



# Effectiveness of Supervisory Regulation in Helping Appraiser Mitigate and Address Legal Risks: A Case Study of Public Appraiser in Indonesia

FPSC

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# A Brief History of Public Appraiser in Indonesia

1972:

Providing services in the banking sector.

1983:

The existence of tax reform in Indonesia.

1992:

Directorate of Accounting and Appraisal Services Development was founded.





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## The Role of Private Appraisal Profession in Indonesia



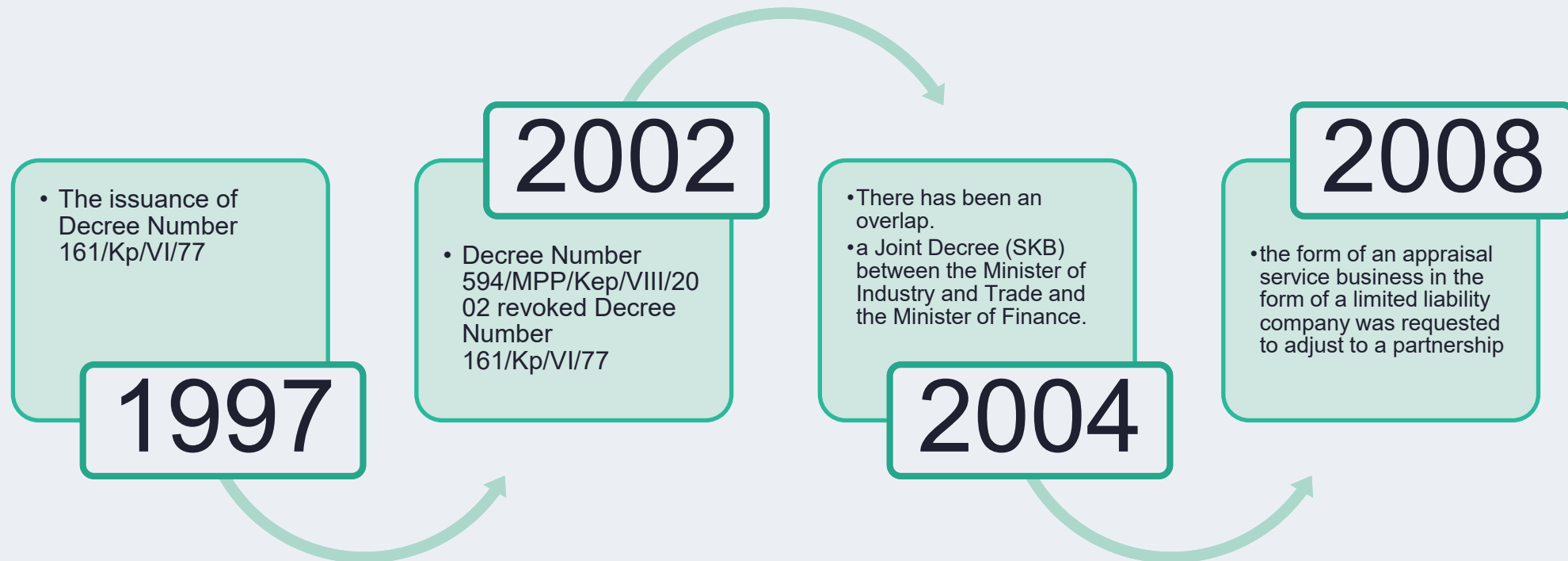
A total of 106 banks in Indonesia, with assets valued at over 11,000 trillion rupiah and total loans exceeding 11,000 trillion rupiah.

State-owned enterprises with total assets of more than 9,250 trillion rupiah and 780 companies with assets amounting to 5,200 trillion rupiah.

This opens up wider access for anyone to question or challenge the conclusions of the value opinion issued by Appraisal.



