

Implementation of Regional Financial Statements using Internet Financial Reporting

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Abstract: Internet Financial Reporting (IFR) is a way of delivering financial reports and capabilities in a multimedia manner by presenting interactive financial information, where disclosure of financial statements via the internet or website to the public is voluntary, open, easy and fast. IFR can provide the government in the distribution of financial information to various levels of society, stakeholders and investors. The research aims to analyze internal financial reporting as the delivery of government financial statements. The study used panel data regression and purposive sampling method with 65 samples from 13 official sites of regency/city governments in West Java Province in 2014 - 2018. The results of the study stated that local government wealth did not affect internet financial reporting, variable levels of government debt did not affect internet financial reporting, while audit opinion influences internet financial reporting.

Keywords-- Internet Financial reporting. Government property, government debt, audit opinion.

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I. INTRODUCTION

Disclosure or reporting of public sector accounting using government website (e-government) media is content commonly called IFR (Internet Financial Reporting). According to [9], IFR is a combination of internet multimedia capacity and capability to communicate interactively about financial information. Financial statements that are usually printed, through the internet, users of financial statements can be distributed more quickly (timeliness aspect) and can exploit the use of this technology to better open themselves by informing their financial statements (disclosure aspects). Internet Financial Reporting through e-government is the media that best meets the aspects of the value of money or 3E (Efficiency, Effectiveness, and Economy) to provide and announce information about financial statements to all public stakeholders including the central government, other local governments, DPRD, BPK, economic analysts, investors, creditors, donors, and the people [12].

The use of the website as a medium for submitting financial reports and various kinds of local government information has a clear legal basis. One of them is the Minister of Domestic Affairs Regulation 7A of 2007, Government Regulation of the Republic of Indonesia Number 3 of 2007 and Government of the Republic of Indonesia Number 6 of 2008 concerning Guidelines for Evaluating the Implementation of Regional Government. The three regulations implicitly mentioned the use of electronic media for information disclosure to the public. Electronic media that is intended to refer to websites that have by each local government in Indonesia that can be used as a medium for information disclosure to the public [3].

West Java Province is included in the best IFR category, where e-government facilities are maximized. West Java regional government whose website is very transparent and includes APBD data on its site, but in some regions outside Java, the budget is still considered confidential and can only be accessed by certain circles. The people's right to know the budget makes oversight of government performance less than optimal. In the official portal of the West Java Government, www.jabar.go.id, the main page directly displays annual APBD notifications without bothering the user to search for this information. The era of sophisticated technology should indeed demand everything quickly, easily and cheaply. Where quickly the information conveyed to the public in running a government where financial factors are the most important.

The government can realize accountability and transparency in the form of financial and performance reports that are submitted periodically in accordance with applicable regulations. The progress and development of information technology also take part in supporting a climate of accountability and transparency in the administration of government in Indonesia. With the increasing use of the internet as a medium for delivering information, the government has an incentive to use websites to convey information to the public. Therefore, the quality of financial information disclosure via the internet is an important issue [7].

Regional wealth can show how the performance of a local government if the local government has high wealth, the government can show stakeholders as a sign of good and clean public management if the higher the level of regional wealth, the regional government will also increase its financial disclosure through the internet (Rizkiyaningsih & Rusmana, 2016). Local governments that have good performance will certainly voluntarily report finances to the public openly and use better reporting techniques in accordance with signalling theory [8]. Based on research results [13]-[4]-[6]-[3]-[5]-[12] show that the wealth of local governments has a positive influence on internet financial reporting (IFR). However, the results of the study [1]-[9] are not in line which states that local government wealth does not affect the internet financial reporting (IFR).

[13] states that IFR is associated with debt levels giving impetus by debt owners (local governments) to publish financial statements more dominant than the costs and pressures of regulations and politicians. This is because the debtor will demand transparency and accountability in the most appropriate ways, including accessibility. If the level of debt gets higher, the local government will be lower in providing information on regional finances, because the government does not want its performance to be considered bad by the public. Meanwhile, if the government has low debt, the government will increase the availability of official financial information on the internet site to the public [2]. The results of the study [2]-[5]-[3] show that the level of local government debt affects internet financial reporting (IFR). However, the results of the study [11]-[6]-[9] state that the level of local government debt does not affect internet financial reporting (IFR).

An audit opinion is a real statement as a conclusion of the examiner with the level of reasonableness of the information presented in the financial statements (Law Number 15 of 2004). [5] states that a reasonable audit opinion can increase the disclosure of financial information on the website by local governments. A good government financial performance is legitimized by a good audit opinion to improve compliance with the disclosure of financial information on the website by the local government. [2], audit opinion is one form of government achievement in managing regional finances, so that local governments that have good audit opinions tend to provide financial information on the website. Research conducted [11]-[5] shows that audit opinions can influence the internet financial reporting (IFR). However, the results of the study [6]-[1]-[9] state that audit opinion does not affect internet financial reporting (IFR).

