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THE DISCLOSURE OF INTERNET FINANCIAL REPORTING OF LOCAL GOVERNMENT IN INDONESIA: A FURTHER REVIEW OF GOVERNMENT USAGE OF INFORMATION TECHNOLOGY TO PROVIDE PUBLIC INFORMATION

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Abstract

Dissemination of financial information is closely related to the readiness of the government agencies to provide it to be easily accessible to the public. This study is aimed to analyze the government usage of information technology to provide public information. The study discusses the availability and accessibility of financial statements by using the disclosure index based on four components; content, timeliness, technology, and user support. The results indicate that the quality of financial reporting disclosure of the local government in the provincial level is still not fully optimized. This research emphasizes the importance of increasing accountability and widening the scope of measurement and reporting systems, as well as the use of information and communication technologies to provide public need of government financial performances.

Keywords: Internet Financial Reporting, content, timeliness, technology, user support, public information, accountability

1. INTRODUCTION

IFR (Internet Financial Reporting) is a fast-growing phenomenon. To meet the needs of financial information, IFR through e-government is the best solution to support the governance in accountability aspect. It is the disclosure or reporting of public sector accounting by using the government website media (e-government). According to Oyelere *et al* (2003), IFR is a combination of capacity and capability of multimedia internet to communicate interactively about financial information. The financial statements are usually printed, through the internet, the financial reports can be distributed more quickly (timeliness aspect) and are able to develop the usefulness of this technology to open up further to inform the financial statements (disclosure aspects).

Currently, the financial statements reporting on the internet has not been regulated for the government. Verawaty (2014,b) describes that there are no statutory requirements concerning the use of the internet in the communication of performance results and consequently, the choice of the type of information and documents to be inserted in the websites is voluntary. In fact, the global accessibility of financial reports on the internet and the absence of a global regulator have possible implications for groups with interests in financial reporting, such as financial information preparers, users, auditors and regulators. Bagshaw (2000) argues that the global accessibility of financial reports and the absence of a global regulator necessitate the cooperation of national and international organization to ensure that financial information is of the highest quality.

The accessibility and quality of financial reporting issue are the enormous development of the internet and an increasing acceptance by its user. To be accessible, IFR must give the easiest way so the stakeholders can accept it properly. According to Style and Tennyson (2007), the accessibility concerns in how many steps are required to locate the financial report in the website. Cheng *et al.* discussed the quality of financial reporting on four components; content, timeliness, technology, and user support.

The need for control over IFR largely depends on the degree to which efficient solutions are currently being found in the community for financial information. With the easiest steps to access and best disclosure quality, it will describe the accountability itself (Verawaty, 2014,c).

Recent public sector reforms have generally emphasized the importance of increasing accountability and widening the scope of measurement and reporting systems, as well as the use of information and communication technologies. Internet technologies provide public sector organizations with an opportunity to improve their accountability, to increase their responsiveness to the needs of citizens and to promote a change in the overall philosophy of government and organization of activities. In this case, IFR will support the government accountability.

To support good governance of a government, accountability is a crucial issue. In essence, accountability is the provision of information and disclosure on the activities and financial performance for the public stakeholder (Schiavo-Campo and Tomasi, 1999). Based on Verawaty (2012,a), when viewed from the availability of IFR in the e-government, in general, the majority of provincial governments in Indonesia who have e-government is not using the media as a means of transparency, participation and public accountability in public sector accounting.

This paper analyses the government usage of information technology to provide public information. Since the internet has a major role to play in improving accountability and responsiveness to citizens, the discussion also extends in the accountability aspect. The contribution of this study is to be a consideration for the local government in an effort to improve the implementation of e-government in the areas of accounting, which is IFR, is determined to fulfill its obligations as a provider of public information, specifically the government financial performances.

2. RESEARCH METHODOLOGY

Population used in this study are all the provincial governments in Indonesia. The sample is determined based based on the observation period up to June of 2014. Data is collected through observations with the availability of internet media in the e-government of provincial governments in a population of 34 and finding the availability of IFR (Internet Financial Reporting) in the existing samples and assessing the accessibility point based on Cheng *et al* (2000). Based on it, the variables used to assess the quality of financial reporting, are content, timeliness, technology, and user support.

