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Invisible Assets, Visible Problems: An Analysis of Issues in the Management of Intangible Assets in the Indonesian Government

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ABSTRACT

Government agencies' ownership of intangible assets increases each year in line with the expansion of digitization programs; however, this is not always accompanied by optimal management. Many intangible assets eventually fall into disuse—either because they are no longer relevant to the agency's needs or have been replaced by new systems—yet they remain recorded as assets in government financial statements. This issue has ultimately drawn the attention of the Supreme Audit Agency of the Republic of Indonesia (BPK RI). During the 2014–2023 period, the BPK RI identified intangible assets that were no longer in use but were still recorded as current assets in the financial reports of ministries and agencies. Using content analysis, this article aims to describe issues in the management of intangible assets within the Indonesian government, with a focus on those no longer in use. The analysis results show that the BPK RI recommended that ministries and agencies write off these intangible assets because they are considered non-compliant with existing regulations, which stipulate that only intangible assets that are still in use may be recorded.

Keywords: *Intangible Assets, Asset Management, Intangible Assets Derecognition, Indonesian, Government*

1. INTRODUCTION

Digital transformation in the public sector has prompted the government to leverage information technology in delivering public services. Today, various information systems, applications, and software licenses are integral parts of modern government systems. From a public sector accounting perspective, these resources are categorized as Intangible Assets (IA), which are non-monetary assets that lack a physical form but can be identified and provide economic benefits to government entities [1], [2], [3].

In practice, government agency ownership of IA increases each year in line with the expansion of digitization programs, as mandated by Presidential Regulation No. 95 of 2018 on Electronic-Based Government (SPBE). Various ministries and agencies have developed information systems to support financial management, public services, procurement of goods and services, and administrative activities within their agencies. However, this increased utilization of IA is not always accompanied by optimal management. There are many IA that are ultimately no longer utilized—whether because they are no longer relevant to the agency's needs or have been replaced by new systems—yet they remain recorded as assets in government financial reports.

This issue eventually drew the attention of the Supreme Audit Agency of the Republic of Indonesia (BPK RI). In several audit reports, the BPK RI found that there were IA that were no longer in use but were still recorded on the balance sheet as current assets. This situation raises questions about the effectiveness of IA management in government agencies. For example, in the BPK RI audit report for 2023, it was noted that the Central Statistics Agency (BPS) held IA totaling IDR119,218,426,043.00 that were no longer in use but had not yet been proposed for derecognition.

This situation indicates a discrepancy between the actual use of the assets and their accounting records. This can result in asset values that do not reflect their true value in the financial statements. Assets that no longer provide any substantive benefit should no longer be recognized as current assets on the balance sheet.

The challenges of managing IA in the public sector differ from those of managing tangible assets. IA, particularly those related to technology such as software, typically have a relatively shorter lifecycle due to the rapid pace of technological advancements. Systems or applications developed during a certain period can easily become obsolete or no longer relevant for use in a relatively short time. For example, the Ministry of Youth and Sports is procuring an application that is no longer used after the sports event has concluded [4].

The process of asset derecognition in the management of state-owned property is often viewed as lengthy. This is why some agencies may be inclined to delay derecognition. This situation also leads to the accumulation of assets that are still officially recorded but no longer benefit the agency.

Given these various issues, it is important to conduct an in-depth study of the conditions and challenges surrounding the management of IA in the Indonesian government, particularly those related to IA that are no longer in use. Understanding this phenomenon is important not only from the perspective of government accounting but also from the standpoint of state asset governance.

This article aims to describe an analysis of issues related to the management of IA in the Indonesian government, focusing on intangible assets that are no longer in use. The analysis is based on findings from audits of government financial statements (BPK RI audit reports on LKPP) and on asset management systems in the public sector. It is hoped that this article will provide insight into the implications of IA that are no longer in use but remain recorded on the balance sheet for the quality of asset management and the presentation of government financial statements.

2. LITERATURE REVIEW

2.1 Intangible Assets from a Government Accounting Perspective

The structure of government-owned assets has undergone significant changes since the onset of digital transformation in public sector governance. Whereas in the past government assets were predominantly physical—such as land, buildings, and equipment—advances in information technology have driven an increase in the ownership of digital and knowledge-based assets. Today, IA has become a key component of modern government accounting systems. The existence of government applications, software, licenses, databases, and various information systems demonstrates that non-physical resources now play a strategic role in supporting government operations and public services [3].

In government accounting, an IA is defined as a nonmonetary asset that lacks physical form but is identifiable and controlled by a government entity to generate future economic or service benefits [1], [2], [3]. Unlike the private sector, which focuses on profit generation, the public sector considers service potential to be the primary factor in asset recognition [5]. Thus, a fixed asset may be recognized even if it does not directly generate revenue, provided that it supports the performance of government functions and the delivery of public services.

