THE COMPARISON ANALYSIS OF INTERNET FINANCIAL REPORTING OF LOCAL GOVERNMENT INI NDONESIA BY USINGA DISCLOSURE INDEX

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Abstract:
The purpose of the study is aimed to compare the quality off in uncial reporting disclosures or IFR (Internet Financial Reporting) of provincial and municipal (city) govern ments in Indonesia by using a disclosure index developed by Chengetal. (2000). The discussion of the study analyzes the optimization of the accounting reporting based on four components; content, timeliness, technology, and user support between the two groups of samples. The provincial government is more highlighted by the public so it is hypothesized that it will disclose information in its e-government with better format and quality than the city government. Based on the testing results with the Mann Whitney Test, all the components are not significant. That is, the results of this study indicate that there is no difference between the quality of financial reporting disclosures or IFR (Internet Financial Reporting) between provincial and city governments in Indonesia by using a disclosure index.

Keywords : *e-government, Internet Financial Reporting, accessibility index value, content, timeliness, technology, user support*

INTRODUCTION

The use of technology to facilitate public access to information can reduce corruption by improving transparency and accountability of public institutions. In addition, it is as well as to broaden public participation for the society to be actively involved in decision-making of government policy, improving productivity, efficiency of the bureaucracy, and economic growth.

The propriate technology is internet which has a lot of information technology with promises of easiness and facility. Through this medium, it can be obtained the needs of various kinds of information. Its fundamental advantages are timeless and borderless. In addition, compared with other media, this communication medium provides the information with cheaper and faster in global reach.

Trends in the use of the internet as a medium also affect the disclosure of the government sector. The government implements a system of electronic-based government or known as e-government (Presidential Decree No. 6 of2001 and Presidential Decree No.3of 2003). This systemis intended to support good governance. With this pattern, the traditional rule (traditional government) that is identical to the manual paper-based administration or work man ship becomes obsolete.

E-government is currently owned almost all local governments. Act No.14 of 2008 on The Openness of Public Information explicitly states that the public (public information applicant) is entitled to access to public information from the government administration (public bodies). Through e-government, public

information can be conveyed by a public body with a more economical, effective, and efficient way.

If related to information systems, demand for the availability and accessibility off in an cial reporting in the public sector would be more optimal if done with strategic information planning as an information technology competencies developed from time to time by the Government Chief Information Officer (GCIO). The more complete the information component (the content aspect) is, the more adequate the need for public information will be. The more on time the published reports are, the more reliable the information will be used (time lines aspect). The more varied the use of technology is, the more applicable to stakeholders (technology aspects) will be. The more optimized features that support the use of e-government are, the better means of communication to the public (user support a spects) will be. Of course, all these things will not be done by the finance department of local government without the support of GCIO or its equivalent unit in the local government.

Government as an entity that invests in information technology such as e-government realizes of the importance to satisfy the need for public information. It raises a question whether the public stakeholders of e-government has maximized the utilization of its use as well, so not only at the level that the local government must have e-government, but also optimize the utilization for the accounting aspect. The focus of this research is the public sector's financial disclosures through IFR (Internet Financial Reporting).

Discussion of the research will be discussed on the optimization of the accounting reporting by focusing on the benefits of being distributed more quickly (aspects of timeliness) and exploited to open up its financial statements to inform (aspects of the disclosure). In other words, disclosure quality of financial reporting in the public sector would be optimal if the financial reporting is disseminated by using IFR (Internet Financial Reporting).

Based on the above statements, this study is aimed to compare the quality of financial reporting disclosures of provincial and city governments in Indonesia by using a disclosure index developed by Chengetal. (2000). The reasons for selecting the sample group because the provincial government must be more highlighted by the public so it is hypothesized it will disclose information in its e-government with the better format and quality than the city government.

IFR literature indicates the same purpose as the private sector, that the public sectoral so uses the internet as a mechanism to disseminate reports and disclosures provided to the public stakeholders. It supports the statement of Wagenhofer (2003) that the IFR is related to the public sector accounting disclosure.

Previous studies form the basis for formulating research hypotheses. There are few studies which discussed the availability of financial reports with internet media such as Groff dan Pittman (2004) which examined practice of 100 largest local governments in the USA, Laswad et al (2005) which examined voluntary IFR at the local government in New Zealand. Then Styles and Tennyson (2007) examined the accessibility of all local government financial reporting on the

internet in USA. The studies of Indonesian are Verawaty and Halim (2009) which examined the availability of the IFR at the provincial government level in Indonesia, Verawaty (2010) which examined the availability of IFR on local government in South Sumatra, and Verawaty and Merina (2011) which examined the accessibility of the provincial government in IFR Indonesia by linking it with the application of Act No. 14 of 2008 on The Disclosure of Public Information.

