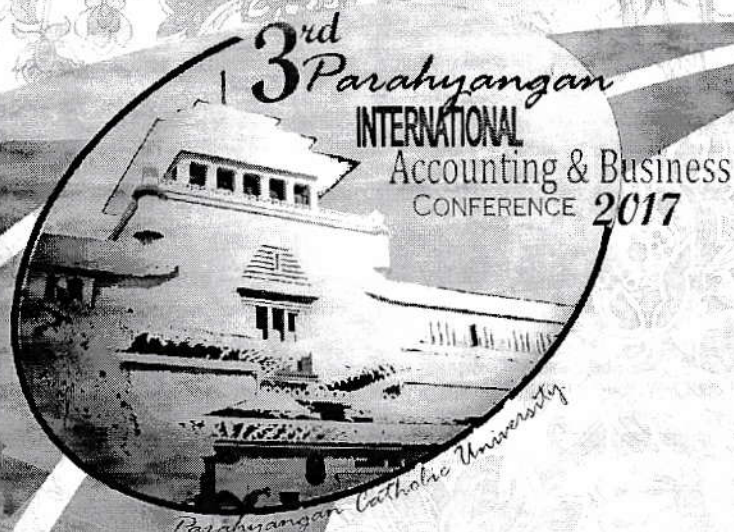




ACCA

# PROCEEDING



## 3rd PARAHYANGAN INTERNATIONAL ACCOUNTING AND BUSINESS CONFERENCE

“THE FUTURE OF ACCOUNTING AND BUSINESS IN RAPID DEVELOPMENT OF INFORMATION TECHNOLOGY”

**THURSDAY - FRIDAY, MAY 4 - 5, 2017**  
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## The 3<sup>rd</sup> Parahyangan International Accounting and Business Conference

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## GREETINGS

At this opportunity, we are very grateful that the committee has successfully managed to organize the 3<sup>rd</sup> Parahyangan International Accounting and Business Conference 2017 and thus this proceeding can be published accordingly.

We are very thankful to the Association of Chartered Certified Accountants (ACCA), especially ACCA Indonesia, who has been our co-host in organizing this event. Your help, support and contribution is highly appreciated. We look forward to having a long-lasting relationship and cooperation with ACCA.

The conference carries the theme “The Future of Accounting and Business in Rapid Development of Information Technology”. As we are all aware of, globalization has encouraged all parties to adapt to the changing situation in order to keep their existence. Those who are able to adjust themselves to the rapid changes that are happening nowadays will be left behind or even will not be able to keep the business going into the future. In contrast, those who are adaptive and have the ability to utilize opportunities in the marketplace will become pioneers in the competition.

The rapid development of information technology is inseparable from the globalization itself. Faster information processing, easier access to information and lower information processing costs have caused the mass increase in the availability of information. This should be considered as an opportunity instead of a threat.

Accounting is an important factor for organizations to remain competitive in the globalization era. Technology also plays a major role in transforming the role of accounting in this era. What used to be a bookkeeping function has now evolved into an engine to achieve competitive advantage. This transforming role of accounting in the globalization era will certainly affect the business world. This warrants further research or study by academicians or practitioners so that we can understand and better prepare ourselves to face the dynamic world we are now living in. The fast-paced advancement of technology can also become an interesting area to be analyzed to predict how far the role of accounting is in the business world will change in the future.

We are very thankful to all parties who have supported and made this event possible, to name a few: all the committee members including our students, partners, sponsors, reviewers, speakers, paper authors, presenters, and to all other parties that cannot be mentioned one by one. To all paper authors, we believe that your research result will bring contributions to each respective field of knowledge.

We apologize for any inconvenience that might occur during the event. Hopefully the proceedings would contribute to the advancement of knowledge in relevant fields.

Best regards,  
Linda Damajanti Tanumihardja  
3<sup>rd</sup> PIABC Head of Committee



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**RESPONSIBILITY DESIGN MODEL & FINANCIAL DISCLOSURE BASED ON  
WEB-ICT WITH INDEX FULL DISCLOSURE METHOD FOR GOOD  
GOVERNANCE GOVERNMENT IN INDONESIA REGENCY AND CITY  
(EMPIRICAL STUDY ON ENTIRE LOCAL GOVERNMENT REGENCY AND CITY  
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***Abstract***