The advancement of government digitalization has expanded the scope of IA, making it increasingly complex. Governments not only use software as an administrative tool but also rely on it as a primary instrument for public service management, data integration, and technology-based decision-making. Heiling [3] explains that the development of digital technology has created new challenges in public sector accounting practices, particularly regarding the recognition, measurement, and evaluation of IA. The rapidly changing nature of technology makes it increasingly difficult to predict the useful life of digital assets accurately.

In Indonesian government practice, IA generally takes the form of information system applications, licenses, software, copyrights, and the development of digital platforms that support e-government reform. Government investment in information technology continues to rise in line with the demands for the digitization of public services. Research by Togatorop et al. [6] indicates that the development of digital-based government information systems and applications largely influences the growth in the value of local governments' intangible assets. This situation demonstrates that digital transformation is also shifting government investment patterns from conventional assets toward technology-based assets.

Nevertheless, the management of IA in the public sector continues to face various challenges. One of the main issues relates to determining the useful life and relevance of assets. Technology-based assets are highly susceptible to obsolescence due to rapid technological advancements [3]. An application initially designed to support an organization's operations can become irrelevant in a short time due to changes in organizational needs, the emergence of new systems, or the inability of older systems to adapt to technological advancements. Under certain conditions, assets that are still administratively recorded in financial statements may no longer provide tangible benefits to the organization.

This issue demonstrates that the management of IA is not only related to accounting recording but also concerns the overall effectiveness of government asset governance. Dharmayuni et al. [7] explain that the implementation of accrual-based accounting in Indonesia's public sector still tends to be oriented toward administrative compliance rather than the use of accounting information as a basis for decision-making. This may also apply to information regarding government assets, including IA. Accounting information related to IA may not yet be optimally utilized to evaluate the effectiveness of asset utilization in supporting organizational objectives.

On the other hand, government asset management also faces institutional and administrative challenges. Research by Tirayoh et al. [8] indicates that the management of public sector assets in Indonesia still faces issues with inventory, oversight, and the alignment of asset condition with accounting records. These issues become even more complex when applied to IA because this type of asset lacks a physical form that can be directly verified, unlike other fixed assets. Consequently, evaluations of IA usefulness are often inadequate.

From the perspective of public sector reform, the management of IA is also closely linked to the implementation of New Public Management (NPM) and accrual-based accounting. These reforms aim to improve the transparency and accountability of

public resource management through the presentation of more comprehensive financial information [9], and this aligns with the principles of Good Governance, which call for transparent and accountable systems [19], [20], [21], [22], [23]. However, implementing modern accounting systems in developing countries still faces various obstacles, such as limited human resource capacity, weak internal control systems, and suboptimal integration of information technology [9].

Furthermore, developments in public sector research indicate that IA are no longer viewed merely as administrative tools, but also as a source of public value. An effective government information system can improve service quality, bureaucratic efficiency, data transparency, and decision-making speed [10]. Therefore, the management of IA must be understood as part of the government's digital governance strategy, not merely as a reporting requirement in financial statements.

However, research on IA in the public sector remains relatively limited, particularly in evaluating asset utilization and derecognition. Most research still focuses on the recognition and measurement of assets [8]. In fact, in government practice, one of the most common issues is the existence of digital assets that are no longer in use but are still recorded as active assets in government financial statements. This situation indicates that the main challenge in managing IA lies not only in the procurement process but also in mechanisms for evaluating and disposing of assets that no longer benefit the organization.

2.2 Management of Intangible Assets in the Public Sector

Asset management in the public sector is an integral part of public financial management, ensuring that all government resources are utilized optimally to support public services and achieve development goals. In the development of modern public administration, attention to asset management is no longer focused solely on tangible assets such as land, buildings, and equipment, but also encompasses knowledge-based, technological, and information assets categorized as IA [5], [8]. The digital transformation taking place within government has increased public organizations' reliance on information systems, software, databases, and various digital platforms that hold strategic value in supporting government operations [3], [4].

From a public sector perspective, the management of IA is not only about accounting records but also concerns the government's ability to create public value through technology and information [10]. Therefore, the management of IA must be understood as a process that encompasses the entire asset lifecycle, from needs planning, procurement, use, maintenance, and benefit evaluation, to asset derecognition [8]. This approach aligns with the concept of asset lifecycle management, which emphasizes that public assets must be managed sustainably to provide optimal benefits to the community.

The management of IA faces challenges at the asset recognition and measurement stages. The lack of a physical form in IA makes the process of identifying and valuing them more complex than that of conventional fixed assets. Heiling [3] explains that technological developments such as cloud computing, artificial intelligence, and agile software development pose new challenges in public sector accounting practices, particularly in determining whether to recognize development costs as assets or

operating expenses. This situation indicates that the pace of digitalization often outstrips the ability of accounting standards to accommodate the characteristics of modern assets.

In practice, the management of IA in the public sector is also significantly influenced by the quality of organizational governance and human resource capacity [12]. Research on IA in Indonesia indicates that weak information technology and limited human resources are the primary factors affecting the effectiveness of government asset management [13]. This is supported by the study by Noviani and Hartikayanti [14], which found that the quality of information systems and human resource competencies significantly affects the quality of local government asset management.