## History of Regulatory Regulation and Supervision of Appraisers





# Current Condition about Public Appraiser in Indonesia



Graphic 1: Number of Complaints Received by FPSC in the last 5 years



## Supervision of the Financial Profession in the World



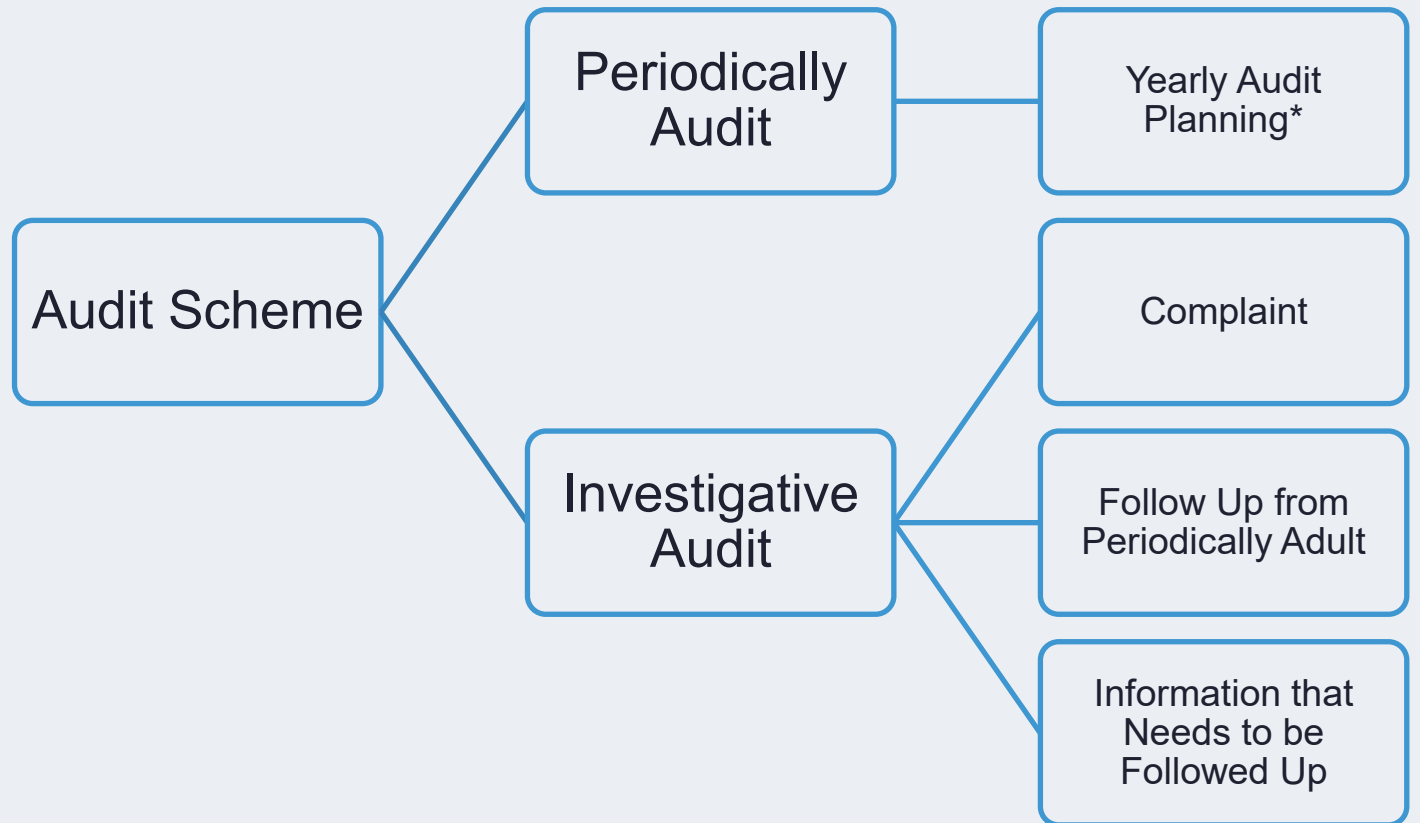


# Financial Profession Supervisory Center (FPSC)

- Accountant
- Appraiser
- Actuaries
- Tax Consultant (soon)
- Customs Specialist (soon)
- 2<sup>nd</sup> Class of Auction Officer (soon)



# Audit Scheme



*\*) On average, that one profession was audited once every 5 years.*





# Literature Review



## Lawsuit Definition

According to Sinaga and Syahputra, lawsuit is a letter filed by the plaintiff against the defendant to the District Court which contains a claim for rights that contains a dispute and becomes the basis for examining a case and proving the truth of a right





# Current Condition about Lawsuit, and Does the Audit Scheme is Effective in Mitigating the Legal Risk?

Year	Number of Complaints Received	Source of Complaints			
		Law Enforcement Agency (LEA)	BPK or Local Government	Lawyer	Others
2019	80	21	19	10	30
2020	58	21	10	4	23
2021	91	27	16	12	36
2022	105	46	11	16	32
2023*	58	25	6	5	22

If we look at the data that there are a number of complaints related to legal problems in the appraiser profession, it raises the question of whether the supervision scheme in the form of Audits carried out has had a positive impact, or has not had any impact or even had a negative impact on the appraiser profession.

\*) until July 2023

Source: Complaints Handling Unit, FPSC



# Methodology



## Research Design

Researchers used descriptive research, which is defined as research with the aim of describing or describing something that is usually in the form of characteristics or functions of something.



## Research Method

Uses questionnaires as research instruments, questionnaires are sheets containing several questions with a standard structure..