It is related to the importance of internet financial reporting, as a manifestation of transparency and accountability of local government financial reports. Research on Regional Financial Report Implementation uses Internet Financial Reporting, where research variables are internet financial reporting, government wealth, government debt and audit opinion. This certainly aims to be known by the public for the development of local government financial reports, especially in West Java Province.

II. LITERATURE REVIEW

Relationship of local government wealth to internet financial reporting

Local governments have great wealth and have good performance are more likely to often disclose financial statements to the public by carrying out the people's mandate properly to show the positive side of the performance of local governments, this is consistent with the concept of signalling theory. Meanwhile, local governments with little wealth are more likely to limit access to financial reports to the public, and this makes people have a negative view of the local government [6].

The greater the wealth of the regional government, the higher the public demand for transparency in regional financial management. This can be said that local governments with large amounts of wealth are more likely to manipulate their reports. So it can be explained, the wealth of local governments has a positive effect on IFR [14]. Meanwhile, [6] explain the concept of signalling theory, where large regional wealth reveals more financial statements, while small regional wealth limits more financial statements.

The relationship of government debt to internet financial reporting

local government debt is getting lower, and then the local government will increase the availability of local financial information on its official website [2]. An outcome of regional debt is an overall component of local government administrative accountability. Debt held by the local government will encourage increased accountability in the management of regional finances, including the provision and ease of access to financial reports [5]. This suggests that the level of local government debt significantly influences IFR.

Local governments that have low levels of debt are more likely to do IFR through e-government. Meanwhile, local governments with high debt levels tend not to publish financial information to reduce the supervision of creditors. Therefore, the government has not adequately provided transparency to creditors [9].

The relationship of audit opinion to internet financial reporting

The audit opinion is fully mediated by e-government was the better e-government owned by local government, the greater the effect of e-government mediators on the relationship between audit opinion and the use of IFR [11]. The audit opinion obtained from the regional government is the result of an evaluation of the issuance of regional financial management. Therefore a reasonable opinion can improve financial statement information on the official website of the local government. Local governments that obtain WTP opinions show good government performance in financial management [5]. This shows that audit opinion influences IFR.

[6] stated that regional governments with PAPs did not guarantee that they would disclose financial information about the local government through the website. The purpose of the opinion is to assess the reasonableness of management regarding financial statement information. Besides, there is a limited investigation of sampling and managed budget policies.

III. DATA COLLECTION

This study uses a quantitative method with a descriptive research approach and associative analysis, because of the variables that have a relationship, and the aim is to present a picture of the relationship between the variables studied. The data used in this study is panel data. This study uses a sampling technique that is a nonprobability sampling. The samples used in this study are as many as 65 samples consisting of 13 official sites of regency/city local governments in West Java Province in 2014-2018. This research uses panel data regression method, there are three models, including Pooled Ordinary Least Square (OLS) / Common Effect, Fixed Effect, and Random Effects.

IV. RESULTS AND DISCUSSION

The results of panel data testing with regression estimation techniques using three models that have been done, the model used in this study is a random effect model. The following are the results of tests using the random effect model.

Table 1. Random Effect Model Test (REM)

Dependent Variable: IFR				
Method: Panel EGLS (Cross-section random effects)				
Date: 05/15/20 Time: 00:41				
Sample: 2014 2018				
Periods included: 5				
Cross-sections included: 13				
Total panel (balanced) observations: 65				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.148051	1.307938	1.642318	0.1057
KPD	-0.053316	0.109888	-0.485183	0.6293
TUPD	0.044619	0.036071	1.236985	0.2208
OA	-0.335894	0.109003	-3.081505	0.0031
Effects Specification				
			S.D.	Rho
Cross-section random			0.250386	0.6632
Idiosyncratic random			0.178413	0.3368

	Weighted Statistics		
R-squared	0.140400	Mean dependent var	0.531193
Adjusted R-squared	0.098125	S.D. dependent var	0.192852
S.E. of regression	0.183146	Sum squared resid	2.046091
F-statistic	3.321077	Durbin-Watson stat	1.285002
Prob(F-statistic)	0.025525		

Table 1. Random effect model test (REM), the results of hypothesis testing with the coefficient of determination analysis (R²), Simultaneous Testing (F Test), Partial Testing (t-Test), as for the explanation of the test results, as follows:

Coefficient of determination (R²)

Based on table 1, Random Effect Model Test, the coefficient of determination with the results of the Adjusted R-squared of 0.098125 or 9.81%, it can be concluded that the wealth of local government, local government debt levels, and audit opinion can explain internet financial reporting (IFR) of 9.81% and the remaining 90.19% is influenced by other variables or other factors not used in this study such as the size of local government, regional expenditure, type of local government or other factors.

Simultaneous Testing (Test F)

Based on table 1, the Random Effect Model Test is obtained by the results of simultaneous testing that the significant value or probability F statistic of 0.025525 is smaller than 0.05. Therefore, it can be concluded that local government wealth, local government debt levels, and audit opinion simultaneously or jointly have a significant effect on internet financial reporting (IFR) in districts/cities in West Java Province in 2014-2018.

