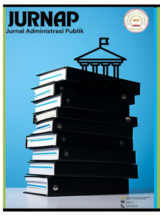

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THE ROLE OF RISK MANAGEMENT IN ACHIEVING ACCOUNTABLE LOCAL GOVERNMENT ASSET GOVERNANCE

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ABSTRACT

Effective regional asset management is essential for ensuring public accountability, administrative efficiency, legal certainty, and optimal public service delivery. However, local governments continue to face various asset-related risks, including incomplete asset records, uncertified land, unauthorized utilization, legal disputes, inadequate data quality, and limited institutional capacity. This study aims to examine the role of risk management in strengthening accountable local government asset governance. The study employed a qualitative library research approach using a descriptive-thematic analysis of relevant academic literature, government regulations, policy documents, and institutional reports. The findings indicate that risk management has an important strategic role in regional asset governance through risk identification, assessment, mitigation, monitoring, and reporting across the asset life cycle. Nevertheless, its implementation remains constrained by weaknesses in asset data quality, limited digital infrastructure, insufficient human-resource capacity, inconsistent risk awareness, and legal and physical vulnerabilities of regional assets. Strengthening risk management requires integrated asset information systems, systematic asset verification and certification, stronger internal controls, continuous capacity development, leadership commitment, and the establishment of a risk-aware organizational culture. The study concludes that integrating risk management into regional asset governance can reduce the potential for asset loss and disputes, improve asset utilization and reporting reliability, and strengthen transparency and accountability. A risk-based approach therefore provides an important foundation for creating sustainable and accountable local government asset governance.

INTRODUCTION

One of the persistent challenges in South Sulawesi is the management of regional government assets. Limited understanding of the asset management cycle remains an obstacle to optimizing public assets, both as potential sources of regional revenue and as instruments for improving public services. Asset management is a critical component of public governance because it is directly associated with accountability, efficiency, transparency, and service quality. Government assets must therefore be properly planned, recorded, utilized, monitored, maintained, and reported so that reliable information can support decision-making and public accountability. This principle is consistent with Government Regulation No. 27 of 2014 concerning the Management of State/Regional Property and Minister of Home

Affairs Regulation No. 19 of 2016 concerning Guidelines for Regional Property Management, which provide the regulatory framework for systematic and accountable asset management. The latter regulation remains in force, with subsequent amendments introduced through Minister of Home Affairs Regulation No. 7 of 2024.

The urgency of asset governance in South Sulawesi is illustrated by problems concerning the legal status and certification of government-owned land. The South Sulawesi Provincial Regional House of Representatives, through its special committee on regional property management, has highlighted the need for the provincial government to secure and certify assets and land under its control. Such problems demonstrate that asset management is not merely an administrative matter but also concerns legal certainty, protection of public property, and the prevention of asset loss. Weaknesses in asset administration can create risks of unauthorized occupation, legal disputes, inefficient utilization, and potential financial losses. Consequently, collective commitment among regional government officials and all regional apparatus organizations is required to strengthen asset governance throughout the entire asset life cycle, from planning and acquisition to utilization, maintenance, transfer, and disposal.

Within this context, risk management becomes an important instrument for strengthening public asset governance. Government institutions operate in an environment characterized by financial, operational, legal, technological, social, and environmental risks. Risk management enables public organizations to identify potential threats, assess their likelihood and consequences, determine appropriate mitigation measures, and monitor the effectiveness of controls. The OECD emphasizes that effective risk management supports government decision-making, helps identify the causes and consequences of risks, and enables public institutions to balance preventive measures with enforcement and accountability (OECD, 2010, 2020). Similarly, the Committee of Sponsoring Organizations of the Treadway Commission (COSO, 2017) emphasizes that risk management should be integrated with organizational strategy and performance rather than treated as a separate administrative function.

Risk management is particularly relevant to the public sector because its primary objective is not profit maximization but the protection of public value and the achievement of governmental objectives. Unlike private organizations, public institutions must simultaneously consider efficiency, legality, service quality, equity, public interests, and accountability. Therefore, risks associated with public assets may extend beyond financial losses to include service disruption, legal disputes, reputational damage, inefficient resource utilization, and reduced public trust. Effective risk management should consequently be embedded within institutional decision-making, internal control, planning, budgeting, monitoring, and evaluation processes.