*The purposes of this research are to prove empirically about: Financial Statement Disclosure in Entire Indonesian Province; to prove empirically about The Condition of Local Government Internet Web; to prove empirically about Financial Statement Disclosure Design Method based on Web-ICT with index full disclosure method to realise the local government performance and good governance government in Indonesia. The problem formulation in this research is that the average of financial statement disclosure conducted by each local government in Indonesia are below 50%. In addition, the use of internet in searchings of news information into second place by 78.49%, in searchings of information on goods and services are third at 77.81%, while information retrieval government institutions ranked fourth amounting to 65.07%. The research method is descriptive method, the research objects all of the Local Government in Indonesia, and uses purposive sampling techniques. The result are that the disclosure of financial statement across the province can be explained as follows: Balance (47%); Realization Report and Budget (60%); Cash Flow Statement (50%); Notes to the Financial Statements (17%). For financial statement disclosure all cities in Indonesia: Balance (28%); Realization Report and Budget (39%); Cash Flow Statement (23%); Notes to the Financial Statements (10%). While the disclosure of financial statements*



of all districts in Indonesia: Balance (18%); Realization Report and Budget (29%); Cash Flow Statement (13%); Notes to Financial Statements (7%). Supreme Audit Agency (BPK) in 2013 discovered 1,871 cases of alleged violations of the rules of the Local Government Finance Report (LKPD) and Regional Owned Enterprises (enterprises) in the second half of 2012. The value reached Rp 1.17 trillion.

**Keywords:** Financial Statement Disclosure, Web, Disclosure

**JEL Classifications:** H83, G34

## INTRODUCTION

Common phenomenon of Act No. 22 of 1999 regarding local government organize local autonomy has changed the process of governance in Indonesia. The regional governments get the full power of center governance to organize and administer the region through their own initiative. As a consequence, local governments should be able to plan a budget and be accountable for budget management in each period. In Indonesia, the mechanism of financial management accountability that must be done by the local government is only limited to the submit financial statements that have been audited by BPK to Parliament, but after the issuance of Law No. 14 of 2008 on Public Information, which provides that public officials should be more transparent, accountable and more oriented to community service, the financial transparency are things that need to be done by the local government. One form of transparency that the local government can do is to voluntarily disclose financial reports on the Internet so that all stakeholders have an opportunity to obtain the information in the regional government (Afryansyah, 2013). This thing is supported by the development of Internet technology in Indonesia as it is today is so rapid. Proved by the increasing internet users in Indonesia each year.

Based on data released by BPS (Central Bureau of Statistics), in collaboration with the Association of Indonesian Internet Service Provision (APJII) recorded a growth rate of Internet users in Indonesia by the end of 2013 had reached 71.19 million people. The phenomenon reflects that the use of the Internet as an information medium has become a necessity that cannot be separated in social life as it is today. Not only because the cost of its





use is relatively cheap but also quick and ease access information are strong reason why the Indonesian people use the Internet.

Special phenomenon, seven years after the law on public information openness but until now the problem of transparency of financial management is still a difficult thing to be realized by the local government. In fact, by looking at the rapid development of Internet usage among the public at this time, make the Internet as one of the main communication media in disclosing the financial statements is the right step that can be done by local governments. Based on the results of observations made before doing the study, showed that the average disclosure of financial statements performed by every type of local governance in Indonesia is still below 50%. These results indicate that the low level of disclosure of financial statements conducted by the local government and increasingly proving yet transparent financial management processes that exist within the local government. Therefore, financial statement disclosure issues remain a problem that must be addressed and improved by the government regions in Indonesia.

This is in contrast to what is done by the private sector which in its business operations reporting to stakeholders, the private sector makes the Internet a top priority as seen from the efficiency and effectiveness of highly profitable internet. Proved that people in Indonesia more frequently seek information on the private sector than by seeking information about their local governance. This was in line with the results of a survey conducted by BPS, that the use of the internet in search of news information into second place by 78.49%, to search information on goods and services are third at 77.81%, while information retrieval rank government agencies four of 65.07%.

Based on the above data, the local government should maximize the role of the Internet in an effort to make government more transparent and accountable, so that the public interest to seek information about their local government will increase. Therefore, it is necessary to investigate what factors influence the motivation of the local government in disclosing the financial statements to the public.

The problem formulations in this study are as follows: (1) How is the Financial Statement Diclosures in the entire Indonesian Province; (2) How is the condition of Internet website of Local Government; (3) What is the pattern design of financial statement



disclosures based on Web-ICT with full disclosure index method for achieving good governance government Local governments in Indonesia. The purposes of this study are to prove empirically: Financial Statements in entire Indonesia Province; To prove empirically the Internet Web Site Conditions of Local Government; To prove empirically the pattern of financial statement disclosures based on Web-ICT with full disclosure index method to realize the performance and good government governance Local Government in Indonesia.

