

CHAPTER I

INTRODUCTION

A. BACKGROUND

In running the wheels of government, every head of government always tries to have a positive impact on society for their performance when running the wheels of government. The positive impact on government performance can be seen from the local revenue, the level of community welfare in an area, or the good use of existing resources in a government area. Of course, the aim of the government should not be to create a good image to the community, but how the government can be fully responsible for what is obtained from the community, processing it and returning it to the community. This means that it is hoped that every government agency will not only seek a positive image from the community, but also give responsibility to the community.

This study considers several previous studies Nor et al. (2019) the results of the study show that audit opinion has a significant influence on the disclosure of financial statements on the official website of Regional Governments in Indonesia for the 2015-2016 period. Meanwhile, the follow-up to audit recommendations and the level of prosperity do not have a significant effect on the disclosure of financial statements on the local government website.

The results of research conducted by Adiputra et al. (2018) said that the size of the local government did not have a significant influence on the information disclosure of local government in Indonesia in the 2016 period.

Another study conducted by Nufus et al. (2019) the results showed that the size of the local government and financial performance had a positive and significant effect on IFR in Indonesia. Meanwhile, audit opinion does not have a significant effect on the relationship between local government size, leverage, and financial performance with IFR in Indonesia.

The results of another study were also carried out by Nosihana (2016) saying that the size of the local government had a significant positive effect on IFR in Indonesia in the 2014 period. Meanwhile, audit opinion did not have a significant effect on IFR in Indonesia.

The results of research from Nainggolan (2016) stated that the size of the local government had no significant effect on the disclosure of regional financial information. While the level of public welfare has a significant effect on the disclosure of regional financial information.

From previous research that has been summarized in the table above, the researcher concluded that some previous researchers used more than one theory in their research. With the existence of several theories in one study, the cause of the discussion in the study does not really explain the relationship variables with the theory used. So that in this study, the researcher only uses one theory as the theoretical framework that underlies

this research. In addition, there is an opinion on the results of the study on several of the same variables, so the researcher reassesses these variables so that the researcher can get confidence in the difference in these results.

Government responsibility can be in the form of good service to the community, where currently the community is warmly discussing public services provided by the government.

The Word of Allah SWT, An-Nisa 'Verse 58:

إِنَّ اللَّهَ يَأْمُرُكُمْ أَنْ تُؤَدُّوا الْأَمَانَاتِ إِلَىٰ أَهْلِهَا وَإِذَا حَكَمْتُمْ بَيْنَ النَّاسِ أَنْ تَحْكُمُوا بِالْعَدْلِ إِنَّ اللَّهَ نِعِمَّا يَعِظُكُمْ بِهِ إِنَّ اللَّهَ كَانَ سَمِيعًا بَصِيرًا (٥٨)

Meaning: "Indeed, Allah instructs you to convey a message to those who have the right to receive it, and (instructs you) when establishing a law among humans so that you determine it fairly. Indeed, Allah gives the best teaching to you. Allah is All-hearing, All-seeing". (Q.S. An-Nisa ': 58)

The verse emphasizes that mandate is something that must be conveyed to those entitled to receive it. This is done to build trust and justice between the government and society. The government as the regulator and administrator of the state would be better off to convey information and services to the public as well as possible. To improve the welfare and comfort of the people in the state, the government should pay attention to this, because the information and services provided by the government to the public will affect people's perceptions of the government and can affect the comfort of the community.

Nabi Muhammad SAW, bersabda:

...أَنْتُمْ أَعْلَمُ بِأَمْرِ دُنْيَاكُمْ

Meaning: "... You know more about your world affairs".

(HR. Muslim, no. 2363)

The hadith emphasizes that it is permissible for us to try to get the best of things. Some cases need to use our intellect and *ijtihad* by thinking creatively and accompanied by effort. After trying, then we should put our trust in Allah SWT, hopefully the results obtained are the best results. Therefore, let us use our minds to be able to develop knowledge based on goodness and stay away from its prohibitions. This hadith is relevant to this research, where this study intends to convey what factors should be considered in order to develop E-Government in order to improve the quality of government in providing accurate, fast, and accurate services and information.

Based on the news from [kompas.com](https://www.kompas.com) on December 2, 2021 about "Demi pelayanan publik transparan dan efektif, pemerintah hadirkan sistem e-government". The government has implemented an electronic government (e-government) system as one of the efforts to provide transparent, fast, and effective public services. The implementation of e-government is in accordance with Presidential Regulation (Perpres) Number 95 of 2018. However, the implementation of e-government is still experiencing problems because it has not been integrated. According to the Minister of Communications and Information Technology (Menkominfo) Johnny Gerard Plate in a working meeting with the drafting committee of the DPR RI Law on e-government: "e-government must continue to be improved. Mainly related to the main regulations governing data integrity. This is done to reduce security risks.

information. The absence of major e-government regulations has an impact on government information systems that are not or have not been integrated, the validity of data that must be improved, to the risk of information security".