In Indonesia, the integration of risk management into government governance is supported by Government Regulation No. 60 of 2008 concerning the Government Internal Control System (SPIP). This regulation provides the legal foundation for strengthening internal control as an integral component of governmental administration. The implementation of risk management within SPIP is important because effective internal control helps government institutions achieve operational effectiveness and efficiency, ensure compliance with regulations, safeguard public assets, and produce reliable reporting. The OECD (2020) similarly stresses that risk management and internal control are essential for public integrity because they reduce vulnerabilities to fraud and corruption while supporting value for money and better decision-making.

Good governance further requires public institutions to manage assets transparently, accountably, and responsively. UNDP emphasizes that accountable and effective governance depends on principles such as participation, inclusion, transparency, accountability, and responsiveness. From this perspective, asset management should not be understood solely as an accounting function but as part of a broader governance system designed to protect public resources and ensure that assets generate maximum public value. A risk-based approach can strengthen this process by identifying vulnerabilities throughout the asset life cycle, including risks related to incomplete documentation, unclear ownership, underutilization, physical deterioration, unauthorized use, legal disputes, and inaccurate asset records.

The relevance of risk management to public asset governance is therefore increasingly important in an environment characterized by rapid change and complex public-sector demands. Risk identification, risk assessment, mitigation planning, monitoring, and reporting can provide a structured mechanism for government institutions to anticipate problems before they develop into significant losses. For example, legal risks associated with uncertified land can be addressed through systematic verification and certification; operational risks can be mitigated through regular monitoring and maintenance; while utilization risks can be addressed through asset optimization strategies. Such measures can strengthen the reliability of asset information and improve the government's ability to make evidence-based decisions.

Accordingly, this study focuses on the role of risk management in realizing accountable local government asset governance. The study contributes by positioning risk management not merely as an internal control mechanism but as a strategic component of regional asset governance. By integrating risk identification, assessment, mitigation, monitoring, and accountability into the asset management cycle, local governments can strengthen legal certainty, improve asset utilization, reduce potential losses, and enhance public value. The findings are expected to provide both theoretical and practical insights for strengthening accountable, transparent, efficient, and sustainable regional asset management in South Sulawesi and other local government contexts.

METHOD

This study employed a qualitative research approach using library research. The primary data were obtained from books, scientific articles, government regulations, policy documents, institutional reports, and other relevant scholarly literature concerning risk management and local government asset governance. Library research was selected because the study seeks to develop a conceptual and analytical understanding of the challenges and strategies associated with risk management implementation in local government, particularly in South Sulawesi. The analysis used a descriptive-thematic approach, which aims to describe, organize, interpret, and synthesize relevant information systematically. This approach facilitates the identification of recurring patterns, concepts, and themes related to risk identification, risk assessment, mitigation, internal control, accountability, and asset management. The descriptive-thematic method is considered appropriate because it enables the researcher to develop an in-depth understanding of the phenomenon based on qualitative evidence obtained from relevant literature (Hadi, 1995; Braun & Clarke, 2006).

Data collection was conducted through a systematic review and selection of relevant literature. The process involved identifying, selecting, reading, classifying, and critically interpreting sources that directly addressed risk management, public-sector governance, regional government assets, and asset management practices. The selected literature was then organized according to major analytical themes, including risk management frameworks, regulatory and institutional challenges, asset-related risks, internal control mechanisms, mitigation strategies, and accountability. In accordance with the principles of library research, the study did not involve empirical field testing; instead, the analysis focused on the philosophical, theoretical, conceptual, and policy dimensions contained in the literature (Muhadjir, 1998). Thematic analysis was subsequently used to compare findings across sources and synthesize them into an integrated understanding of how risk management can strengthen accountable local government asset governance.