Furthermore, the management of IA cannot be separated from the implementation of accrual-based accounting in the public sector. Accrual accounting is considered a reform of financial management that brings about major changes to institutional systems [15]. Government accounting reforms adopting an accrual basis aim to enhance transparency and accountability in the management of public resources by presenting more comprehensive asset information [16], [17]. However, research indicates that the implementation of accrual accounting remains largely administrative, focused on regulatory compliance rather than on the use of information for strategic decision-making [7]. In the context of IA, this situation often results in the optimal evaluation of the benefits and relevance of assets not being conducted.

Another issue arises during the utilization and evaluation of asset benefits. Conceptually, a government asset should be retained as long as it continues to provide economic or service benefits to the public organization. However, in practice, many intangible assets—such as applications and information systems—are no longer used due to changes in organizational needs, technological advancements, or the emergence of new systems that replace their previous functions. Nevertheless, these assets are often still recorded in government financial statements, leading to a mismatch between their actual condition and their accounting records.

This phenomenon indicates that the mechanisms for evaluating and writing off assets in the public sector still face various administrative and institutional obstacles. The process of writing off government assets is often perceived as complex and requiring lengthy bureaucratic procedures. As a result, government agencies tend to retain assets that no longer provide benefits to the organization. In the context of IA, this situation becomes more problematic due to the nature of digital assets, which quickly become obsolete as technology advances.

Based on the literature cited, it can be seen that the management of IA in the public sector is a multidimensional issue encompassing accounting, governance, information technology, and public administration reform. The complexity of IA's characteristics means their management cannot be treated the same as that of conventional tangible assets. Therefore, policy strengthening, institutional capacity building, and the development of an asset evaluation system that is more responsive to technological changes are necessary to ensure that government IA management supports the creation of effective, transparent, and accountable public sector governance.

2.3 Concepts and Mechanisms for Asset Derecognition

Asset derecognition is one of the key stages in the public sector asset management cycle, aimed at maintaining the accuracy of records, the efficiency of resource management, and the quality of government financial statements. From a government accounting perspective, asset derecognition is understood not only as an administrative action to remove assets from the list of state or local government property, but also as a mechanism to ensure that the assets presented in financial statements continue to have economic benefits or service potential for the government entity.

Conceptually, an asset is derecognized when it no longer meets the definition and criteria for recognition. In public sector accounting, an asset must provide future economic or service benefits to remain recognized in financial statements [5]. Therefore, when an asset is no longer in use, severely damaged, technologically obsolete, lost, or no longer provides benefits to the organization, it should be derecognized from the government's accounting system [18].

In the context of the Indonesian government, asset derecognition is regulated by various regulations governing the management of State/Regional Assets (BMN/BMD). One of the primary regulations is Government Regulation No. 27 of 2014 on the Management of State/Regional Assets, as amended by Government Regulation No. 28 of 2020. This regulation explains that write-off is the act of removing state/regional assets from the asset register by issuing a decision by an authorized official to release the user or authorized user of the asset from administrative and physical responsibility for the asset under their control.

In addition, the technical procedures for the derecognition of state-owned assets are also regulated in Minister of Finance Regulation No. 165/PMK.06/2021 on Procedures for the Transfer of State-Owned Assets and Minister of Finance Regulation No. 83/PMK.06/2016 on Procedures for the Destruction and Derecognition of State-Owned Assets. At the local government level, the management of local assets is governed by the Ministry of Home Affairs Regulation No. 19 of 2016 on Guidelines for the Management of Local Government Assets. These regulations emphasize that asset write-offs must be conducted in an orderly, transparent, and accountable manner to avoid future legal or administrative issues.

In government accounting practice, according to Minister of Home Affairs Regulation No. 19 of 2016, the asset disposal mechanism typically begins with the identification of assets that no longer provide benefits to the organization. This process is then followed by an assessment of the asset's condition, administrative verification, a disposal proposal by the asset user, and the issuance of a disposal decision by the authorized official. Once the disposal is approved, the asset is removed from the government's inventory list and balance sheet. These steps demonstrate that asset derecognition is not merely a technical accounting matter but also an integral part of the internal control system in the management of public assets.

Although the regulatory framework for asset derecognition in Indonesia is quite comprehensive, its implementation in practice still faces various obstacles. One of these is that there are still assets that are no longer in use but remain recorded in government financial statements [4].

This issue becomes even more complex when applied to IA. Unlike tangible assets that can be physically verified, IA have non-physical characteristics, making it difficult to identify the actual conditions of their use. In the context of information technology, an application or information system may still be recorded as an active asset even though it is no longer in operational use. This situation makes the process of evaluating and writing off IA more complicated compared to conventional assets.