With the emergence of public sentiment regarding public services, inevitably, the government must always evaluate and fix its services so that it will increase and have quality. With the existence of transparency that is being intensified by the current government, it is inseparable from the initiation of the issuance of Law No. 17 of 2003 which had a major impact on the management of Indonesia's state finances. Article 3 paragraph 1 of Law No.17 of 2003 on State Finance states that State Finance must be managed in an orderly manner, obeying laws and regulations, efficient, economic, effective and responsible with due regard for the sense of justice and appropriateness. With the wave of New Public Management (NPM), Indonesia is also carrying out reforms to State Finances. Reforming the State Finances is believed to be able to direct Indonesia towards a more accountable and transparent management of State Finances. This accountability and transparency aims to ensure that government financial management carried out by the government itself can run well. This is in line with the demands of the community for public sector organizations to improve the quality, professionalism and public accountability in carrying out financial management activities of the central / regional government (Pramudiarta, 2015).

The Indonesian government has committed to support the implementation of transparency by realizing it through the enactment of Law Number 14 of 2008 concerning Openness of Public Information (UU14 / 2008). In article 9 paragraph 1 of Law no. 14 of 2008 concerning Public Information Openness states that public agencies are required to announce public information periodically. The public information referred to is information regarding the activities and performance of related public bodies as well as information regarding financial reports. In addition, in article 7 paragraph 2 of Law no. 14 of 2008 concerning Openness of Public Information also emphasizes the obligation of public bodies to provide public information that is accurate, correct, and not misleading. The purpose of this law is the accountability and transparency of the financial management of the central and local governments.

The form of accountability for government financial management for one fiscal year is the Regional Government Financial Report (LKPD). government financial reports in each of these areas must be in accordance with PP No. 71 of 2010. Then, the regional government financial reports are submitted to the DPR / DPRD and the general public after being audited by the Supreme Audit Agency (BPK). The components of local government financial reports that are submitted consist of the Budget Realization Report, Balance Sheet, Cash Flow Report, and Notes to Financial Statements.

Suwardjono (2011) states that information that is useful for users is information that has value. Existing information will be of benefit if the

information can support decision making and is reliable. The financial reports produced by the local government will be used by interested users as the basis for making a decision. Therefore, local governments must pay attention to the information presented in financial reports for planning, controlling and decision-making purposes.

Halim (2004) the provision of information and disclosure of financial performance is a form of fulfillment of people's rights, namely the right to obtain information, the right to pay attention to their aspirations and opinions, the right to be given an explanation, and the right to demand accountability. With this information, the government must be willing and able to become the subject of providing information on the required financial activities and performance accurately, relevant, timely, consistently and reliably.

Local governments are considered capable of realizing accountability and transparency in the management of regional finances if the information contained in the Regional Government Financial Statements (LKPD) meets the criteria for the qualitative characteristics of government financial reports as stipulated in Government Regulation No. 71/2010. is a normative prerequisite needed so that government financial reports can meet the desired quality, namely: (1) relevant, which means if the information contained therein can influence user decisions by helping them evaluate past or present events, and predict the future, and correcting past evaluation results; (2) reliable, means that the information contained in the financial statements is free from misleading understanding and material errors, presents every fact honestly, and

can be verified; (3) comparable, which means that all current financial statement information can be compared with the previous period's financial statements, it will be more useful because we know where the differences are; (4) understandable, meaning that the terms contained in the financial statement information must be adjusted to the limits of understanding of the users.

The information provided in the local government financial reports must match the value of the information contained in the law. If the information in the regional government financial reports is in accordance with the qualitative characteristics contained in Government Regulation Number 71 of 2010, it means that the local government has been able to realize transparency and accountability in terms of regional financial management. If the information presented is not in accordance with the legislation, it can result in regional losses, potential regional shortages, lack of revenue, administrative weaknesses, ineffectiveness, inefficiency, and ineffectiveness.

The importance of increasing transparency and accountability is also needed to achieve the function of supervision, to eradicate corruption and prevent acts that are detrimental to the state such as misuse of resources. Increased transparency and accountability can show whether local governments have provided information and made it easier to obtain information to the public. With the passing of Law Number 14 of 2008 concerning Openness of Public Information, public attention has grown to the increased transparency carried out by the central and regional governments. Law Number 14 of 2008

states that providing accessible and easy-to-understand information to the public is a government obligation.

Increased transparency and accountability carried out by the Government of Indonesia is also supported by technology, where the government provides its information to the public through the official government website or website on the internet. By using the internet, people can easily access the information they want. Styles and Tennyson (2007) state that the internet is a medium that is easily accessible to the public and the cheapest means for the government to publish its financial information. Using the internet in Indonesia to publish information can help in the success of e-government programs. Utilization of the internet can make the work of an institution more effective and efficient. In addition, the internet can offer the possibility of increasing interaction between local governments as public administrators and their citizens (Chadwick and May, 2003).

There first factor that has an influence on transparency and accountability is a good audit opinion obtained from good government performance and is an illustration of orderly regional financial management by the government. Therefore, a reasonable audit opinion can strengthen the influence of financial performance on the compliance of local government financial information disclosure on the website.

