

CHAPTER I

INTRODUCTION

A. Background

The provision of local government accounting information is now mandatory. Its purpose is to create financial responsibility for local authorities. As stipulated by Presidential Instruction Number 3 Year 2003, e-government aims to National Decision and Strategy E-Government Development. The aim of e-government is to facilitate public access to information provided by local authorities. The guide requires local authorities to develop their own official websites. The Minister of Finance Regulations in 2020 that be appointed on March 23 by Article 3 which is namely the Regional Financial Information System (SIKD) are a system for documenting, managing and processing regional accounting information and other related information. Such system is expected to provide public an information related to planning, implementation, and reporting responsibility of local government responsibilities as considerations of their decision making. In line with SIKD, Public Accounting Standards (SAP) is defined in Government Decree of Republic Indonesia Number 71, which replaces Government Decree of Republic Indonesia Number 24 SAP is expressed as General Financial Accounting Standards (PSAPs) which introduces government accounting standards and is summarized by reference to fiscal accounting concepts. Government Decree of

Republic Indonesia Number 12 Year 2019 on the Regional Financial Information System the financial disclosure for accounting information uses ICT.

Local government (LGs) must provide high-quality services to the people in those areas. This task requires high-quality provincial administration. In order to determine the results of the implementation of the task, the activities of the regional administration are evaluated annually by a decree of the Minister of the Interior in order to determine the level and status of the local government. Local governments are expected to provide high-quality services to the public; indicating high levels of performance. However, the performance rate of some provincialities is relatively low (Sutopo et al., 2017).

The aim is to enable the timely submission of state accounting information on financial statements. In addition to the ability to submit financial statements on time, technology and information are ways in which the government can increase the transparency and accountability of regional financial statements. Internet-type technology can be used to report financial statements. Law No. 14 regarding public access to public information it has stated that "public agencies must be transparent and accountable for all public information". Accounting information in the financial statements several purposes, namely as a decision-making tool for users of financial statements and for assigning corporate responsibility and governance to users. The financial statements provide information on several financial issues, not only figures but also qualitative information. There is several information in

accordance with accounting standards. This information is intended as a supplementary explanation of the figures included in the financial statements and as a second explanation of the financial management of the Board that cannot be explained in the figures or financial statements (Sukmadilaga et al., 2015).

PSAP Number 1 paragraph 24 states that the quality of financial statements is measured from compliance of report submissions which is relevant to the budget. Thus, the quality accounting information on financial statement holds a significant role in the disclosure of information needed by the stakeholders to reduce errors and miss-understanding related to the financial statement itself. Therefore, the government accounting information on financial statements must be of the desired quality in accordance with Government Regulation of Republic Indonesia No. 24, 2005, namely: (a) relevant, (b) reliable, (c) comparable, and (d) understandable.

Araujo and Tejedo-Romero (2016) state that transparency is a broad concept related to access to information (the supply side of transparency), is available to the public and other stakeholders, and is used by the party demanding the transparency. Provincial government to supply information needed by stakeholder. As stated by Kristiansen et al. (2009), transparency in the local government of Indonesia needs to be improved. The same notion is cited from Mardiasmo (2006) who states that transparency means the openness of the government in providing information related to public resource

management activities to those who need information. The number of transparency conducted in 34 provincial government is still low (16.48%) when measured using the criteria of availability, accessibility, and timeliness of disclosure (Ritonga and Syahrir, 2016).

From Ryan, Stanley, and Nelson (2007), accountability is ensured through financial statements from which information can be measured reliably, and then scientists and public policy professionals responsible for the integrity of accountability mechanisms can examine more appropriately the issues that need to be addressed in order to improve disclosure. Another general part of local government reporting on accountability is performance reporting.

The transparency stated by Ritonga and Syahrir (2016) indicates that measured local financial management information is available on LG's official website. By Accessibility, in this context, it means that the local government provides information to the public (publicly) on the official website. Transparency is indicated when public can download the available information.

Indonesia has developed e-government since Presidential Instruction Number 3 was released. The aim of e-government is to facilitate public access to information provided by local authorities. The guide requires local authorities to develop their own official websites.

Accessibility serves as a part of the government trust toward public in terms of financial management. Consequently, public has the right to obtain government financial information to be evaluated (Mardiasmo, 2002). As

referring to Nurrizkiana et al., (2017), the easier the public has access to regional accounts, the more transparent and accountable regional financial management will be through people-elected representatives (managers). E-government will develop access to technical information to enable stakeholders to acquire their rights of participation and to fulfill their obligation to acquire rights of participation in order to ensure freedom of access.