## LITERATURE REVIEW

### Financial Statement and Indicators Disclosures

Disclosure is an integral part of the financial reporting and the final step in the accounting process that is the presentation of information in the form of a full set of financial report. According to Evans in Suwardjono in Rahman, et.al (2013) classifies three levels of disclosure as follows:

- a. Adequate disclosure is the minimum level that must be met in order for the overall financial statement that is not mislead in the interests of the directional decision.
- b. Fair or ethical disclosure is the rate that must be achieved so that all parties are treated the same or informational services. That is, no one that less informed so that they become the less advantaged position.
- c. The full disclosure requires the presentation in full all of the information that interlock with decision

Disclosure can be divided into two kind, namely the mandatory disclosure and voluntary disclosure. Mandatory disclosure is the disclosure of information that is based on the applicable legislation, in this case the party who has the authority to establish regulations is Capital Market Supervisory Agency (Bapepam), whereas the voluntary disclosure is a disclosure is made voluntarily by the company without guided by regulations or disclosure in excess of that required. According Suwardjono in Rahman et.al, (2013), the general purpose of the disclosure is to present information that is necessary to achieve the objectives of financial reporting and to serve the various parties who have different interests. The capital market is the main vehicle for the fulfillment of the funds from the public, therefore,



disclosure may be required for the purpose of protecting the rights that should be available to the public. Disclosure is intended to protect from management behavior that is sometimes less than fair and open. What should be disclosed to the public is limited to what is deemed beneficial for the intended wearer while for monitoring purposes, certain information must be submitted to monitoring board or watchdog by regulation through the forms that demand detailed disclosure Rahman et.al, (2013). Local government financial reporting present information that is useful for users in assessing the accountability report and make a good decision-making economic, social or politic.

The government financial reporting purposes are as follow: a) provide information on whether the acceptance period runs enough to cover all the expenses. b) provide information on whether the obtaining of economic resources and allocations in accordance with a set of budget and legislation. c) provide information on the amount of economic resources that being used in the activities of local governments and the results that have been achieved. d) provide information on how the regional government to fund its operations and meet its cash needs. e) provide information about the financial position and the condition of local governments with regard to the sources of revenues, both short term and long term, including those derived from taxation and borrowing. f) provide information about changes in financial position of local government, whether an increase or decrease, as a result of activities undertaken during the reporting period.

Research conducted by Arifin (2014) examined mandatory financial statement disclosure of Local Government used Government Compliance Index (GCI). There are 57 items in this index however Arifin (2014) only used 7 items they are as follow; Fiscal Policy, Macro Economy, Budget Target (APBD), Financial Performance, Accounting Policy, Financial Statement item and non-financial information.

### **Financial Statement of Local Government**

Based on the Statement of Government Accounting Standard No. 1 on presentation of financial statements, the financial statements are a structured report on the financial position and transactions undertaken by a reporting entity. The general objective of financial statements is to provide information regarding the financial position, the realization of the



budget, cash flow, as well as the financial performance of a reporting entity that is useful to users in making and evaluating decisions about the allocation of resources. According to Sinaga (2011) the objective of government financial reporting specifically is to present useful information for decision-making and to demonstrate accountability reporting entity for the resources entrusted to them, by the way:

- a. Provide information on the position of economic resources, liabilities, and equity of government funds.
- b. Provide information about changes in the position of economic resources, liabilities, and equity of government funds.
- c. Provide information about the source, allocation and use of economic resources.
- d. Provide information on adherence to the realization of the budget.
- e. Provide information on how the reporting entity to fund its activities and meet its cash needs.
- f. Provide information on the potential of governments to finance implementation of the activities of government.
- g. Provide useful information to evaluate the reporting entity's ability to fund its activities.

General purpose financial statements also have a predictive role and prospective, and it provides useful information to predict the needed amount of resources for sustainable operations, the resources generated from continuing operations, as well as the risks and uncertainties associated. Financial reporting also provides information to users about:

- a. Indication of whether resources were obtained and used in accordance with the budget.
- b. An indication of whether the resources obtained and used in accordance with the provisions, including the budget limit set by the DPR / DPRD.