1. **Content**, which includes the financial information of components such as balance sheet, income statement, cash flows, changes in financial position and sustainability reports such as footnotes, partial sets of financial statements or financial highlights which include summary financial statements and the core of the financial statements published by e-government. Financial information which is disclosed in the form of html has higher scores compared in pdf format, because the information in the form of html is easier and faster for the users to access financial information.

2. **Timeliness**, which means that the users can use the information before it loses its meaning and capacity in decision-making. When e-government can provide it in time, the higher the index will be.

3. **Technology**, which means that the component is related to the utilization of technology in e-government which is not provided by printing media. The technology may provide analysis tools (eg, Excel's Pivot Table), advanced features (such as the implementation of Intelligent agent or XBRL). The more features, the higher the index will be.

4. **User Support,** which means that the components associated with the facility that allows users to find the financial statements in e-government. E-government index will be higher if local governments implement optimally in all means of media websites such as search and navigation/search and navigation tools (such as FAQs, links to the homepage, site map, site search).

3. RESULTS AND DISCUSSION

Table 1.

No.	Province Profile	E-Government Status	IFR Feature
1	Bali	Online	Available
2	Banten	Online	Available
3	Bengkulu	Error	Not Available
4	Daerah Istimewa Yogyakarta	Online	Available
5	Daerah Khusus Ibukota Jakarta	Online	Available
6	Gorontalo	Online	Available
7	Jambi	Online	Available
8	Jawa Barat	Online	Available
9	Jawa Tengah	Online	Online
10	Jawa Timur	Online	Available
11	Kalimantan Barat	Online	Available
12	Kalimantan Selatan	Online	Available
13	Kalimantan Tengah	Online	Available
14	Kalimantan Timur	Online	Available
15	Kalimantan Utara	Online	Online
16	Kepulauan Bangka Belitung	Online	Available
17	Kepulauan Riau	Online	Available
18	Lampung	Online	Not Available
19	Maluku	Online	Not Available
20	Maluku Utara	Error	Not Available
21	Nanggroe Aceh Darussalam	Online	Available
22	Nusa Tenggara Barat	Online	Available
23	Nusa Tenggara Timur	Online	Available
24	Papua	Online	Not Available
25	Papua Barat	Online	Not Available
26	Riau	Online	Available
27	Sulawesi Barat	Online	Not Available
28	Sulawesi Selatan	Error	Not Available
29	Sulawesi Tengah	Online	Not Available
30	Sulawesi Tenggara	Online	Available
31	Sulawesi Utara	Error	Not Available
32	Sumatera Barat	Online	Available
33	Sumatera Selatan	Error	Not Available
34	Sumatera Utara	Error	Not Available

The results of the survey conducted in the study period related to the website implemented by the study population which is 34 provinces indicate that 76.47% of e-government in the provincial government in online status or only 26 e-governments. The results also indicate a disparity of financial information disclosure practice through e-government and the majority of local government has not optimized the use of internet technology. The total of active e-government of provincial government shows that only 76.92% which provided IFR (Internet Financial Reporting). In the term of IFR from a population of 34 provinces, only 20 samples that meet the sample criteria that provide IFR feature in their e-governments.

Table 2.

No.	Government Profile	Accessibility Point										Disclosure Quality
		A	B	C	D	E	F	G	H	I	J	
		1	1	1	-	-	-	-	-	-	-	Content (3 from 3), timeliness (0 from 2), technology (0 from 2), user support (0 from 3)
1	Bali	1	1	1	-	-	-	-	-	-	-	Content (3 from 3), timeliness (2 from 2), technology (1 from 2), user support (1 from 3)
2	Banten	1	1	1	1	1	-	1	1	-	-	Content (2 from 3), timeliness (1 from 2), technology (2 from 2), user support (2 from 3)
3	DIY	1	1	-	-	1	1	1	1	-	1	Content (3 from 3), timeliness (2 from 2), technology (2 from 2), user support (2 from 3)
4	DKI Jakarta	1	1	1	1	1	1	1	1	-	1	Content (3 from 3), timeliness (1 from 2), technology (1 from 2), user support (2 from 3)