The main role of the participation is as the support system from the government available for the citizen to get the information especially accounting information of the provincial through e-Government or provincial's website. The participants have a role to use e-government to increase transparency, accountability, and efficiency when obtaining public service. Additionally, ICT and e-government enhance political accountability and public services to promote political integration and participation for all, and the necessary opportunities and innovations (UN 2016). The participants use e-government to clarify information. Such notion is postulated in Empowerment of State Apparatus (PAN) and Bureaucratic Reform (RB) Decree No. 11, Regulation of The Minister of Administrative Reforms states that the introduction of e-government is a measure of the success of bureaucratic reforms (Putra et al., 2018).

It is important to note that sustainability is a keyword in the UN Sustainable Development Goals (SDGs) and integrated reports, which the latter is the business reporting of the future for many countries. In any case, advocates of sustainable development agree that sustainability strategies are

not necessarily limited to specific companies or countries but are designed as a holistic concept with a global impact and measured from many perspectives, including good governance. Governance has an important role to play in ensuring that sustainable operations are achieved in a transparent and accountable manner.

Based on the case, the quality of accounting information on financial statements gives the true information and the responsibility to disclose the truth to the public; as stated in the Surah At-Taubah verse 119:

يَا أَيُّهَا الَّذِينَ آمَنُوا اتَّقُوا اللَّهَ وَكُونُوا مَعَ الصَّادِقِينَ (١١٩)

“O believers, fear Allah and be with you with the righteous!”. In this verse, Allah instructs us to do the right things and that we must trust everything to the people who do the righteous things, who are always fair, and who have good moral. If we uphold this verse, we can face the changes and always keep the good moral to find the right way to be an honest person.

PeGI compares several provincial governments' website and finds violation of the current regulation. Yunita and Aprianto (2018) concluded that based on Presidential Instruction No. 3 in 2003, which, incidentally, is the forerunner of e-government development in Indonesia, Indonesia's e-government development is relatively slow. In this way, academics and government can explore the factors that are slowing down the development of e-government in Indonesia. According to Yunita and Aprianto, (2018), e-government applied in the provincial government's website is measured by four types of measurements. And as a result, it is indicated that out of the total

population there are only four provincial government's websites which are qualified. The conclusion shows that website of local government in Indonesia during 2003 until 2018 indicates progress encourages accessibility towards accounting information and provides accountability and the transparency related with the regulation made by the governments.

Based on the measurement by the e-government measurements lower case in Indonesia, e-government rates the PeGI Province Level as follow:

Table 1.1
PeGI Province Level 2015

No	Province	Average Value PeGI	Category
1.	DKI Jakarta	3,39	Good
2.	Jawa Barat	3,07	Good
3.	Jawa Timur	3,01	Good
4.	Gorontalo	2,95	Good
5.	Bangka Belitung	2,90	Good
6.	D.I. Yogyakarta	2,66	Good
7.	Jawa Tengah	2,64	Good
8.	Bali	2,63	Good
9.	Sumatera Utara	2,62	Good
10.	Jambi	2,61	Good
11.	Nusa Tenggara Barat	2,54	Good
12.	Kalimantan Timur	2,52	Good
13.	Aceh	2,51	Good
14.	Sumatera Selatan	2,33	Poor
15.	Sumatera Barat	2,01	Poor
16.	Kalimantan Selatan	1,88	Poor
17.	Lampung	1,76	Poor
18.	Sulawesi Tengah	1,73	Poor
19.	Sulawesi Barat	1,72	Poor
20.	Bengkulu	1,54	Poor

Source: pegi.layanan.go.id

From the table above, the information of Indonesia e-government rates (PeGI) Province Level in 2015 from the twenty provinces thirteen is good

categorize. So, e-government as the tool of the local government to deliver accounting information to the citizens less optimal and the measurement local government in Indonesia to cannot generally identify the good quality of accounting information. The quality of accounting information is the form of the local government to achieve accountable, transparent, and participation which can interact between local government and citizens. This case support in 2011, the research result by Hernikawati concluded that there were 26 provinces conducted the assessment. Whilst based on Ministry of Communication and Informatics (Keminfo), the number of provinces conducted the assessment were 24 in 2012, 21 provinces in 2013, 22 provinces in 2014, and 20 provinces in 2015. The results of the average assessment also show the model of fluctuations.