RESULTS AND DISCUSSION

Implementation of Risk Management in Local Government Asset Management

The implementation of risk management in Indonesia initially developed within the banking and financial sectors in the early 2000s, following the broader emergence of risk management practices among corporations during the late 1990s. Over time, risk management has become an important component of organizational governance because it enables institutions to identify potential threats, assess their consequences, and establish appropriate mitigation measures. In the public sector, however, the implementation of risk management, particularly in local government asset management, has not yet been fully institutionalized. This is reflected in various asset-related problems, including government houses that remain occupied by former employees and regional assets that are vulnerable to ownership disputes. Such conditions indicate that asset risks are not solely administrative but also involve legal, financial, operational, and reputational dimensions. Effective risk management should therefore be integrated into the entire asset management cycle, from planning and procurement to utilization, safeguarding, monitoring, reporting, and disposal (COSO, 2017; OECD, 2020).

The Indonesian regulatory framework requires local government assets to be safeguarded through physical, administrative, and legal mechanisms. Government Regulation No. 27 of 2014 and Minister of Home Affairs Regulation No. 19 of 2016 emphasize the obligation of asset managers, users, and authorized users to protect regional property under their control. Ownership documents must be securely maintained, while local governments may also implement insurance or other forms of protection to mitigate risks associated with regional assets. From a risk-management perspective, these provisions demonstrate that asset safeguarding represents an important form of risk treatment. Physical protection reduces the risk of loss or unauthorized use, administrative protection strengthens the accuracy and traceability of asset records, and legal protection reduces the risk of ownership disputes and unlawful claims. Thus, asset management regulations provide an institutional foundation for embedding risk management within local government governance.

Asset reporting and inventory mechanisms also constitute important elements of risk control. Asset users or authorized users are required to submit periodic asset reports, including semester, annual, and five-year reports, to the relevant asset manager. These reports are subsequently consolidated by the responsible administrative units to support the preparation of regional financial statements. Inventory results are recorded systematically and updated through periodic records of increases and decreases in regional assets. Such mechanisms are essential because reliable asset information provides the basis for identifying asset-related risks, evaluating asset utilization, and making appropriate management decisions. In this regard, asset inventory should not merely be understood as an accounting obligation but as a risk-information system that enables local governments to determine the location, ownership status, condition, utilization, and legal status of their assets.

Nevertheless, the literature indicates that risk management in local government asset management remains uneven. The existence of regulations does not automatically guarantee effective implementation because institutional capacity, leadership commitment, data quality, human resources, and organizational culture influence the extent to which risk management becomes part of routine decision-making. COSO (2017) emphasizes that risk management is most effective when integrated with organizational strategy, governance, and performance. Similarly, the OECD (2020) argues that public-sector risk management should be embedded within decision-making and internal control rather than treated as an isolated administrative procedure. Therefore, strengthening asset governance requires a shift from reactive asset administration to proactive, risk-based asset management.

Challenges and Strategies for Implementing Risk Management in Local Government Asset Management

Risk management has become increasingly relevant in public administration because governments operate in an environment characterized by rapid technological, economic, social, environmental, and regulatory changes. Local governments have a responsibility to protect public resources while ensuring that assets are used efficiently to support public services and regional development. Effective risk management therefore serves not only to prevent losses but also to improve the capacity of government institutions to anticipate uncertainty and maintain the continuity of public services. In the context of regional assets, risk management should cover procurement, ownership, utilization, maintenance, security, legal status, valuation, and disposal. Assets should be managed productively, while procurement processes must be transparent, accountable, needs-based, and aligned with public priorities.

One of the major challenges is the development of a risk-aware organizational culture. Risk management cannot be effective if it is understood merely as a technical responsibility of a particular unit. Local government leaders and all organizational units need to develop a shared understanding that risk identification and mitigation are integral parts of everyday management. Leadership commitment is therefore critical in establishing a culture in which employees are encouraged to identify risks, report weaknesses, and implement mitigation measures. The OECD (2020) highlights the importance of leadership, organizational culture, and accountability in strengthening public-sector risk management. In practice, local governments can strengthen this culture through continuous communication, risk-based planning, training, internal supervision, and leadership exemplification.