A financial statement should have a complete component composition. The components that must be present in a set of basic financial statements are:

- a. Budget Realization Report



Presenting an overview of sources, allocation and use of economic resources managed by the local government, which illustrates a comparison between its budget and realization in a reporting period.

b. Balance

Balance describes the financial position of local governments on the assets, liabilities, and equity funds on a specific date.

c. Cash Flow Report

Statements of cash flows presents the information about source, usage, changes in cash and cash equivalents during the accounting period, and the balance of cash and cash equivalents on the reporting date.

d. Notes to The Financial Statements

Notes to the financial statements is some narrative explanation or details of the numbers listed in the budget realization reports, balance sheets and cash flow statements.

### **E-Government**

E-government or electronic government is a process of government systems by utilize ICT (Information, Communication, Technology) as a tool to facilitate communication processes and transactions to the public, business organizations and between government agencies along with their staff, in order to achieve efficiency, effectiveness, transparency, government accountable to the people (Hartono in Medina, 2012). The development of e-government is an attempt by the government to improve the quality of public services through electronic media to the public. Implementation in the development of e-government are directed to reach the four main objectives, (Instruction No. 3, 2003) are as follow:

- a. Establishment of information networks and public services transactions that have the quality and scope to satisfy the wider community and accessible in all parts of Indonesia at any time is not limited by barriers of time and at a cost that is affordable by the community.



- b. Establishment of an interactive relationship with the business community to improve the development of the national economy and strengthen the ability to face changes and international trade competition.
- c. Establishment of mechanisms and channels of communication with state institutions and the provision of public facilities for community dialogue in order to participate in the formulation of state policy.
- d. Establishment of management systems and processes that work transparently and efficiently and facilitate transactions and services among government agencies and the government of the autonomous region.

Implementation of e-government requires preparations to be thoughtful for the purpose of implementation can be achieved. According to Hartono Heeks in the Medina (2012) load that things need to be prepared by local governments in the implementation of e-government efforts are:

- a. Legal Infrastructure  
Legal Infrastructure are necessary to tackle digital crime, and to protect privacy, security of data / information and digital transactions of individuals, businesses, and government agencies.
- b. Institutional Infrastructure  
Specialized institutions are necessary to handle e-government that provides information services to the community including digital services.
- c. Human Resources Infrastructure  
Personnel system should be developed to be able to attract qualified human resources in the field of telematics to participate in the development of e-government in government property.
- d. Technology Infrastructure  
Although the technology required is relatively expensive, but the business opportunities of cooperation with the private sector should be developed in building the technology infrastructure to support e-government.
- e. Support, Capacity, Value



- f. Political environment, Leadership, Planning, Stakeholder, Transparency, Budget, Technology, Innovation.

The benefits of e-government in supporting the effectiveness and efficiency of public services can be seen from the three dimensions of economic, social, and governance (Misuraca in Anissa, 2011).

- a. Economic Dimension

In economic terms, the benefits of e-government are to reduce transaction costs for a better capacity to service target, increasing coverage and quality of service delivery, boost the response capacity in addressing the issue of poverty issues and increase revenue.

- b. Social Dimension

In social terms, the benefits of e-government quite diverse ranging from job creation in the third sector, improving the education system and health, better targeting on government services, increase capacity in the provision of safety and security. In many cases these benefits can be evaluated in terms of politics and can be quantified in financial terms.

- c. Government Dimension

In terms of government, the benefits of e-government can improve the achievement of good governance in terms of increased openness, transparency, accountability or democracy than conventional government. E-government can also increase community participation, so that it can strengthen the existing democratic system.

### **Good Governance Government**

Good Governance Government is a form of application of the principles of good governance in government circles, both national and local. In addition to good government governance (GGG), Good Government, also divided on Good Corporate Governance (GCG) and Good University Governance (GUG). GUG is the application of the principles of good governance in a university or college, GCG is the application of principles of good governance at the company. In essence, good governance is a process that emphasizes on



how an organization can improve its performance and the creation of civil society. Some researchers disclose the definition of good governance in different ways. LAN in Garnita (2008) revealed that good governance is the process of the state power in implementing the public provision of goods and service. Good governance of an organization is that based on professional ethics in business / working. Understanding of good governance is a form of acceptance of the importance of a set of rules or good governance to regulate relations, functions and interests of the various parties in business or public service (Trisaningsih, 2007). Good governance is also intended as a managerial capabilities to manage resources and affairs of a country by means of an open, transparent, accountable, equitable and responsive to community needs (Widyananda in Wati et al., 2010).