The development of digital technology has also accelerated the rate of obsolescence of government assets. Heiling [3] explains that digital transformation has shortened the useful life of technology-based assets due to changing organizational needs and rapid technological advancements. Consequently, the government may end up with numerous applications and information systems that are still administratively recorded as assets but no longer provide substantive benefits to the organization.

From an accounting perspective, the presence of assets that are no longer in use but are still recorded on the government's balance sheet can distort the quality of financial statements. Assets that no longer provide benefits should not meet the criteria for asset recognition, so their recording has the potential to cause an overstatement of the value of government assets. This situation can reduce the relevance and reliability of financial information presented to the public and other stakeholders.

In addition to affecting the quality of financial statements, delays in asset derecognitions also reflect weak public-sector asset governance. In this context, asset derecognitions are often viewed as complex administrative procedures and thus are not prioritized by organizations. In reality, asset derecognitions are a crucial component in ensuring the efficient use of public resources and accountability in the management of state finances.

Based on the relevant literature and regulations, it is clear that asset derecognitions are an essential part of the public sector asset management cycle and are inseparable from the principles of transparency, accountability, and efficiency in public financial management. In the context of IA, derecognition mechanisms become even more critical given the rapidly changing nature of digital assets and their susceptibility to a decline in value. Therefore, the government needs to develop a more adaptive asset evaluation and write-off system so that government asset records truly reflect the actual conditions and organizational needs.

3. METHODS

The object of this study is the findings of the Indonesian Audit Board (BPK RI) regarding ATB in its audit reports. The study population consists of audit findings related to IA from the research subject during the period 2014–2023, from which a sample will be drawn using purposive sampling—specifically, IA that is no longer in use. Purposive sampling was used because the researcher selected a specific sample based on the research objectives [24]. The data used are secondary data from the BPK RI's LHP on the Central Government Financial Statements (LKPP) for the 2014–2023 period, which have been published. The research subject is the Central Government.

The method used in this study is descriptive qualitative analysis. The data obtained will be analyzed using content analysis. Through content analysis, the researcher can identify topics and issues that are the subject of public debate or concern, and can explore discourse by examining the dominance of certain ideas and messages, without direct contact with people [25]. According to

Berelson [26], information obtained from content analysis will be described objectively and systematically.

4. RESULTS AND DISCUSSION

4.1 Analysis of Audit Findings Regarding Unused Intangible Assets in the Central Government's Financial Statements

Based on the author's analysis, it was found that between 2014 and 2023, the BPK RI identified 87 findings across various ministries and agencies regarding IA that were no longer in use.

Table 1. Findings of the BPK RI Regarding Ministries/Agencies Concerning IA That Are No Longer in Use

No.	LHP Years	Number of Ministries and Government Agencies	Value of Findings
1	2014	1	IDR3.943.134.600,00
2	2015	10	IDR39.194.356.200,00
3	2016	5	IDR43.176.553.533,00
4	2017	8	IDR8.833.955.572,00
5	2018	8	IDR15.016.072.336,00
6	2019	9	IDR95.878.595.678,00
7	2020	9	IDR150.736.445.468,00
8	2021	15	IDR70.580.053.846,00
9	2022	11	IDR1.119.348.894.698,00
10	2023	11	IDR185.219.113.819,00

Source: LHP BPK RI on the LKPP (2015-2024)

In 2014, there were IA that were no longer in use but were still recorded at a value of IDR3,943,134,600 at the National Public Procurement Agency of Indonesia. According to the Audit Board of the Republic of Indonesia, this condition was not in accordance with Government Accounting Standards Technical Bulletin No. 11 on Intangible Assets, which states that intangible assets must meet the criteria of being identifiable, under the entity's control, and capable of providing future economic benefits.

In 2015, there were unused IA funds totaling IDR 39,194,356,200 across 10 ministries/agencies. Based on a sample examination of the existence and utilization of IA presented in the 2015 Central Government Financial Statements (LKPP), several IA were found to be no longer in use but still recognized and reported as IA. These consisted of: (1) the Ministry of Home Affairs of the Republic of Indonesia amounting to IDR8,580,525,300; (2) the National Nuclear Energy Agency of Indonesia amounting to IDR846,902,300; (3) the Cabinet Secretariat of the Republic of Indonesia amounting to IDR749,611,872; (4) the National Population and Family Planning Board of Indonesia amounting to IDR6,342,064,709; (5) the Radio Republik Indonesia amounting to IDR91,500,000; (6) the National Resilience Institute of the Republic of Indonesia amounting to IDR3,170,830,657; (7) the Ministry of Trade of the Republic of Indonesia amounting to IDR3,856,171,000; (8) the Ministry of Education and Culture of the Republic of Indonesia amounting to IDR543,676,625; (9) the Ministry of Finance of the Republic of Indonesia amounting to IDR8,398,006,650; and (10) the Ministry of Public Works of the Republic of Indonesia amounting to IDR6,615,067,087.