Another significant challenge concerns the availability and quality of asset data. Effective risk assessment requires accurate, complete, current, and accessible information. However, local governments may face problems involving incomplete asset records, inconsistent data, limited access, inadequate information infrastructure, and insufficient data-management capacity. Poor-quality data can lead to inaccurate risk assessments and inappropriate decisions. Prasetyo and Anggraeni (2021) emphasize the importance of improving data quality, accessibility, infrastructure, and data-management competencies to support effective risk management. Therefore, local governments need to establish standardized data-management procedures, conduct regular verification and reconciliation, integrate asset databases, and undertake periodic audits and maintenance of asset information.

A further challenge involves legal and physical risks associated with regional assets, particularly land and buildings. Uncertified land, unclear ownership documentation, unauthorized occupation, and disputes with third parties can result in significant financial and legal consequences. Risk mitigation should therefore include systematic certification of government-owned land, verification of ownership documents, regular physical inspection, clear utilization agreements, and legal monitoring. These measures can reduce the probability of asset loss while strengthening the government's legal position in the event of disputes.

Financial and catastrophic risks also require attention, particularly for assets exposed to natural disasters. Conventional approaches often require governments to finance post-disaster losses through budget reallocations, increased revenues, borrowing, or external assistance. Such approaches can place substantial pressure on public finances. An alternative risk-transfer mechanism is insurance or catastrophe-linked securities, including catastrophe bonds, which can transfer part of the financial consequences of catastrophic events to financial markets. Although such instruments require careful feasibility assessment and appropriate regulatory arrangements, they illustrate the broader principle that government should combine risk prevention, risk reduction, and risk transfer rather than relying solely on post-event financing.

Based on these findings, an effective strategy for local government asset governance requires an integrated risk-management framework. First, local governments need to strengthen asset identification and risk assessment by mapping physical, legal, financial, operational, and environmental risks across the asset life cycle. Second, asset information systems should be improved through data standardization, digitalization, periodic verification, and integration across organizational units. Third, internal controls should be strengthened through clear responsibilities, segregation of duties, monitoring, and regular audits. Fourth, human-resource capacity should be developed through continuous training in asset management, risk assessment, digital systems, and regulatory compliance. Finally, local governments should strengthen leadership commitment and institutionalize a risk-aware organizational culture.

Overall, the findings demonstrate that risk management plays a strategic role in transforming regional asset management from an administrative function into a more proactive, accountable, and sustainable governance mechanism. The effectiveness of this approach depends not only on the existence of regulations but also on the capacity of local governments to translate regulatory requirements into systematic risk identification, mitigation, monitoring, and evaluation. Integrating risk management with asset governance can reduce the potential for asset loss and disputes, improve utilization, strengthen the reliability of government financial reporting, and ultimately increase the public value generated by regional assets (COSO, 2017; OECD, 2020).

CONCLUSION

Risk management plays a strategic role in strengthening accountable regional government asset governance. The findings demonstrate that effective risk management should be integrated throughout the asset life cycle, including planning, procurement, utilization, safeguarding, maintenance, reporting, and disposal. Although regulatory frameworks provide a strong foundation for asset protection, implementation at the local government level remains constrained by uncertified assets, potential legal disputes, weak asset data, limited institutional capacity, and insufficient risk awareness. Therefore, compliance with regulations alone is insufficient without effective institutional mechanisms for identifying, assessing, mitigating, and monitoring asset-related risks.

Strengthening risk-based asset governance requires improvements in asset information systems, systematic verification and certification, stronger internal controls, continuous human-resource development, leadership commitment, and the establishment of a risk-aware organizational culture. Local governments should also develop appropriate risk-transfer mechanisms for assets exposed to significant financial or catastrophic risks. Integrating these measures can reduce the likelihood of asset loss, improve the utilization and reliability of regional assets, strengthen financial accountability, and increase the public value generated from government property. Thus, risk management should be positioned not merely as a control mechanism but as a strategic governance instrument for achieving transparent, efficient, sustainable, and accountable regional asset management.

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