality is still relatively low, and for example in the context of variable quality of human resources indicator, such variables as education, experience and motivation could be the subject of further research.



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