## Data Collection & Sample Selection

The collection of primary data in this study was carried out by distributing questionnaires online through Google Forms



## Data Analysis

Processes or methods used to process data to obtain information.

# Results & Discussions

## Research Implementation

This study was conducted by targeting Public Appraisers who practice their business in Indonesia. The sample in this study was Public Appraisers, namely Appraisers who have obtained their practice permits from the Minister of Finance of Republic of Indonesia.



# Frequency Distribution Analysis

## Based on Age

Profil	Sum	Percentage
< 40 years old	19	15.70%
41 - 50 years old	28	23.14%
51 - 60 years old	47	38.84%
> 60 years old	27	22.31%
<b>Total</b>	<b>121</b>	<b>100.00%</b>

## Based on Length of Service as a Public Appraiser

Profil	Sum	Percentage
< 2 years	2	1.65%
2 - 5 years	7	5.79%
6 - 10 years	22	18.18%
> 10 years	90	74.38%
<b>Total</b>	<b>121</b>	<b>100.00%</b>

## Based on Length of Service as a Public Appraiser

Profil	Sum	Percentage
< 2 years	6	4.96%
2 - 5 years	7	5.79%
6 - 10 years	21	17.36%
> 10 years	87	71.90%
<b>Total</b>	<b>121</b>	<b>100.00%</b>



# Frequency Distribution Analysis Based on FPSC Audit Orientation

## How many times has the FPSC been examined (periodically or investigative)?

Profil	Sum	Percentage
1 times	32	26.45%
2 times	34	28.10%
3 times	33	27.27%
4 times or more	22	18.18%
<b>Total</b>	<b>121</b>	<b>100.00%</b>

## Involving in Legal Issues

Profil	Sum	Percentage
Never	63	52.07%
Ever	58	47.93%
<b>Total</b>	<b>121</b>	<b>100.00%</b>

## Involving in Legal Issues (specific in criminal issue)

Times	Sum	Percentage
0	15	25.86%
1	16	27.59%
2	12	20.69%
3	9	15.52%
4	1	1.72%
5	1	1.72%
6	2	3.45%
7	1	1.72%
17	1	1.72%
<b>Total</b>	<b>58</b>	<b>100.00%</b>



Frequency  
Distribution Analysis  
**Based on  
FPSC Audit  
Orientation  
(cont.)**

**Involving in Legal Issues (specific in civil issue)**

Times	Sum	Percentage
0	21	36.21%
1	17	29.31%
2	7	12.07%
3	4	6.90%
4	4	6.90%
6	2	3.45%
10	1	1.72%
11	1	1.72%
52	1	1.72%
<b>Total</b>	<b>58</b>	<b>100.00%</b>

**Aspects of Appraisal Assignments That Are Often Related to Legal Issues**

Profil	Sum	Percentage
Inspection from outside	1	1.72%
Value Basis and/or Value Conclusion	31	53.45%
Entire Appraiser Report (contract, report, working papers, and other supporting documents)	11	18.97%
Object of Appraisal	6	10.34%
Assignee and/or Report User	5	8.62%
The data comparison	3	5.17%
Asset owner refuses to auction	1	1.72%
<b>Total</b>	<b>58</b>	<b>100.00%</b>

Frequency  
Distribution Analysis  
**Based on  
FPSC Audit  
Orientation  
(cont.)**

**Appraisal Objectives Often Relate to Legal Issues**

Profil	Sum	Percentage
Auction	15	25.86%
Debt Guarantee	8	13.79%
Land Acquisition	32	55.17%
Buy & Sell	3	5.17%
Total	58	100.00%



# Descriptive Statistical Analysis

Indikator	N	Min	Max	Mean	Grand Mean
E1	121	1	4	3,62	3.46
E2	121	1	4	3,56	
E3	121	3	4	3,65	
E4	121	1	4	3,5	
E5	121	3	4	3,63	
E6	121	3	4	3,58	
E7	121	3	4	3,73	
E8	121	1	4	3,25	
E9	121	1	4	3,07	
E10	121	1	4	3,11	
E11	121	1	4	3,31	

The statistical results show a grand mean value of 3.46. From this value, it is known that there are 7 indicators with mean values above the grand mean, namely E1 to E7, while the other 4 indicators have mean values below the grand mean, namely E8 to E11.