Verawaty and Merina (2011) only revealed the accessibility of content, on how many steps it takes to find the financial statements in e-government. But the aspect of timeliness, technology and user support have not been discussed. This research will discuss the quality of the IFR disclosure of the local government by using the index Chengetal. (2000).

Research issues regarding the disclosure quality of internet financial reporting in the public sector has not been revealed in Indonesia. However, the same study has been done in the private sector, namely Almilia (2009) and Mannan (2009). This occurs because of the use of information technology in the government is consideredly new.

The purpose of this study is aimed to compare the quality of financial reporting disclosures of provincial and city govern mentsin Indonesia by using a disclosure index developed by Chengetal. (2000). The reasons for selecting the sample group because the provincial government must be more highlighted by the public so it is hypothesized it will disclose information in its e-government with the better format and quality than the city government.

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 are as of accounting, which is IFR (Internet Financial Reporting) is determined to fulfill its obligations as a provider of public information. Mean while, for academics and researchers this study is as material input or additional reference if they want to develop an application-related research of IFR (Internet Financial Reporting) through e-government.

METHODOLOGY
Research Design

This research is based hypothetico-deductive method. Sekaran (2006) concluded that the steps; observation, preliminary information gathering, theory formulation, hypothesis, further scientific data collection, data analysis, and deduction.

Population and Sampel

The study population is all local governments in Indonesia, while the sample is divided in to two. The first group is all provincial level provinces in Indonesia. The reason is of course the provincial government is more highlighted by the public so that it is hypothesized that they will disclose information in e-government with the format and quality are better than the city government.

The second group is determined by certain criteria or purposive sampling method. The specific criteria is that in each province will be chosen a city

government which is the broadest category of areas, the most populous, and the highest per capita income. It is based on research and Steccolini Mussari (2006) that the sample which is not a government with large cities is considered not get high demands on their financial statements disclosure. In addition, the general criteria for each group of samples are to have e-government up to September 2013 and its statusis not in under construction/maintenance.

Data is collected through observation of the internet media availability of e-government in the two groups of samples in order to be analyzed comparatively. To complete the analysis of the data, the researchers will use interviews with practitioners of local government authorities related to the IFR policy in the region. This is necessary because this study course will be exploratory because there has never been the same study conducted in Indonesia. The interview results will provide robustness aspect of the research results. In addition, other secondary sources are text books, scientific or popular articles, newspapers, and other sources from internet.

Research Variables

Based on Chengetal. (2000), the variables used to assess the quality of financial reporting or IFR (Internet Financial Reporting) in this hypothesis are the content, time liness, technology, and user support. Here's an explanation of each variable of the study:

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 foot notes, partial sets of financial statements or financial highlights which include summary financial statements and the core of the financial statements published bye-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 user scan use the information before it loses 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 PivotTable), 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).

To assess the components, this study will use the accessibility index (Style dan Tennyson, 2007). It is calculated as follows for each local government in the provincial level that provided CAFR* data on its e-government (official website):

1 point if official website appears on first page of result for Google or Yahoo search using province name and state (A).

+ 1 point if official website has link to CAFR data on website homepage (B).

+ 1 Point if official 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 the website homepage (D).±

+ 1 Point if CAFR provided on official website as indexed pdf file(s) or HTML format (E).

+ 1 Point if website 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 website provides CAFR data for prior years (H).

+ 1 Point if official website provides information on obtaining or access to a printed copy of the province's CAFR (I).
+ 1 Point if official website provides contact details (phone and/or email) for individual/department that compiled CAFR (J).
= possible score of 10 points

Description:

♣The totalindexis10points. Content has a maximum of 3 points (AC), timeliness is a maximum of 2 points (DE), technology 2 points (FG), and user support is 3 points (HJ).

RESULT AND DISCUSSION

Result

The Mann Whitney Statistical Testis used to compare the content, timeliness, technology and user support between the two groups of samples; the provincial government (0) and the city government (1).