The implementation of good governance in an organization, both private and public organizations have many benefits. One of the benefits that can be gleaned by implementing good governance is improving company performance through the creation process of better decision making, increase its operational efficiency and further improve service to stakeholders (FCGI in Trisaningsih, 2007). Good governance government contains several principles. Some researchers revealed the principles of good government governance in different ways, including: Dedi in Sari (2013) revealed that the conceptual understanding of governance both containing two understandings they are the value that upholds the desire or the will of the people, and the values that can be improve the ability of the people in achieving the goal of independence, sustainable development and social justice. The quality of local government currently and future is determined by the quality of good governance. Good governance contains some principle. Badjuri and Trihapsari in Wati et al. (2010) revealed that in the good governance is characterized by three main pillars which are basic elements that are interrelated. These three basic elements are participation, transparency and accountability. Sari (2013) reveals that the principles of good governance such as transparency, openness, accountability, participation, fairness, and independence should be there in good governance. Rahadian (2008) says that values such as efficiency, equity, transparency, participation, and accountability can be measured easily in the practice of public service.





Garnita (2008) describes the principles of good governance are as follow:

a) Transparency

Transparency requires the existence of an open information systems, on time and clear comparable concerning the financial condition, corporate management, and ownership of the company.

b) Fairness

Fairness is meant to guarantee the rights of shareholders, including the rights of minority shareholders and foreign shareholders, as well as ensure the implementation of commitments by investors.

c) Responsibility

Responsibility is intended to ensure compliance with the rules and regulations of compliance as a reflection of social values.

d) Accountability

Accountability is intended to clarify the roles and responsibilities and to support efforts to ensure balancing the interests of management and shareholders, as supervised by the commissioner.

e) Interdependency

Interdependency is intended as a situation where a professionally managed company with no conflicts of interest and influence or pressure from any party that is not in accordance with the applicable legislation of the principles of healthy cooperatives.

### Website

The website is a collection of pages of information that shows text data, the data is a null or moving image, animation data, voice, video or a combination of them, whether they are static or dynamic that forms a series of interconnected buildings relating in each connected through networks page (hyperlink). The website itself is a collection of web pages saved in a server / hosting, and identified through a name that also referred to as a domain or sub-domain. ([http://id.wikipedia.org/wiki/Situs\\_web](http://id.wikipedia.org/wiki/Situs_web)). The website is divided into two kinds, namely the nature of the website is static and the dynamic websites. The website is static if



the information in it is fixed, rarely updated, does not have the features or do not have a programming system that allows visitors interact directly with the website owner or other person who also allowed to access the website. Static websites do not have a page where the page's administrator can do the process of updating the website content such as writing new articles, create new pages and upload the image file. The examples of this type of website is a website company profile.

Additionally, the website is dynamic if contain information therein is changeable, and has a programming system or features that allow web visitors to interact directly with the owner of the web or other people who are also accessing the web through the features provided. Dynamic website also has a page administrator. From page administrator the owner or user can perform editing website content, either edit content, add articles, links between pages, upload images or videos etc., these can be done from the admin page. Examples of these types of websites are Facebook, Twitter, and news sites like detik.com, okezone.com and others.

### **Previous Research**

Based on past studies, such as research conducted by Sinaga (2011), which examined the financial reporting voluntarily by the local government on the internet showing the results that only leverage and the type of government that a significant negative effect on the financial reporting voluntarily on the internet. In addition, for the three other variables such as political competition, the size and wealth have no significant effect on the financial reporting voluntarily by the local government on the internet. The next research conducted by Medina (2012) shows that the results of the local government size, the ratio of local government autonomy and complexity positively affect on the availability of financial information on the official website of the local government, while the per capita income of the people and leverage affect adversely on availability of financial information on the official website of the local government. The subsequent research conducted by Rahman et al (2013) which examined the factors that influence the local government financial reporting on the internet. The results from these studies showed that leverage, local government wealth, political competition proved to affect the reporting of financial information on the Internet,




while the size and type of government does not affect the reporting of financial information on the Internet. Subsequent research conducted by Afryansyah (2013) shows the results that the only press visibility variable has significant influence on the level of disclosure of accounting information on the internet, while size, the level of investment, regional wealth and political competition variables do not significantly influence the level of disclosure of accounting information in internet as voluntarily by the local government. Subsequent research by Hudoyo and Amir (2014), showed that the results of regional assets and leverage variables do not affect the financial reporting on the Internet by local governments in Indonesia, while the per capita income affect on Internet financial reporting by local governments in Indonesia. Based on research conducted by Laswad, Fisher & Oyelere (2005), some local governments in New Zealand has opted to provide disclosure of financial reporting on the internet. The results of the study on the disclosure of the internet will provide development activities transparency and accountability to financial reporting in New Zealand. Research conducted by Xiao, Yang & Chow (2004) companies in China are using the internet as a medium for the delivery of financial information (internet based corporate disclosure). Where, through internet based corporate disclosure can lead to higher profits in the economic field, especially in the capital markets to be able to provide direct information to stakeholders about the ownership of shares. In addition, there is research conducted by Laswad, Fisher, & Oyelere (2005) that the submission of financial statements as government can do with the internet media (internet financial reporting).