3

No	Province											Description
5	Gorontalo	1	1	1	-	1	1	-	1	-	1	Content (2 from 3), timeliness (2 from 2), technology (1 from 2), user support (1 from 3)
6	Jawa Barat	1	1	-	1	1	-	1	1	-	-	Content (1 from 3), timeliness (0 from 2), technology (0 from 2), user support (0 from 3)
7	JawaTe-ngah	1	-	-	-	-	-	-	-	-	-	Content (2 from 3), timeliness (1 from 2), technology (0 from 2), user support (0 from 3)
8	Jawa Timur	1	-	1	-	1	-	-	-	-	-	Content (2 from 3), timeliness (1 from 2), technology (1 from 2), user support (0 from 3)
9	Kaliman-tan Barat	1	1	-	1	1	-	-	-	-	-	Content (2 from 3), timeliness (2 from 2), technology (2 from 2), user support (1 from 3)
10	Kaliman-tan Selatan	1	1	-	1	1	1	1	-	-	1	Content (3 from 3), timeliness (1 from 2), technology (1 from 2), user support (0 from 3)
11	Kalimanta n Tengah	1	1	1	-	1	-	1	-	-	-	Content (2 from 3), timeliness (1 from 2), technology (1 from 2), user support (0 from 3)
12	Kaliman-tan Timur	1	1	-	1	-	-	1	-	-	-	Content (2 from 3), timeliness (1 from 2), technology (2 from 2), user support (0 from 3)
13	Kep. Babel	1	1	-	1	1	1	-	-	-	-	Content (2 from 3), timeliness (0 from 2), technology (2 from 2), user support (1 from 3)
14	Kep. Riau	1	-	1	-	-	1	1	1	-	-	Content (1 from 3), timeliness (0 from 2), technology (0 from 2), user support (0 from 3)
15	Lampung	1	-	-	-	-	-	-	-	-	-	Content (1 from 3), timeliness (0 from 2), technology (0 from 2), user support (0 from 3)
16	Maluku	1	-	-	-	-	-	-	-	-	-	Content (2 from 3), timeliness (2 from 2), technology (1 from 2), user support (1 from 3)
17	NAD (Aceh)	1	1	-	1	1	-	1	-	-	1	Content (2 from 3), timeliness (2 from 2), technology (2 from 2), user support (1 from 3)
18	NTB	1	1	-	1	1	1	1	1	-	-	Content (3 from 3), timeliness (2 from 2), technology (1 from 2), user support (0 from 3)
19	NTT	1	1	1	1	1	1	-	-	-	-	Content (1 from 3), timeliness (0 from 2), technology (0 from 2), user support (0 from 3)
20	Papua	1	-	-	-	-	-	-	-	-	-	Content (1 from 3), timeliness (0 from 2), technology (0 from 2), user support (0 from 3)
21	Papua Barat	1	-	-	-	-	-	-	-	-	-	Content (2 from 3), timeliness (1 from 2), technology (0 from 2), user support (0 from 3)
22	Riau	1	1	-	1	-	-	-	-	-	-	Content (1 from 3), timeliness (0 from 2), technology (0 from 2), user support (0 from 3)
23	Sulawesi Barat	1	-	-	-	-	-	-	-	-	-	Content (1 from 3), timeliness (0 from 2), technology (0 from 2), user support (0 from 3)
24	Sulawesi Tengah	1	-	-	-	-	-	-	-	-	-	Content (2 from 3), timeliness (1 from 2), technology (2 from 2), user support (0 from 3)
25	Sulawesi Tenggara	1	1	-	-	1	1	1	-	-	-	Content (2 from 3), timeliness (2 from 2), technology (0 from 2), user support (0 from 3)
26	Sumatera Barat	1	1	-	1	1	-	-	-	-	-	Content (3 from 3), timeliness (0 from 2), technology (0 from 2), user support (0 from 3)

The biggest point is in the hand of Indonesia's capital, Jakarta with 9 points for the excellent point of 10. It might happen because Jakarta has more pressures to publish as the country capital. The average point is 4 which results only 13 provinces above the standard. The disclosure index shows that only 65.38% provinces focusing on content, only 51.92 provinces focusing on timeliness, 38.46% provinces focusing on technology and 15.38% provinces focusing on user support.