Table 3[a] (Ranks)

	KELOMPOK_ PEMERINTAH	N	Mean Rank	Sum of Ranks
CONTENT	0	30	29.13	874.00
	1	26	27.77	722.00
	Total	56		
TIMELINESS	0	30	28.75	862.50
	1	26	28.21	733.50
	Total	56		
TECHNOLOGY	0	30	28.50	855.00
	1	26	28.50	741.00
	Total	56		
USER_SUPPORT	0	30	28.22	846.50
	1	26	28.83	749.50
	Total	56		

Table 3[b] Test Statistics[a]

	CONTENT	TIMELINESS	TECHNOLOGY	USER_SUPPORT
Mann-Whitney U	371.000	382.500	390.000	381.500
Wilcoxon W	722.000	733.500	741.000	846.500
Z	-.393	-.157	.000	-.155
Asymp. Sig. (2-tailed)	.694	.875	1.000	.877

2. Discussion

This study compared two groups of samples from the same population, so the number must be the same. The general criteria for each group of sample sare to have e-government until September 2013 and e-government is not in construction/maintenance. The final sample is except for the province of Bengkulu, North Maluku, and South Sumatera, while the city government except Palangkaraya, Louth, Tanjung Pinang, Sofifi, Manokwari, Pekanbaru and Makassar.

Rank of output (Table 3a) shows that the mean values for the provincial government is greater than the value of city government (29.13>27.77). From the test Mann Whitney Test, which is the output "Statistical Test", the statistic Z value test is-0.393andsmallsig.2-tailed valueis0.694>0.05. This means that the test results are not statistically significant. Thus there is no difference in the disclosure of its e-government between the provincial government and the city government in the format and quality for the content component.

Rank of output (Table 3a) shows that the mean values for the provincial governments lightly larger than the value of municipal government (28.75>28.21). From the test Mann Whitney Test, which is the output "Statistical Test", the statistic Z value testis-0.157 and small sig. 2-tailed value is 0.875>0.05. This means that the test results are not statistically significant. Thus there is no difference in the disclosure of it se-government between the provincial government and the city government in the format and quality for its time lines component.

Rank of output (Table 3a), we can see that the mean value for the city governments lightly larger than the value of the provincial government (28.83>28.22). From the test Mann Whitney Test, which is the output "Statistical Test", the statistic Z value testis-0.155andsmallsig.2-tailed valueis0.877>0.05. This means that the test results are not statistically significant. Thus there is no difference in the disclosure of its e-government between the provincial government and the city government in the format and quality to support the user component.

As for technology component testing cannot be tested because, both provincial and municipal governments do not optimize it at all. So the value is zero or the significance level is1.

Based on Table3b, all the components are not significant. That is, the results of this study indicate that there is no difference between the quality of financial reporting disclosures or IFR (Internet Financial Reporting) provincial and city governments in Indonesia by using a disclosure index developed by Chengetal. (2000).

The phenomena cannot be explained empirically because this study is an exploratory study. But normally, based on the regulatory side, e-government has been introduced in the Presidential Instruction No. 6 of 2001 and Presidential Decree No.3of 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 year

as a 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 consideredly more competent to publish it to public. SAA website is considered to be the most appropriate authorithy forthe 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 Verawaty and Halim (2009), e-government is a new field. Generally, the government generally hasrare 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 Sosiawan (2008), 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 increasing of personnels for e-government implementation needs a serious treatment. Moreover, it also needs to be conducted jointly by governments, universities, and private parties. The most important and a key to be delivered in the training lies not in the technology but relies on the human ability to manage it. On the managerial side, it needs to be a management model of e-government, for the central government and local government. At the organizational structures in departments, ministries and non-departmental government institution, they need to be part of an organization that handle e-government integrated to the duties and functions of the organizational structure in order to avoid confusion in the management and implementation of e-government in local government.

CONCLUSION AND NOTES
Conclusion

This study is aimed to compare the quality of financial reporting disclosures (Internet Financial Reporting) at provincial and city governments in Indonesia by using a disclosure index developed by Cheng et al. (2000). The reasons for

selecting the sample group because the provincial government must be highlighted by the public so that it is hypothesized that it will disclose information with the better format and quality than the city government.

Based on the results of testing with the Mann Whitney Test, all the components are not significant. That is, the results of this study indicates that there is no difference between the quality of financial reporting disclosures or IFR (Internet Financial Reporting) of provincial and city governments in Indonesia by using a disclosure index developed by Cheng et al (2000).

Based on the results of the interview, the lack of problems in optimizing the use of e-government in the field of public sector accounting (financial area), needs the relevant regulations on the use of information technology in government, which is about how the standardization of financial accounting related content areas which is still not mandatory. Delegation of dissemination to local government financial performance reports for the timeliness component is referred to the Supreme Audit Agency's (SAA) authorithy. This at least can be accommodated through a hyperlink optimization of e-government to SAA website if the government does not want to disseminate to its e-government.

When it comes to technology and user support, to overcome the scarcity problem of reliable human resources, it is necessary to give education and training to human resources in the field of information and communication technologies which hare integrated for successful implementation of e-government. It lies not in the technology but relies on the human ability to manage it.

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 province, but also for city and municipalities government.

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