#### RESEARCH METHODOLOGY

**Table 1**

Research Object	⇒	The entire local government in Indonesia
Data Type	⇒	Secondary Data
Population	⇒	All local governments in Indonesia, both from the provincial, city and county. The number of local governments in Indonesia are as much as 34 provincial governments, 93 municipalities and 403 district administrations.



<p>Sampling Technique</p>		<p><i>Purposive sampling</i></p> <p>The sample in this study had to meet the criteria as below:</p> <ol style="list-style-type: none"> <li>1. The regional governments already have the financial statements audited by the Supreme Audit Agency (BPK) for the year 2012 and the financial statements can be obtained at the CPC.</li> <li>2. The regional government has a website on the internet and the website can be accessed.</li> <li>3. Data of local government financial statements have been audited, get the opinion of WTP, WTP DPP, or WDP in 2012</li> </ol> <p>The determination of the sample using the formula Slovin value <math>e^2 = 10\%</math>, according to the formula:</p> $n = \frac{N}{1 + (N \cdot e^2)}$ <p>Description :</p> <p style="margin-left: 40px;">n: number of sample N: number of population <math>e^2</math>: value leeway inaccuracy</p> $n = \frac{348}{1 + (348 \times 10\%^2)}$ $n = 77,68$ $n = 78$ <p>So sampling is obtained: 78 local governments</p> <p>Researchers will observe the 78th District and the entire City government in Indonesia from 348 local governments.</p>
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<i>Index scoring</i>	⇒	Category	Detail	Score
		The information contained	Number of budget	1
			Balance	1
			LRA	1
			LAK	1
			Audit Opinion	1
			Performance	1
			Restra	1
			CaLK	1
			Data from Last Year	0,75
			Segment Reporting	0,75
		Format	PDF	1
			HTML	0,75
			Flash	0,75
			Excel	0,5
			PPT	0,5
			Word	0,5
		interaction with users	Email	1
			Forum	1
			Mailing List	1
Tools	⇒	Model/Pattern/Design/ the pattern of government financial reports		



## DISCUSSION

### How Financial Statements in Entire province in Indonesia

In Indonesia, almost all local governments have an official website but the level of disclosure from one region to another is different. As a result, then occurs heterogeneity in which the disclosure of financial statements disclosed on the Internet ranging from the least to the most complete. The statement was confirmed by the observations of researchers on all official websites of local government in Indonesia as below:

**Table 2. The Financial Statement Disclosures in Entire Indonesian Provinces with Have Accessable Website**

Name	Score	Number of Local Government	Results	Percentage
Balance	14	30	0,466666667	47%
LRA	18	30	0,6	60%
LAK	15	30	0,5	50%
CALK	5	30	0,166666667	17%

Source: Official Website of Local Government

Table 2 shows the result of the financial statement disclosures included in the provincial government website in Indonesia. From the 34 provinces in Indonesia, only 30 provinces website can be accessed by researchers and a new average of about 43.5% in the Indonesian province that reveal financial statements on its website. Budget realization reports into components that are most often expressed in the amount of 60%. Lowest component disclosed are the notes to the financial statements amounted to only 17%, whereas The Notes of Financial Statement is a narrative explanation of the details of the figures contained in the financial statements and important to convey.



**Tabel 3. The Financial Statement Disclosures in Entire Indonesian Cities with Have Accessable Website**

Name	Score	Number of Local Government	Results	Percentage
Balance	23	83	0,277108434	28%
LRA	32	83	0,385542169	39%
LAK	19	83	0,228915663	23%
CALK	8	83	0,096385542	10%

Source: Official Website of Local Government

Furthermore, Table 3 is the result of observations conducted by researchers of the entire city government website in Indonesia. They show an average of only about 25% of the city government's website revealed the financial reports official site. The remaining approximately 75% is still not revealed its financial report. Budget realization report back to the component most often expressed in the amount of 39%. Notes to the financial statements into components that are disclosed lowest at 10%. The results showed that there are still many municipalities in Indonesia that have not made the transparency of financial management to the public.