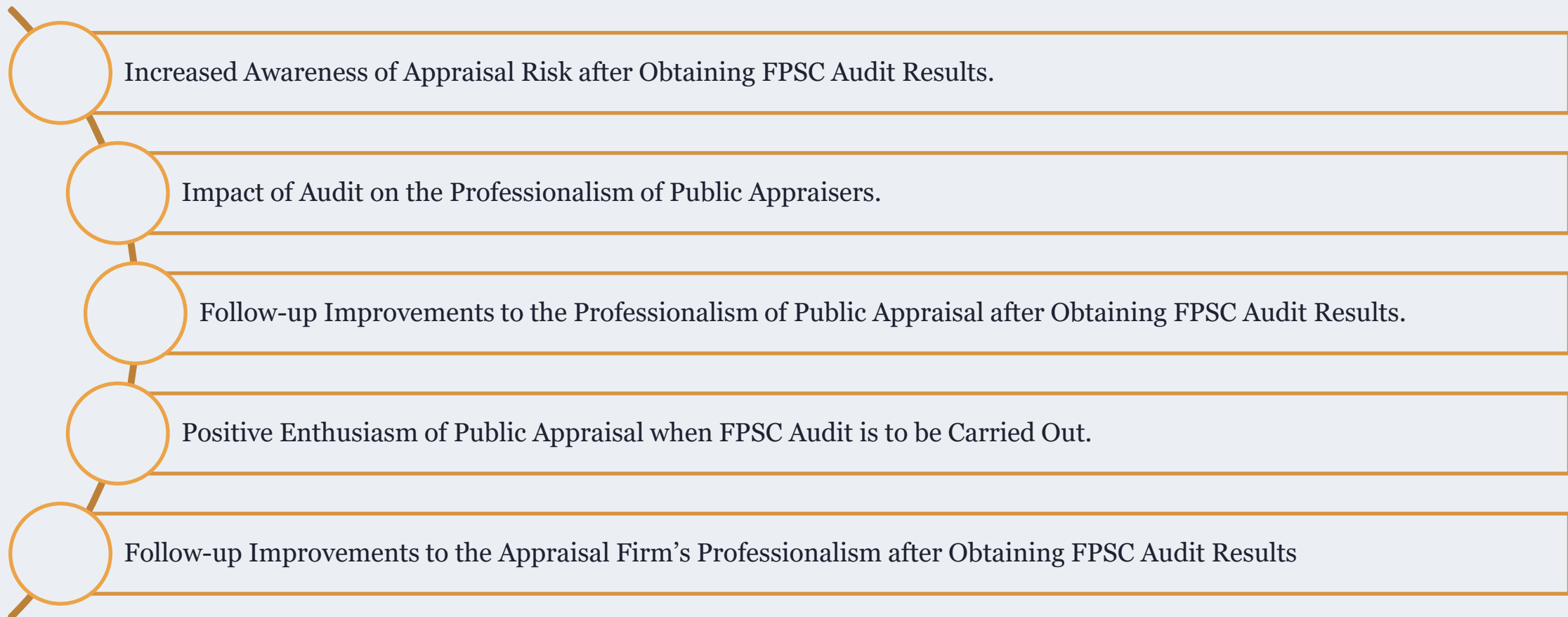
Viewed from each indicator, the indicator value with the highest mean is E7 with a value of 3.73. This indicates that the respondent's perception of increased awareness of the appraisal risk after obtaining the Audit results is classified as high.

Viewed from each indicator, the indicator value with the lowest mean is E9 with a value of 3.07. This indicates that the respondent's perception of the existing periodic Audits that need to be carried out more often (on average per Appraisal/PP is examined approximately once every 5 years) is classified as low.





# Determining Factors of the Effectiveness of Supervisory Regulation in Mitigating and Dealing with Legal Risks





# The Regulator's Perspective on the Appraisal Profession

- Consumer protection needs to be improved.
- Strengthening risk profiles.
- Strengthening collaboration in professional supervision with financial services sector regulators.
- Increasing HR capacity through education, audits, and internships.
- Implementation of quality reviews by associations as counterparts in professional coaching.



# Summary of Key Findings

01

The levels of appraiser objectives that often give rise to legal problems in sequence from the highest are land acquisition, auction, debt guarantee, then sale and purchase transactions.

02

The parties that often complain about legal problems of appraisers are in sequence law enforcers, the community, and then NGOs.

03

Supervision carried out by the Professional Regulator has directed the profession to the improvement process so that it is believed to be able to mitigate legal risks.

04

The effectiveness of professional supervision by FPSC in mitigating risks is consistently recognized by both appraisers as examinees and FPSC as examiners.

05

The implementation of the Audit has encouraged appraisers to make improvements both in terms of appraiser's technical and administration related to the implementation of Appraisal Firm Quality Control Standards.

06

Audit conducted by regulators as representatives of the government does not interfere with the independence of appraisers but instead encourages and improves the quality of the appraisal profession and consistently becomes part of the mitigation of legal risks for the appraisal profession.

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