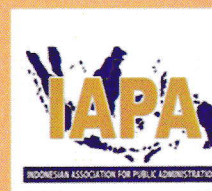
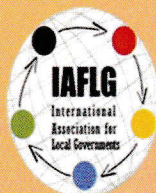




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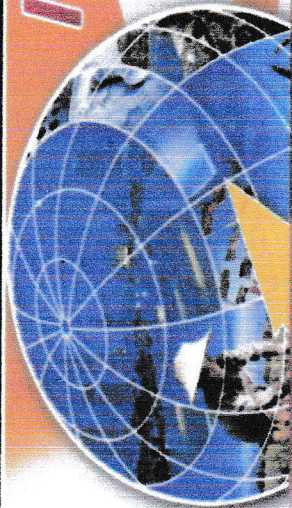




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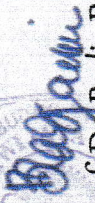
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# **The Accessibility of Internet Financial Reporting of Local Government in Indonesia: A Missing Link in National Development Accountability**

Verawaty

Department of Accounting, Bina Darma University  
verawaty\_mahyudin@yahoo.com

The financial information through internet is called IFR (Internet Financial Reporting) which is a combination between the internet multimedia capability and capacity to communicate the financial information interactively. The study is aimed to analyze the accessibility of IFR (Internet Financial Reporting) on the government website by using Accessibility Index Value. The study looks at Indonesia local government's use of the internet both in provincial and municipal level government. The index shows the ability of some citizens to access the data provided in e-government. The value shows insignificant result. The majority has not 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. It becomes a missing link in national development accountability.

**Keywords:** internet financial reporting, accessibility index value

## **INTRODUCTION**

Information takes a very vital role in governance activities. Production of public information such as annual financial report is only one part of the accountability equation and access to the information is the other necessary condition for accountability to take place. Dissemination of annual financial report is the responsibility of and controlled by the local government. Probably one of the most convenient and cost effective ways for a government agency to disseminate this information in today's society is the internet. This role of the internet in disseminating government's annual report to the citizenry groups and other users has not escaped the attention of local governments. They take various approaches such as by applying the electronic government system or electronic-based government (e-government) to fulfill the public needs of information. To meet the needs of financial information, IFR (Internet Financial Reporting) through e-government is the best solution to support the governance in accountability aspect.

IFR (Internet Financial Reporting) is a fast-growing phenomenon. Many organizations publish their financial information on the internet. It is the reporting and disclosure of public sector accounting by using a government website media (e-government). According to Oyelere et al (2003), IFR (Internet Financial Reporting) 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 aspect). Financial information provided on the web includes the comprehensive sets of financial statements such as footnotes;



partial sets of financial statements; and/or financial highlights which may include summary financial statements or extracts from such statements.

Actually, the financial statements reporting on the internet has not been regulated for the government. The global accessibility of financial reports on the internet can create 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 the highest quality.

The enormous development of the internet and an increasing acceptance by its users has an accessibility issue. Major characteristics of the internet are that information can be accessed (almost) any time and everywhere, and generally at a low cost; the information is up-to-date; there are few limits on data availability; information can include dynamic presentations and multimedia; and there is the possibility of interactive information demand and supply. These developments have a significant effect on the dissemination of information and thus on the organizational structures of how these activities are performed. They also open up new and astounding opportunities for financial disclosure that affect all interested parties. These opportunities concern standard setters as well as regulators.

To be accessible, IFR (Internet Financial Reporting) must give the easiest way so the stakeholder 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. The need for control over IFR (Internet Financial Reporting) largely depends on the degree to which efficient solutions are currently being found in the community for financial information. Style and Tennyson (2007) discussed the association between the accessibility and the number of residents, resident income per capita, level of debt, and the financial position of the municipalities in USA.

With the easiest steps to access, it will describe the accountability itself. 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, increasing their responsiveness to the needs of citizens and promoting a change in the overall philosophy of government and organization of activities. In this case, IFR (Internet Financial Reporting) will support the government accountability.

The accountability is a crucial issue to support good governance of a government. 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). The government, both central and local levels, should be the subject of the informers in the context of fulfilling the public's rights which are the rights to know, the rights to be informed, and the rights to be heard for the aspirations. Based on the dimensions of public accountability by Solihin (2006), e-government as a public accountability means to fulfill the obligation to provide the accountability or to answer and explain the performance and actions of a person/organization to the party leader who has the rights or authority to hold the accountability or description.

This paper analyses the use of the internet to communicate financial information of local government by using Accessibility Index Value developed by Style and Tennyson (2007). Since the internet has a major role to play in improving accountability

and responsiveness to citizens, the discussion also extends in the accountability aspect to assess the link in national development accountability.