The BPK RI stated that these unused IA should no longer have been recognized and presented as assets in the Balance Sheet because they no longer possessed future economic benefits. This condition differs from fixed assets that are no longer utilized for operational activities, which may be reclassified into other asset accounts since they may still provide economic benefits through sale or transfer. Similar to the findings in 2014, this issue was considered inconsistent with Government Accounting Standards Technical Bulletin No. 11 on Intangible Asset Accounting, which

requires intangible assets to meet the criteria of being identifiable, under the entity's control, and capable of generating future economic benefits.

In 2016, unused and unutilized IA were identified in five ministries/agencies, with a total value of IDR43,176,553,533. These included software applications at Statistics Indonesia that were no longer in use, totaling IDR25,972,131,633, and intangible assets at the Ministry of Youth and Sports Affairs of the Republic of Indonesia, totaling IDR14,547,354,000. Detailed information regarding the issues identified in each ministry/agency is presented in the table below.

Table 2. Details of Issues Identified in Five Ministries/Agencies Related to Unused and Unutilized Intangible Assets in 2016

No.	M/A	Kode BA	Value of Findings	Types of IA	Description
1	Ministry of Social Affairs	027	IDR1.009.782.000,00	Software	Software applications that, as of the audit examination, had not been utilized optimally.
2	Coordinating Ministry for Human Development and Cultural Affairs	036	IDR752.350.900,00	Software	There were IA amounting to IDR567,550,900 whose existence could no longer be identified and which were no longer utilized, as well as IA amounting to IDR184,800,000 that were no longer utilized despite their existence being identifiable.
3	Statistics Indonesia	054	IDR25.972.131.633,00	Software	The Magic Key software implemented throughout Indonesia amounting to IDR2,639,340,000, as well as IA under the Sestama amounting to IDR 23,229,387,183 (including Magic Key software amounting to IDR141,856,000), were no longer utilized.
4	Ministry of Youth and Sports Affairs	092	IDR14.547.354.000,00	Software	The IA were no longer in use, consisting of assets acquired between 2009 and 2014, amounting to IDR14,547,354,000. Several software applications had ceased to be used following the completion of sporting events.
5	Radio Republik Indonesia	116	IDR42.250.000,00	Software	IA in the form of software amounting to IDR42,250,000 was no longer utilized.
			IDR852.685.000,00	Software	Intangible assets in the form of software, amounting to IDR852,685,000, had not yet been utilized.

Source: LHP BPK RI on the LKPP (2017)

According to the BPK RI, these conditions were deemed inconsistent with Law Number 1 of 2004 on State Treasury, particularly Article 44, which stipulates that users of state/regional property and/or their authorized representatives are obligated to manage and administer state/regional property under their control in the best possible manner.

In 2017, IA that were no longer utilized in eight ministries/agencies were still presented under other assets, amounting to IDR8,833,955,572. Detailed information regarding the issues identified in each ministry/agency is presented in the table below.

Table 3. Details of Issues Identified in Eight Ministries/Agencies Related to Unused Intangible Assets in 2017

No.	KL	Kode BA	Nilai temuan	Keterangan
1	Ministry of Environment and Forestry	29	IDR524.890.000,00	The IA were no longer in use, had not been updated, and the termination of their utilization had not yet been formally established.
2	Ministry of Marine Affairs and Fisheries	32	IDR2.336.928.600	IA under the Directorate General of Capture Fisheries that could no longer be utilized were still recorded in the balance sheet of the Directorate General of Capture Fisheries (DJPT), consisting of: (1) one software application at the PPN Ambon amounting to IDR60,150,000; (2) three software applications at the PPS Nizam Zachman amounting to IDR148,500,000; and (3) two software applications at the Secretariat of the Directorate General of Capture Fisheries amounting to IDR174,400,000 and IDR1,953,878,600, respectively. Rp174.400.000,00 dan Rp1.953.878.600,00.
3	Statistics Indonesia	54	IDR485.058.200,00	IA at the Institute of Statistics amounting to IDR485,058,200 were no longer in use and their existence could no longer be identified.
4	National Commission on Human Rights	74	IDR1.813.817.089	There were 10 computer software applications with an acquisition value of IDR1,813,817,089 that were no longer in use due to obsolescence but were still presented as IA.
5	Indonesian Financial Transaction Reports and Analysis Center	78	IDR1.284.494.580,00	There were eight IA units amounting to IDR1,284,294,580 that were no longer utilized but remained recorded in the balance sheet of the Financial Transaction Reports and Analysis Center (PPATK).
6	National Institute of Public Administration	86	-	Computer software applications were no longer utilized due to obsolescence but were still recorded in the SIMAK-BMN under good condition status (they had subsequently been reclassified as other assets in the audited financial statements).
7	Cabinet Secretariat	114	IDR1.916.437.103,00	Software applications were no longer in use but had not yet been formally decommissioned from operational use.
8	Creative Economy Agency	121	IDR472.330.000,00	Based on a sample audit examination of capital expenditure procurement at the Bureau of Legal Affairs and Public Communication (HKP), four work packages categorized as IA amounting to IDR472,330,000 were found to be unutilized.