**Table 4. The Financial Statement Disclosures in Entire Indonesian Regencies with Have Accessable Website**

Name	Score	Number of Local Government	Results	Pcentage
Neraca	54	307	0,175895765	18%
LRA	88	307	0,286644951	29%
LAK	50	307	0,16286645	16%
CALK	21	307	0,068403909	7%

Source: Official Website of Local Government



Table 4 shows the results of observations of researchers to district governments in Indonesia website that can be accessed. The number of website district government, which can be accessed are 307 websites, and the average level of disclosure of financial statements by district governments in Indonesia around 17.5%, which means that there are still about 82.5% that have not made the disclosure. The data shows the budget realization reports back into a component that is often expressed in the amount of 29%, while the notes to the financial statements be disclosed lowest component that is equal to 7%.

According to Hadi, (2013) the Supreme Audit Agency (BPK) found 1,871 cases of alleged violations of the rules of the Local Government Finance Report (LKPD) and Regional Owned Enterprises (BUMN) in the second half of 2012. The value reached Rp 1.17 trillion. Chairman of the Supreme Audit Agency (BPK) Hadi Purnomo said the findings on thousands of such cases mostly occur in as many as 1,793 cases LKPD checks with a value of 1.15 trillion. "The rest occur in the examination of enterprises," Hadi said in Jakarta, Tuesday (04/02/2014). Hadi said that in the second half of 2012 BPK tested about 94 LKPD provincial / district / city in 2011. Thus, in 2012, the BPK has completed examination report (LHP) on 520 LKPD year 2011 budget of 524 local governments are required to formulate LKPD. "There are still four local governments that are late handing LKPD to CPC. In addition, we also have examined two LKPD 2010 and nine financial statements PDAM 2011, Hadi added, against 94 LKPD 2011, the BPK provides opinions are reasonable with the exception of (WDP) on 33 LKPD, opinions unnatural (TW) given to three LKPD and not give an opinion (TMP) on 58 LKPD. It is said, the results of the LKPD indicate that the provincial and municipal level governments gain a better opinion than the government district. In conclusion the district governments should be encouraged to improve the management and financial reporting.

#### **Local Government Website in Indonesia**

The survey results through media technology, the result shows that the local government internet website is a site located on the Internet that contains all the information about the condition of the local government. The information referred to include profiles of local government, regional potential, regional development and so on, according to





Soepriyanto and Aristiani, (2011). Government web sites is the development of e-Government by the government. It is based on the progress of development of information technology to support the development of local government. According Goechi.com (2010) that the government has been promoting the use of information technology in supporting the activities of government activities, both central and local governments towards the realization of e-Government, which is a concept to create new interaction and communication between local government and each other, between local government and central government, between the government and society, and between the government and the business world. Local Government website development objective is to support the promotion of regional development for its functions to progress and prosperity of a local community. Moreover, in terms of technological developments and the current information the website is a medium to deliver information, especially public information. According to Law No. 14 of 2008 Section 1 on Public Information, public information is information generated, stored, managed, delivered and / or received by a public body with regard to the organizers and the implementation of state and / or organizers and the organizing body other public in accordance with this Act as well as other information relating to the public interest. Thus, it can be concluded that public information is all the information needed by the public related to the respective interests of the public are also regulated by law. In this case the focus is the public information activities carried out by local governments, for the delivery and presentation of financial statements regions. As already mentioned in Law No. 14 of 2008 which states that one of the objectives on public disclosure is as follows realize good governance, namely transparent, effective and efficient, accountable and accountable.

**Financial Statement Disclosure Model based on Web-ict with Index Full Disclosure Method to Realise Good Governance Government of Local Government in Indonesia**