## METHODOLOGY

The research population is 33 provincial governments and 33 municipal governments in Indonesia. Sample is determined based on purposive sampling method which has e-government until June 2014 and is not in under construction (maintenance). The municipal government is selected by determining in each province which will be chosen a city government as the broadest category of areas, the most populous, and the highest per capita income. Data is collected through observation of the internet media for the availability of e-government on the population of 66 local government (provincial and municipal) and the availability of IFR (Internet Financial Reporting) on the existing sample and assess its accessibility based Accessibility Index Value (Styles and Tennyson, 2007). Here is the Calculation of Accessibility Index which is the basis for assessing how many steps it takes to find the financial statements in the e-government:

**Tabel 1. Calculation of Accessibility Index Value**

The accessibility index was calculated as follows for each city that provided CAFR\* data on its official website:

- 1 point if official city website appears on first page of result for Google or Yahoo search using city name and state (A).
- + 1 point if official city website has link to CAFR data on website homepage (B).
- + 1 Point if official city website has search engine that finds CAFR using terms CAFR and/or financial statements (C).
- + 1 Point if 3 or less web pages (or clicks of mouse) to view CAFR data from city website homepage (D).±
- + 1 Point if CAFR provided on official city website as indexed pdf file(s) or HTML format (E).
- + 1 Point if city provides CAFR data in more than one file; files for different sections/pages of full CAFR document (F).
- + 1 Point if individual file(s) providing CAFR data less than 3MB in size (G). ±±
- + 1 Point if official city website provides CAFR data for prior years (H).
- + 1 Point if official city website provides information on obtaining or acces to a printed copy of the city's CAFR (I).
- + 1 Point if official city website provides contact details (phone and/or email) for individual/department that compiled CAFR (J).
- = possible score of 10 points

In this paper, an e-government classified in practicing IFR (Internet Financial Reporting) when it provides on the web a comprehensive set of financial statements and/or financial highlights extracted from financial statements (including partial and/or summarized financial statements). The full disclosure is when it provides these four components, namely, balance sheet, budget realization statement, statement of cash flows, and notes to the financial statements.

## RESULTS AND DISCUSSION

This following is the observation result of e-government of provincial government:

**Table 2.**

<b>No.</b>	<b>Province Profile</b>	<b>E-Government Status</b>	<b>IFR Feature</b>
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	Not Available
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	Kepulauan Bangka Belitung	Online	Available
16	Kepulauan Riau	Online	Available
17	Lampung	Online	Not Available
18	Maluku	Online	Not Available
19	Maluku Utara	Error	Not Available
20	Nanggroe Aceh Darussalam	Online	Available
21	Nusa Tenggara Barat	Online	Available
22	Nusa Tenggara Timur	Online	Available
23	Papua	Online	Not Available
24	Papua Barat	Online	Not Available
25	Riau	Online	Available
26	Sulawesi Barat	Online	Not Available
27	Sulawesi Selatan	Error	Not Available
28	Sulawesi Tengah	Online	Not Available
29	Sulawesi Tenggara	Online	Available
30	Sulawesi Utara	Error	Not Available
31	Sumatera Barat	Online	Available
32	Sumatera Selatan	Error	Not Available
33	Sumatera Utara	Error	Not Available

This following is the observation result of e-government of municipal government:

**Table 3.**

<b>No.</b>	<b>Municipal Profile</b>	<b>E-Government Status</b>	<b>IFR Feature</b>
1	Kota Denpasar	Online	Available
2	Kota Tangerang	Online	Available
3	Bengkulu	Online	Not Available
4	Kota Yogya	Online	Available
5	Jakarta Pusat	Online	Not Available
6	Kota Gorontalo	Online	Available
7	Kabupaten Sungai Penuh	Online	Available
8	Kota Bandung	Online	Available
9	Kota Semarang	Online	Not Available
10	Kota Surabaya	Online	Available
11	Kota Pontianak	Error	Not Available
12	Kota Banjarmasin	Online	Available
13	Kota Palangkaraya	Online	Available
14	Kota Bontang	Online	Available
15	Kabupaten Bangka	Online	Available
16	Kota Batam	Online	Available
17	Lampung	Online	Not Available
18	Kota Ambon	Online	Available
19	Kota Sofifi	in the process to have e-government	Not Available
20	Kota Banda Aceh	Error	Not Available
21	Kota Mataram	Online	Available
22	Kota Kupang	Online	Available
23	Kota Jayapura	Online	Not Available
24	Kota Manokwari	in the process to have e-government	Not Available
25	Kota Dumai	Online	Available
26	Kota Mamuju	Online	Not Available
27	Kota Makasar	Online	Not Available
28	Kota Palu	Error	Not Available
29	Kota Kendari	Online	Not Available
30	Kota Manado	Online	Not Available
31	Kota Bukit Tinggi	Online	Available
32	Kota Palembang	Online	Not Available
33	Kota Medan	Online	Not Available

The results of the survey conducted in the study period related to the website implemented by the study population which is 66 local governments in Indonesia (33 provinces and 33 municipals selected based on purposive sampling) indicate that 81.82% of e-government in the provincial government in online status or only 27 e-governments. It also shows that only 84.85% of e-government in the municipal government in online status or only 28 e-governments, the remaining 9.09% of e-



government is in error status (possibilities in under maintenance status) or only 3 e-governments and the other of 6.06% has not even had e-government yet.