The results indicate that the quality of financial reporting disclosures of the local government in the provincial level is still not fully optimized with none of the provinces reached the ideal point of 10. Most of them only focused on content component more than timeliness, technology, and user support component. This performance indicates that their accountability as the objectives of government's IFR because government website has not played an important role in democratization of government information on performance by providing convenient and potentially more accessible financial information to stakeholders. In order to support the accountability, the government has to publicize the public information in the context of fulfilling

the rights of the public which is the rights to be informed in the border of legal law. One of the ways is by publishing IFR in the official government website.

The phenomena cannot be explained empirically because this study can be considered as an exploratory study. But normally, based on the regulatory side, e-government has been introduced in Presidential Instruction No. 6 of 2001 and Presidential Decree No. 3 of 2003 which is followed by subsequent regulations which is relevant to the use of information technology in government. However, standardization of content is still not mandatory.

Based on the interviews with several government practitioners, regarding to timeliness components, whether e-government provides IFR for the previous years as the comparison and IFR for the current years, it is still considered not necessary. Supreme Audit Agency (SAA) as the agency which assesses the government's financial statements is considerably more competent to publish it to public. SAA website is considered to be the most appropriate authority for the government transparency. Although the instruction of the Minister of Home Affairs No. 188.52/1797/DJ of 2013 on Increasing the Transparency of Budget Management which one of its content is "Transparency of Budget Management" in the provincial government's official website has been socialized, the results of this study indicate that most of the provincial governments have not been able to implement it.

When it comes to technology and user support, according to Verawaty (2012,b), government generally have rare reliable human resources in the field of information technology. HR is usually reliable in the business environment/industry, but not many in the public sector. The lack of human resources becomes a constraint in implementation of e-government, especially on analysis tools and advanced features. According toVerawaty (2014,a), to overcome the scarcity of reliable human resources barriers, it is necessary to give education and training of human resources in information technology and communication. Pragmatically, the training should be an in-house training in order to obtain understanding and literacy among local government officials. House training can involve the experts in the government as well as with the university. While at the national level, it needs to be organized in a centralized (by the Ministry of Communications) through integrated education and training and decentralized by creating training centers in educational institutions belonging to Ministry of Home Affairs or private educational institutions in cooperation with the Ministry of Communications or universities. Besides, this training can be carried out by the respectives of local governments who know better their own needs related to the implementation of e -government.

The latest development subsequent regulations which is relevant to the use of information technology in government is The Minister of Indonesia for Internal Issues No. 186.52/1797/DJ. It is an obligation for all governments to have a content name "The Transparency if Local Government Budget" in their e-government. More or less it is an IFR. Like many other rule or law, it must take time to be applied in their government environment. Thus for the future, all government will implement the ministry's instruction so the accountability will support the good governance. The author also recommend that the in every level of the government will develop better knowledge management systems, increase the interactivity of their websites, and enrich the accounting information that they present. The implication of this study is the importance of an institution to regulate and assess the quality of the disclosures made by the local government through its e-government. Of course this will also have implications on the need for regulation on the disclosure of optimizing the utilization of e-government, not only for the provincial government, but also for municipal government.

4. CONCLUSSION

This study is aimed to analyze the government usage of information technology to provide public information. The study discusses the availability and accessibility of financial statements by using the disclosure index based on four components; content, timeliness, technology, and user support. The results indicate that the quality of financial reporting disclosures of the local government in the provincial level is still not fully optimized with none of the province reached the ideal point of 10. Most of them only focused on content component more than timeliness, technology, and user support. This performance indicates that their accountability as the objectives of government's IFR because government website has not

played an important role in democratization of government information on performance by providing convenient and potentially more accessible financial information to stakeholders. This research emphasizes the importance of increasing accountability and widening the scope of measurement and reporting systems, as well as the use of information and communication technologies to to provide public need of information as government financial performances.

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