Source: LHP BPK RI atas LKPP (2018)

According to the BPK RI, this issue was considered inconsistent with Technical Bulletin No. 11 on Intangible Asset Accounting, which states that when an IA can no longer be utilized due to technological obsolescence, incompatibility with evolving organizational needs, severe damage, or

the expiration of its useful life, such an asset essentially no longer possesses future economic benefits and, therefore, its utilization should be terminated. Furthermore, from an accounting perspective, the asset may be derecognized; however, such derecognition must follow a formal process referred to as asset disposal (deletion) under Minister of Finance Regulation Number 96/PMK.06/2007 concerning the Management of State Property and Minister of Home Affairs Regulation Number 17 of 2007 concerning Technical Guidelines for the Management of Regional Property. In addition, Paragraph 4 of the Technical Bulletin stipulates that when an IA is discontinued from use, either due to transfer or because it has reached the end of its useful life and no longer provides economic benefits, the related IA account must be closed.

In 2018, unused IA in eight ministries/agencies was still recorded under other assets, amounting to IDR15,016,072,336. These included: (1) software applications at the BPPT amounting to IDR8,432,515,042 that were no longer utilized; (2) software applications within the Directorate General of Mineral and Coal of the Ministry of Energy and Mineral Resources of the Republic of Indonesia amounting to IDR5,584,770,000; and (3) software applications at the Ministry of Trade of the Republic of Indonesia amounting to IDR693,032,000 that were no longer in use but remained recorded in the Balance Sheet.

According to the BPK RI, this issue was considered inconsistent with Technical Bulletin No. 17 on Accrual-Based Accounting for Intangible Assets, Section 5.3, page 27, line 5, which states that when an IA can no longer be utilized due to technological obsolescence, incompatibility with evolving organizational needs, damage, or the expiration of its useful life, the asset essentially no longer possesses future economic benefits. Consequently, its utilization should be discontinued. Furthermore, when an IA is discontinued, either because it has been transferred or because its useful life has expired and it no longer provides economic benefits, the related IA account must be derecognized and disposed of. Entities may initiate the disposal process for IA in accordance with the applicable regulations. Upon disposal, the IA must be removed from the accounting records, and a loss on disposal should be recognized equal to its net carrying amount.

In 2019, unused IA amounting to IDR95,878,595,678 were still presented under other assets in nine ministries/agencies. These included: (1) software applications, research outputs, and licenses at the Ministry of Public Works and Housing of the Republic of Indonesia amounting to IDR78,657,050,282 across five working units that were no longer utilized; (2) unused IA within operational activities at state universities under the Ministry of Research, Technology, and Higher Education of the Republic of Indonesia amounting to IDR6,108,255,535; and (3) IA at the Indonesian Institute of Sciences amounting to IDR1,760,176,773 that were no longer in use but remained recorded in the Balance Sheet.

According to the BPK RI, these conditions were also inconsistent with Technical Bulletin No. 17 on Accrual-Based Accounting for Intangible Assets, Section 5.3, page 27, line 5, which states that when an intangible asset can no longer be utilized due to technological obsolescence, incompatibility with increasingly evolving organizational needs, damage, or the expiration of its useful life, the asset essentially no longer possesses future economic benefits and, therefore, its use should be discontinued. If an IA is discontinued from use, either because it has been transferred or because its useful life has ended and it no longer provides economic benefits, the related IA account must be derecognized and disposed of. Entities may propose the disposal of IA in accordance with prevailing regulations. Upon disposal, the IA must be removed from the accounting records, and a loss on disposal must be recognized based on its net carrying amount.

In 2020, unused IA amounting to IDR150,736,445,468 were still presented under other assets in nine ministries/agencies. These included: (1) intangible assets at the Ministry of Law and Human Rights of the Republic of Indonesia amounting to IDR 125,282,584,814, which were classified as unused IA for reasons that could not yet be explained; (2) software applications at the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia amounting to IDR8,255,300,871 that were no longer in use but continued to be recorded and reported as IA; and (3) IA at the Indonesian Institute of Sciences amounting to IDR5,347,231,661 with rejected,

withdrawn, or expired status that should have been removed from the list of IA in the Balance Sheet because they no longer met the criteria of assets capable of providing future economic benefits.

According to the BPK RI, these conditions were inconsistent with Technical Bulletin No. 17 on Accrual-Based Accounting for Intangible Assets, which states that when an IA can no longer be utilized due to technological obsolescence, incompatibility with evolving organizational needs, damage, or the expiration of its useful life, the asset essentially no longer possesses future economic benefits and, therefore, its use should be discontinued. Furthermore, when an IA is discontinued, either because it has been transferred or because its useful life has expired and it no longer provides economic benefits, the related IA account must be derecognized. Entities may initiate derecognition of IA in accordance with the prevailing regulations. Upon derecognition, the IA must be removed from the accounting records, and a loss on derecognition must be recognized equal to its net carrying amount.