The results also indicate a disparity of financial information disclosure practice through e-government and the majority of local government has not maximalized the use of internet technology. 81.82% of the total of active e-government of provincial government, only 25.93% is doing IFR (Internet Financial Reporting). The results also show that 84.85% of the total of active e-government of municipal government, only 39.29% is doing IFR (Internet Financial Reporting).

Based on Table 2 and 3, the sample criteria results 37 samples which has active e-government until June 2014 and is not in under construction (maintenance) so it can be assessed in the term of the accessibility IFR (Internet Financial Reporting). From a population of 33 provinces, only 20 samples that meet the sample criteria. From a population of 33 municipalities, there are only 17 samples that meet the sample criteria. Because this study did not classify the samples, so that the number of samples from different levels of government must be equal, then it is determined that in each region if the provincial government does not meet the sample criteria, although the municipal meets the criteria, it will still not be included and vice versa. Thus, only the remaining 28 samples comprising 14 provincial and 14 municipal governments to be analyzed for the use of the internet to communicate financial information of local government by using Accessibility Index Value.

This following is the calculation result by using The Accessibility Index:

**Table 4.**

No.	Government Profile	Accessibility Point										Total
		A	B	C	D	E	F	G	H	I	J	
1	Bali	1	1	1	-	-	-	-	-	-	-	3
2	Banten	1	1	1	1	1	-	1	1	-	-	7
3	Daerah Istimewa Yogyakarta	1	1	-	-	1	1	1	1	-	1	7
4	Gorontalo	1	1	1	-	1	1	-	1	-	1	7
5	Jawa Barat	1	1	-	1	1	-	1	1	-	-	6
6	Jawa Timur	1	-	1	-	1	-	-	-	-	-	3
7	Kalimantan Selatan	1	1	-	1	1	1	1	-	-	1	7
8	Kalimantan Tengah	1	1	1	-	1	-	1	-	-	-	5
9	Kepulauan Bangka Belitung	1	1	-	1	1	1	-	-	-	-	5
10	Kepulauan Riau	1	-	1	-	-	1	1	1	-	-	5
11	Nusa Tenggara Barat	1	1	-	1	1	1	1	1	-	-	7
12	Nusa Tenggara Timur	1	1	1	1	1	1	-	-	-	-	6
13	Riau	1	1	-	1	-	-	-	-	-	-	3
14	Sumatera Barat	1	1	-	1	1	-	-	-	-	-	4
15	Kota Denpasar	1	-	1	-	-	-	-	-	-	-	2
16	Kota Tangerang	1	-	1	1	1	1	1	1	-	-	7
17	Kota Yogya	1	1	1	1	1	1	1	1			8



18	Kota Gorontalo	1	1		1	1	1	-	1			6
19	Kota Bandung	1	1	1	1	1	1	1	1	-	-	8
20	Kota Surabaya	1	1	-	1	1	1	-	1	-	-	6
21	Kota Banjarmasin	1	1	-	1	1	1	1	1	-	-	7
22	Kota Palangkaraya	1	1	-	1	-	-	-	-	-	-	3
23	Kabupaten Bangka	1	1	-	1	-	-	1	-	-	-	4
24	Kota Batam	1	1	1	1	1	1	1				7
25	Kota Mataram	1	1	-	-	-	-	1	-	-	-	3
26	Kota Kupang	1	1	-	1	-	-	1	-	-	-	4
27	Kota Dumai	1	1	1	1	1	1	1				7
28	Kota Bukit Tinggi	1	1	-	1	-	1	-	-	-	-	4

This following is the Descriptive Statistics of the data:

**Table 5.**  
**Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
IFRACCESS	28	2	8	5.39	1.792
Valid N (listwise)	28				

The biggest point is in the hand of Jogya and Bandung dan with 8 points for the excellent point of 10. Based on Table 5, with mean in 5,39 and standard deviation in 1,792. The determinants of why many governments did not provide IFR (Internet Financial Reporting) according to Oyelere et al (2003) are political competition, size, leverage, municipal wealth, press visibility, and type of local authority and according to Style and Tennyson (2007) they are the number of residents, resident income per capita, level of debt, and the financial position of the municipalities.