The second factor that has an influence on transparency and accountability is the follow-up to audit recommendations, which is an

important element in management's performance appraisal. The speed of local governments in following up on audit recommendations will have an impact on the desire to disclose their financial reports on government websites as a form of improvement and improvement of local government performance.

The third factor that has an influence on transparency and accountability is the size of the local government. Large local governments generally have large amounts of wealth so that supervision over government activities is getting tighter. Publication of financial statements is one form of positive signal that can be given by the government. Disclosure of financial information presented in full shows the initiative for the local government to be more transparent in the management of its government. Through the internet, local governments can provide financial information quickly at low costs, so that reporting needs are met and costs incurred can be reduced.

The fourth factor that has an influence on transparency and accountability is financial performance. Financial performance has a positive correlation with public services. Financial performance is used to assess the accountability of organizations and managers in producing better public services. Accountability is not just the ability to show how the public money has been spent economically, effectively and efficiently. This shows that the level of implementation of E-Government has a relationship with financial performance.

The fifth factor that has an influence on transparency and accountability is the level of community prosperity. The level of community prosperity can be seen from good regional wealth because it will show good regional government performance. In addition, it shows stakeholders and discloses more information with better disclosure techniques. The level of community prosperity is related to the level of disclosure of information on the official website of the regional government. So, with good community prosperity, local governments will further optimize the development of E-Government as a means of disclosing various information.

This research refers to a journal with the title *Transparency of Local Government in Indonesia* compiled by Adiputra et al. (2018) using the same independent variable, namely transparency of local government. However, this study only uses 1 (one) of 3 (three) independent variables used in the research of (Adiputra et al., 2018). In addition, this research also refers to a journal entitled *Financial Statements Disclosure on Indonesian Local Government Websites* compiled by (Nor et al., 2019). However, this study only uses 1 of 6 independent variables used in the study. Not only these two journals, this research also refers to the journal entitled *Pengaruh Ukuran Pemda, Leverage dan Kinerja Keuangan terhadap IFR pada Pemda dengan Dimoderasi Opini Audit* compiled by (Nufus et al., 2019). With this journal, this study only uses 2 (two) of 5 (five) independent variables in the study.

This study is a replication of Nor et al. (2019) in a study conducted on *Financial Statements Disclosure on Indonesian Local Government Websites*.

First, Nor et al. (2019) used e-government transparency on websites as the dependent variable, while audit opinion, audit findings, follow-up on audit recommendations, level of education, level of community prosperity, commitment of regional heads were used as independent variables. Meanwhile, in this study, different independent variables are suspected to be related to the level of e-government implementation, namely audit opinions, follow-up audit recommendations, local government size, financial performance and community prosperity. Second, the difference with previous research is also in the sample selection, the researcher chose the district/city government in Java and DIY. Third, the difference with previous research is also found in the theory used, previous researchers used agency theory while this researcher used stewardship theory.

This research will use factor analysis, to find the right indicators to be used on variables of audit opinion, follow-up audit recommendations, size of local government, financial performance, and community prosperity on the implementation of e-government and the level of transparency of local government. Thus, the title of this research is “DETERMINANTS THE LEVEL OF E-GOVERNMENT TRANSPARENCY ON WEBSITES IN LOCAL GOVERNMENT (SCOPE OF JAVA ISLAND AND DIY)”

B. RESEARCH QUESTIONS

Based on these reviews, the researcher formulated the following research questions:

1. Does the audit opinion have positif significant effect on the level of transparency of local government reporting on the website?
2. Does the follow-up audit recommendations have positif significant effect on the level of transparency of local government reporting on the website?
3. Does the size of local government have positif significant effect on the level of transparency of local government reporting on the website?
4. Does the financial performance have positif significant effect on the level of transparency of local government reporting on the website?
5. Does the community prosperity have positif significant effect on the level of transparency of local government reporting on the website?

C. RESEARCH OBJECTIVES

This study aims to test and obtain empirical evidence about:

1. Analyze the effect of audit opinion on the level of transparency of local government reporting on the website.
2. Analyze the effect of follow-up audit recommendations on the level of transparency of local government reporting on the website.
3. Analyze the effect of local government size on the level of transparency of local government reporting on websites.

4. Analyze the effect of financial performance on the level of transparency of local government reporting on the website.
5. Analyze the effect of community prosperity on the level of transparency of local government reporting on the website

D. RESEARCH BENEFITS

Research conducted by researchers is expected to provide contributions and benefits, which are:

1. The theoretical benefit

The results of this study are expected to contribute ideas in science regarding the concept of stewardship theory in the implementation of E-Government, especially the application of E-Government and transparency in local governments. This research is expected to provide evidence empirical research in the public sector, especially regarding the influence of the level of transparency of local government financial reports in Indonesia. This research is also expected to become a reference and study for various parties who have an interest in the implementation of E-Government and website transparency. With this research, it is hoped that it can trigger the government to pay more attention to the various factors that influence the development of implementing E-Government and transparency, so that it can provide better services and can convey information to the public more effectively and efficiently.

2. Benefits for government

This research is expected to provide input to the central government and local governments related to various factors related to the development of E-Government in Indonesia.