In 2021, an unused IA amounting to IDR 70,580,053,846 was identified across 15 ministries/agencies. These included: (1) at the BKPM, IA amounting to IDR9,121,455,264 in the form of computer software—namely the OSS System (NUP 29)—which had become inactive but had not yet been proposed for derecognition; (2) at the Ministry of Public Works and Housing of the Republic of Indonesia, unused IA amounting to IDR43,796,858,042 that were still presented as active assets, consisting of six NUPs within the Citanduy River Basin Agency working unit, 15 NUPs within the Bengawan Solo River Basin Agency working unit, four NUPs within the General Bureau working unit, and 656 NUPs within the Data and Information Center working unit; and (3) at the Ministry of Religious Affairs of the Republic of Indonesia, state property in severely damaged condition that had not yet been proposed for derecognition totaling 2,078 NUPs with an acquisition value of IDR8,048,247,926.

According to the BPK RI, these conditions were inconsistent with Technical Bulletin No. 17 on Accrual-Based Accounting for Intangible Assets, which states that when an IA can no longer be utilized due to technological obsolescence, incompatibility with evolving organizational needs, damage, or the expiration of its useful life, the asset essentially no longer possesses future economic benefits and, therefore, its utilization should be discontinued. Furthermore, when an IA is discontinued, either because it has been transferred or because its useful life has expired and it no longer provides economic benefits, the related IA account must be derecognized. Entities may initiate derecognition of IA in accordance with prevailing regulations. Upon derecognition, the IA must be removed from the accounting records, and a loss on derecognition must be recognized equal to its net carrying amount.

In 2022, unused IA and other assets amounting to IDR1,119,348,894,698 were identified across 11 ministries/agencies. These included: (1) at the BSSN, procurement of IA in the form of software amounting to IDR444,827,220,100 that failed to achieve their maximum useful life because the related licenses were not renewed; (2) at the Ministry of Health of the Republic of Indonesia, IA amounting to IDR 2,220,922,500 that were not utilized in office operations; and (3) at the Ministry of Public Works and Housing of the Republic of Indonesia, other assets amounting to IDR 670,017,956,775 that were no longer utilized but had not yet undergone the derecognition process.

In 2023, unused IA and other assets amounting to IDR 185,219,113,819 were identified across 11 ministries/agencies. These included IA at Statistics Indonesia, amounting to IDR119,218,426,043, which were no longer utilized but had not yet been proposed for derecognition, as well as IA at the Ministry of Agrarian Affairs and Spatial Planning/National Land Agency of the Republic of Indonesia, amounting to IDR 60,343,880,549, which were not utilized in government operations.

4.2 Analysis of the Causes and Imbalance of Unused and Undisposed Intangible Assets

Based on the author's review, it was identified that throughout the 2014–2023 period, the BPK RI consistently stated that the issue of unused IA that had not yet been disposed of was primarily caused by inadequate internal control within ministries/agencies in managing IA. According to the Audit Board, this condition may result in the reported value of IA failing to reflect

its actual value and, consequently, undermining the reliability and fairness of such assets. Furthermore, the Audit Board considered that these issues rendered the IA balance presented in the Balance Sheet insufficiently accurate.

This condition contradicts the fundamental role of accounting in the public sector, which is to support accountable governance, particularly by providing accurate information on the use of public funds [27], [28]. The implementation of such an accountable system inevitably depends on the proper recognition and presentation of IA in accordance with applicable accounting principles [29].

4.3 Progress in Resolving Issues Related to Unused and Undisposed Intangible Assets

Based on the author's review, the developments in resolving issues related to unused intangible assets that had not yet been disposed of during the 2014–2023 period are summarized as follows:

1. In 2014, the Minister of Finance, acting as the government's representative, stated that the Directorate General of State Assets Management would improve ministries'/agencies' understanding to ensure orderly administration of state property in the form of intangible assets.
2. In 2015, the Minister of Finance, acting as the government's representative, stated that in 2016, several intangible assets within the Ministry of Communication and Informatics of the Republic of Indonesia had received approval for disposal, while others were still undergoing disposal. In addition, intangible assets amounting to IDR 2 billion within the Ministry of Home Affairs of the Republic of Indonesia had received approval for disposal, while the remaining assets were still in the process of being proposed for disposal. Furthermore, intangible assets within the Ministry of State-Owned Enterprises of the Republic of Indonesia had been discontinued from use and were subsequently processed for disposal proposals.
3. In 2016, the Minister of Finance, acting as the government's representative, stated that ministries/agencies would conduct an inventory of unused intangible assets and severely damaged intangible assets. In addition, the locations where the intangible assets had been installed would be identified.
4. In 2017, the Minister of Finance, acting as the government's representative, stated that intangible assets no longer actively used would be discontinued and reclassified as discontinued assets.
5. In 2018, the Minister of Finance, acting as the government's representative, reiterated that inactive intangible assets would be discontinued from use and reclassified as assets whose utilization had been terminated.
6. In 2019, the Minister of Finance, acting as the government's representative, stated that the Directorate General of State Assets Management would continue improving the understanding of ministries/agencies to ensure orderly management and administration of state property, while also urging ministries/agencies to establish adequate internal control over the management of state property.
7. In 2020, the Minister of Finance, acting as the government's representative, stated that issues related to intangible asset management that were not supported by adequate internal control within ministries/agencies had been followed up on in the 2020 audited financial statements, while some cases were still undergoing further tracing and verification.
8. In 2022, the Minister of Finance, acting as the government's representative, stated that based on Government Regulation Number 27 of 2014 in conjunction with Government Regulation Number 28 of 2020, ministries/agencies as users of state property possess the authority and responsibility to formulate policies, regulate, and establish guidelines