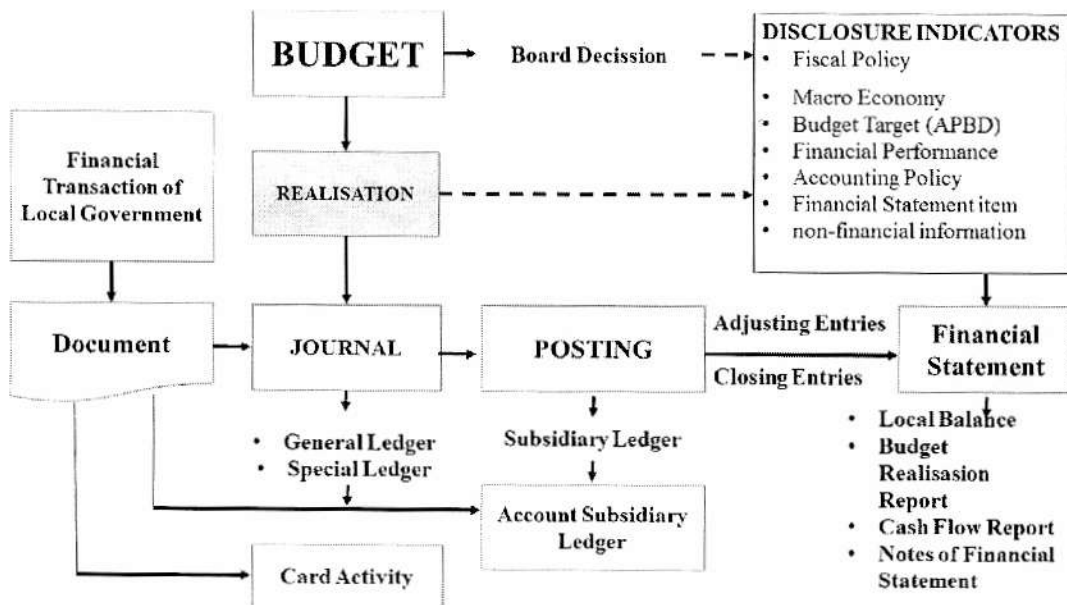
The consequences of disclosure of financial statements for the government to the public / stakeholders that exist greatly affect the existence of government. The consequence of financial statement disclosure can be in the form of budget absorption effectively and efficiently. The advantages of disclosure include: the presentation of financial performance, transparency and accountability in public service information.



Disclosure in the world of public services can play a role as Public Relation for Governance related to the community at any time so that through disclosure the public can understand the existence of a Good Government. Disclosure can also reduce risks for the Government and can improve liquidity. Voluntary disclosure will reduce information asymmetry among informed and uninformed society, so for governments with high disclosure levels will increase public confidence. Financial statement disclosure can reduce information of mistrust in the society. Disclosure can also reduce the investment risk for outside investors, so there is a sense of security in investing. Disadvantages with disclosure include implementation of disclosure can reveal the strategy to the competitiveness of government. Usually the local government is very sensitive in disclosing information that might reduce the competitiveness of the government, the cost to create disclosure, while the beneficiaries of the disclosure do not want to pay because they assume that the financial statements of the Local Government is a Good Public Government, and it increases the price of competitiveness to Local government.

The website of Local Government is a site located on the Internet and could be accessed electronically by means of devices such as computer or smartphone. This website contains all information about Local Government including Financial Statement Disclosure. Which means, all advantage and disadvantage are carried out by this media technology.





**Figure 1. Financial Statement Disclosure Model**

## CONSLUSION, SUGGESTION AND IMPLICATION

### Conclusion

In this study the average of disclosure of financial statements conducted by each local government in Indonesia is still below 50%. In addition, the use of the internet in search of news information into second place by 78.49%, to search information on goods and services are third at 77.81%, while information retrieval government institutions ranked fourth amounting to 65.07%. The research method descriptive method, the research objects in all of the Local Government in Indonesia, aside used purposive sampling techniques.

The results of financial statements disclosures across the province can be explained as follows:

1. Balance (47%); Realization Report and Budget (60%); Cash Flow Statement (50%); Notes to the Financial Statements (17%).



2. Disclosure of the financial statements of all cities in Indonesia: Balance (28%); Realization Report and Budget (39%); Cash Flow Statement (23%); Notes to the Financial Statements (10%).
3. While the disclosure of financial statements all districts in Indonesia: Balance (18%); Realization Report and Budget (29%); Cash Flow Statement (13%); Notes to Financial Statements (7%). Supreme Audit Agency (BPK) in 2013 discovered 1,871 cases of alleged violations of the rules of the Local Government Finance Report (LKPD) and Regional Owned Enterprises (enterprises) in the second half of 2012. The value reached Rp 1.17 trillion.

### **Suggestion**

We recommend that future researchers can do the implementation and integration of the financial statements of both the districts and cities across Indonesia associated with the financial statements or village, so that would be obtained comprehensive research.

### **Implication**

There are three impacts in this research, they are as follow:

- a) Economic Impact, with the results of this research, are expected to boost revenue budget expenditure, due to the disclosure of which is transparent and accountable, it is expected, the local revenue both counties and cities will be increased, so that the construction will be evenly we realize.
- b) Environmental impact, with the results of this research are expected to be realized internal and external environmental conditions are conducive and the impact on the welfare of employees and leadership and equal to all people.
- c) Social impact, the financial statements of Good Governance, the government was expected to improve health, education for the poor, places of worship, social for homes and underprivileged society.



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