The 2030 Agenda for Sustainable Development introduces the concept of knowledge-based management and emphasizes the challenge of "increasing the availability of high-quality, timely, reliable and disaggregated information by 2030". Based on survey conducted by the United Nation in 2018, the findings as the E-Participation and E-Government Indices of ASEAN during 2018 are summed up below:

Table 1.2
E-Participation and E-Government Indices, ASEAN 2018

ASEAN Country	E-Participation Index	E-Government Development Index
Brunei	0.6067 (7)	0.6923 (3)
Cambodia	0.1742 (8)	0.3753 (8)
Indonesia	0.6180 (6)	0.5258 (7)
Laos	0.1742 (9)	0.3056 (10)
Malaysia	0.8876 (3)	0.7174 (2)
Myanmar	0.1342 (10)	0.3328 (9)
Philippines	0.9382 (2)	0.6512 (5)
Singapore	0.9663 (1)	0.8812 (1)
Thailand	0.6517 (5)	0.6543 (4)
Vietnam	0.6910 (4)	0.5931 (6)

Source: UNDESA (2018)

In addition, based on the table above Indonesia for e-participation index number six from ten in ASEAN country in 2018 and for e-government development index number seven from ten in ASEAN country in 2018. It can describe and reflect Indonesia the ASEAN country still average for development of services and information to the stakeholders, including in this case the government, which provide quality of information to the public. The index can help to help identify the quality of information responsible for managing resources for citizens, who have a right to know how they run their government.

Based on the phenomenon the researchers took the research with the title **“THE INFLUENCE OF ACCOUNTABILITY, TRANSPARENCY, AND PARTICIPATION ON THE QUALITY OF ACCOUNTING INFORMATION OF LOCAL GOVERNMENT FINANCIAL STATEMENTS BY E-GOVERNMENT WITH ACCESSIBILITY AS**

THE MODERATING VARIABLE AT LOCAL GOVERNMENT IN INDONESIA”. This research is a replication from Setiyawati and Doktoralina (2019), it indicates the positive impact of the use of information technology on the quality of accounting information, better meaning information by technology utilization, and the usefulness of information technology. It is because of better information technology utilization also better in accounting information quality. The quality of accounting information also has a positive effect on the implementation of the principles of good governance. It means that the principles of good governance should include accountability, transparency, and participation for a better quality and implementation of accounting information.

In the previous research, the use of information technology would have had a positive effect on the level of financial statements of local governments. Information technology can be used and there is a good and necessary opportunity to support its quality which is internet networking. The difference with the previous research lies on the sample of the study. Whilst the previous study took sample in SKPD Tangerang City, this research uses 34 provincial government in Indonesia using financial statements from the provincial website, the sample in this study for three years and the utilization of information technology that using internet network uses the accessibility as the moderating variable.

B. Research Scope

The scope of this research is as follows:

1. This research uses three variables which consist of dependent variable, moderating variable, and independent variable. The dependent variable is used the quality of accounting information. The independent variables are accountability, transparency, and the public participation. The moderating variable is accessibility.
2. This research also uses the samples that will be taken from e-government of 34 provincial governments in Indonesia.

C. Research Question

1. Does accountability have a significant positive effect on the quality of accounting information of local government by e-government financial statements in Indonesia?
2. Does transparency have significant positive effect on the quality of accounting information of local government by e-government financial statements in Indonesia?
3. Does participation of have significant positive effect on the quality of accounting information of local government by e-government financial statements in Indonesia?
4. Does accessibility have significant positive effect on the relationship between accountability and quality of accounting information of local government by e-government financial statements in Indonesia?

5. Does accessibility have significant positive effect on the relationship between transparency and quality of accounting information of local government by e-government financial statements in Indonesia?
6. Does accessibility have significant positive effect on the relationship between participation and quality of accounting information of local government by e-government financial statements in Indonesia?

D. Research Purposes

1. To obtain positive effect of accountability on the quality of accounting information of local government by e-government financial statements in Indonesia.
2. To obtain positive effect of transparency on the quality of accounting information of local government by e-government financial statements in Indonesia.
3. To obtain positive effect of participation on the quality of accounting information of local government by e-government financial statements in Indonesia.
4. To obtain accessibility have significant effect on the relationship between accountability and the quality of accounting information of local government by e-government financial statements in Indonesia.
5. To obtain accessibility have significant positive effect on the relationship between transparency and the quality of accounting information of local government by e-government financial statements in Indonesia.

6. To obtain accessibility have significant effect on the relationship between participation and the quality of accounting information of local government by e-government financial statements in Indonesia.

E. Significant of The Study

Based on the background that has been described, the research benefits of this study are:

1. Theoretical Benefit

This study is expected to provide enough explanation and becomes a reference to improve the related research in the future.

2. Practical Benefit

- a. For Local Government

The result of this study can be used as an alternative reference which contains thoughts that can be taken as the considerations for the decisions making in regard to the relation between the quality of accounting information and e-government to achieve good governance in Indonesia.

- b. For College

This research is expected to be a reference for continuing and developing similar research to be new and innovative.

- c. For Researcher

This research can increase knowledge and understanding on the factor that have influences on the quality of accounting information

with e-government to achieve good governance in Indonesia. The knowledge can be reference for the future career of researcher in the government sector.