Partial testing (t-Test)

Based on table 1, the Random Effect Model Test results in partial testing of the wealth of local governments, local government debt levels, and audit opinions that affect the internet financial reporting (IFR), can be concluded as follows:

- The local government wealth variable has a coefficient of -0.053316 with a probability or significant value of 0.6293 > 0.05, and then the local government wealth variable has no partial effect with a negative direction on internet financial reporting (IFR) in districts/cities in West Java Province in 2014 -2018.
- Local government debt level variable has a coefficient of 0.044619 with a probability or significant value of 0.2208 > 0.05, and then the local government debt level variable has no partial effect with a positive direction on internet financial reporting (IFR) in districts/cities in West Java Province in 2014-2018.
- The audit opinion variable has a coefficient of -0.335894 with a probability or significant value of 0.0031 < 0.05, and then the audit opinion variable has a partial effect with a negative direction on internet financial reporting (IFR) in the districts/cities in West Java Province in 2014-2018.

The results of testing the relationship of variables, government wealth, government debt variables and audit opinion variables on internet financial reporting, are as follows:

Relationship of government wealth to internet financial reporting

The regression coefficient value of local government wealth is -0.053316 which means that the wealth of local government has a negative direction towards internet financial reporting, that is when the wealth of local government increases, the value of internet financial reporting also decreases. While the results of the negative regression coefficient research results do not affect districts/cities in West Java Province, it shows that the probability value of the t-test results of 0.6293 > 0.05 which means that the wealth of local governments has no partial effect on internet financial reporting in the district/city in West Java Province in 2014-2018. Local governments that have poor financial statement management can have an impact on future tenure. Because the government that is being held shows low performance, where local governments severely restrict the lack of public trust in local governments regarding voluntary disclosure of reports and overall access.

The results of this study are in line with research conducted by [1]-[9] states that the wealth of local governments does not affect internet financial reporting (IFR) in accordance with Home Affairs Instruction Number 188.52 / 1797 / S.J. In connection with that, regional wealth can be done by the amount of PAD. If the amount of income per capita is getting higher, it will automatically not affect the availability of financial information. The amount of wealth of the regional government will not directly have an impact on the community, where the community needs financial information revealed by the local government in the e-government [9].

Relationship of Regional Government Debt to Internet Financial Reporting

Regression coefficient value of local government debt level of 0.044619, which means the level of local government debt has a positive direction on internet financial reporting, that is when the level of local government debt increases, the value of internet financial reporting also increases. While the results of the positive regression coefficient results did not affect the districts/cities in West Java Province, it shows that the probability value of the t-test results of $0.2208 > 0.05$ which means the level of local government debt has no partial effect on internet financial reporting in the district/cities in West Java Province in 2014-2018. This is not in accordance with the hypothesis that has been made, namely the level of local government debt significantly positive effect on internet financial reporting. This shows that some regions in the level of government debt are still high so that it will result in lower performance in managing local government, where the provision of financial information tends not to publish information to the public and to reduce the supervision of creditors over local governments.

The results of this study are in line with research conducted [11]-[6]-[9] states that the level of local government debt does not affect the internet financial reporting (IFR) in accordance with Minister of Domestic Affairs Instruction Number 188.52 / 1797 / S.J. The higher the level of debt, the higher the supervision carried out by the creditor, where the creditor wants to return the funds that have been borrowed by the local government. Local governments that have high levels of debt can determine policies in the disclosure of financial information through conventional media in the financial form if a statement is needed [6].

Relationship of Audit Opinion to Internet Financial Reporting

Audit opinion regression coefficient value of -0.335894 which means that audit opinion has a negative direction on the internet financial reporting, that is when the audit opinion increases, the value of internet financial reporting also decreases. The probability value of the results of the t-test is $0.0031 < 0.05$, which means that the audit opinion partially influences the internet financial reporting in the districts/cities in West Java Province in 2014-2018. Audit opinion affects internet financial reporting in districts/cities in West Java Province in 2014-2015, due to the opinion that has been obtained from the government is the result of an assessment of the issuance of regional financial management.

The results of this study are in line with research conducted [11]-[5]-, stating that local governments that have received unqualified opinions (WTP) can have better government performance in financial management. From this, it can be legitimized by a good audit opinion to increase compliance with disclosures in financial information on the official website of the local government. These conditions can motivate local governments to provide secure internet financial reporting (IFR) accessibility on the official website [5].

Conclusion

The implementation of Internet financial reporting is an embodiment of the accountability and transparency of local governments which are the attention of government stakeholders in realizing good governance and clean governance. The results of the study stated that the wealth of the regional government did not influence the negative direction of internet financial reporting (IFR) in the regencies/cities in West Java Province in 2014-2018. The level of local government debt does not have a positive effect on internet financial reporting (IFR) in regencies/cities in West Java Province in 2014-2018. Audit opinion has a negative effect on internet financial reporting (IFR) in districts/cities in West Java Province in 2014-2018. Future studies can add other variables or other factors that can influence internet financial reporting (IFR) such as the size of local government, regional expenditure, type of local government or other factors.

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