IFR (Internet Financial Reporting) through e-government is the most fulfilling aspects of 3E (Efficiency, Effectiveness, and Economy) to provide and publish information on financial statements to all public stakeholders including central government, other governments, parliaments, audit board, economic analysts, investors, creditors, donors, and community. Based on Verawaty (2012), 87.9% of provincial governments had the e-government in the status online/active. However, only 37.93% did the IFR (Internet Financial Reporting). It means that the dissemination of information is closely related to the readiness of the public entity to provide it to be accessible to the public. This paper result also supports Verawaty (2012) that although financially supported by reliable human resources, not all local governments do it.

A number of IFR (Internet Financial Reporting)-related issues and challenges have, however, been noted in the literature. There is a potential that the dividing line between current financial information used by government management made available to public users of financial information could be erased by online, real-time reporting (Oyelere et al, 2003). Besides, if IFR (Internet Financial Reporting) is installed as the only mode for communicating financial information, there is the likelihood that access



to such information will be restricted to only those who possess costly computer equipment and skills. Hence, to ensure equity in financial information dissemination, it will be necessary to ensure that the information being reported through websites are already provided previously or simultaneously through other media of financial information disclosure (McCafferty, 1995). This could however be viewed as unnecessary duplication and may result in even greater costs in Indonesia, where financial information are commonly disseminated in both Indonesia and English languages.

Perhaps the greatest challenge faced in the IFR (Internet Financial Reporting) environment is that of ensuring the security and integrity of the financial information published on the websites. Apart from possible errors in the publishing process, materials published on the web are susceptible to all manners of security risks. Financial information could, post-publication, be knowingly or unknowingly altered by parties both external and internal to the organization. There is a real risk that critical decisions could be made by users of financial information based on inaccurate financial information gleaned from the websites. The extent to which these issues are dealt with is likely to determine the long-term usefulness of the internet as a medium of the financial information dissemination.

Technology in the form of IFR (Internet Financial Reporting) through e-government can be aimed to link the accountability because the main role of e-government lies in how information technology can trigger the transformation on the relationships between the government and citizens, governments and business, and among government agencies. These transformations can improve the quality of governance for the public interest, specially for the accountability aspect.

E-government has allowed government agencies to provide information and deliver services to its internal and external stakeholders through their websites including financial information or initially as IFR (Internet Financial Reporting). The large scale communication offered by city websites presents opportunities for a digital democracy and more transparent accountability to residents and other stakeholders. Considering that accountability is implicit in all the objectives of local and central government financial reporting, city websites can play a role in the democratization of government information on performance by providing convenient and potentially more accessible financial information to stakeholders.

Since e-government has been met with acceptance and eagerness from the public, its ultimate goal is to be able to offer an increased portfolio of public services to citizens in an efficient and cost effective manner. It also allows the public to be informed about what the government is working on as well as the policies they are trying to implement. Thus, e-government helps to simplify the processes and makes access to government information more easily accessible for public sector agencies and citizens.

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, with the easiest steps to access, it will describe the accountability itself. IFR (Internet Financial Reporting) will support the government accountability.



Because the financial statements on the internet are unregulated so many local government consider it not seriously. The Minister of Indonesia for Internal Issues No. 186.52/1797/DJ of 2012 announced that the instruction titled “Building up The Transparency of Budget Management” since May of 2012. It is an obligation for all governments to have a content name “The Transparency of Local Government Budget” in their e-government. More or less it is an IFR (Internet Financial Reporting). Like many other rule or law, it must take time to be applied in their government environment, at least maximally in the following two years. Thus for the future, all government will implement the ministry’s instruction so the accountability will support the good governance so there will not be a missing link in national development accountability. 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.

## **CONCLUSION**

The study is aimed to analyze the accessibility of IFR (Internet Financial Reporting) in the government website by using Accessibility Index Value (Style and Tennyson, 2007). The index shows that the higher point they compiled, the better the accessibility was. It also indicates that the accountability is implicit in all the objectives of government’s IFR (Internet Financial Reporting) because government website can play an important role in democratization of government information on performance by providing convenient and potentially more accessible financial information to stakeholders. The result shows that with the highest point of ten, only two governments provide the full disclosure of financial information. 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. Having The Instruction of The Minister of Indonesia for Internal Issues No. 186.52/1797/DJ of 2012 is a very potential development. In the future, the accessibility of the IFR (Internet Financial Reporting) of local government will be much easier. Thus, all government will implement the ministry’s instruction so the accountability will support the good governance so there will not be a missing link in national development accountability.

## **NOTES**

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.



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