for managing state property under their control in accordance with prevailing laws and regulations concerning state property management.

9. In 2023, the Minister of Finance, acting as the government's representative, stated that the Government, through the Directorate General of State Assets Management and the Directorate General of Treasury, continued to coordinate with ministries/agencies to strengthen internal control over the management of intangible assets, particularly regarding matters affecting financial reporting and the resolution of recurring issues. In this regard, several policies related to the management of intangible assets have been issued.

4.4 Recommendations for Improving the Governance of Intangible Assets

Based on the author's review, the recommendations provided by the Audit Board of the Republic of Indonesia regarding issues related to unused intangible assets that had not yet been disposed of during the 2014–2023 period, to improve intangible asset governance, are summarized as follows:

1. In 2014, the Audit Board recommended that the Minister of Finance, acting as the Government's representative, conduct a comprehensive verification of intangible assets to ensure the accuracy of their substance and economic benefits.
2. In 2015, the Audit Board recommended that the Minister of Finance, acting as the Government's representative, immediately monitor the utilization of intangible assets.
3. In 2016, the Audit Board recommended that Ministers/Heads of Agencies strengthen internal control over the administration of state property and implement supervision and control over the management of state property within their respective institutions, and report the results to the Minister of Finance, as the State Property Manager. The Audit Board also recommended that the Minister of Finance coordinate with all Ministers/Heads of Agencies to further optimize the role of Government Internal Supervisory Apparatuses (APIP) in the administration of state property within ministries/agencies.
4. In 2017, the Audit Board requested that all Ministers/Heads of Agencies strengthen internal control over the administration of state property and implement supervision and control over its management within their respective institutions, while reporting the results to the Minister of Finance, as the State Property Manager.
5. In 2018, the Audit Board requested that Ministers/Heads of Agencies improve compliance and the orderly administration of intangible assets in accordance with prevailing regulations.
6. In 2019, the Audit Board recommended strengthening supervision and control over compliance in the administration of intangible assets across all working units within ministries/agencies and requested the Government Internal Supervisory Apparatuses within ministries/agencies to conduct effective oversight of state property management in order to prevent recurring issues.
7. In 2020, the Audit Board recommended resolving recurring issues in intangible asset management through improvements in policies, intangible asset reporting information systems, and systems and procedures, as well as other corrective measures.
8. In 2021, the Audit Board recommended that the Minister of Finance, acting as the Government's representative, resolve recurring issues in intangible asset management in improving policies, information systems, asset reporting procedures, and related measures.
9. In 2022, the Audit Board recommended that the Minister of Finance, acting as the Government's representative, instruct:
    a) The Director General of State Assets Management, as the State Property Manager, is to coordinate with Ministers/Heads of Agencies, as State Property Users, in

reviewing and evaluating the intangible asset management system to establish corrective measures from the perspectives of regulation, policy, control, and information systems.

b) The Director General of Treasury is to improve the SAKTI System to support better management of intangible assets, including for financial reporting purposes; and
c) The Inspector General of the Ministry of Finance is to coordinate with the Financial and Development Supervisory Agency of the Republic of Indonesia and the Inspector General of Ministries/Agencies in formulating effective policies to prevent recurring issues in the management of intangible assets.

10. In 2023, the Audit Board recommended that the Minister of Finance, acting as the Government's representative, instruct the Director General of State Assets Management to improve the SIMAN Application so that it can optimally support all stages of state property management, including the supervision and control of state property.

CONCLUSION

Over the past decade (2014–2023), the Audit Board of the Republic of Indonesia found that intangible assets were still being recorded in ministries/agencies' financial statements even though they were no longer utilized. The Audit Board recommended that ministries/agencies carry out the derecognition process for such intangible assets because their continued recognition was considered inconsistent with prevailing regulations, which stipulate that only intangible assets that continue to provide benefits and are still utilized may remain recognized as assets.

This study is expected to contribute to improving asset governance in the public sector in order to achieve transparent and accountable asset management that accurately reflects the real value of assets, in line with the principles of Good Governance.

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