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ACCOUNTING, CORPORATE GOVERNANCE & BUSINESS ETHICS | RESEARCH ARTICLE

Analysis of the quality of performance report of the local government on websites: *Indonesian case*

Sasono Adi^{1*}, Dwi Martani¹, Bambang Pamungkas¹ and Robert A. Simanjuntak¹

Abstract: The study aims to assess the quality of disclosure in performance of the local administration report (LAR) in the local government which is published on the websites. Quality criteria are based on: (1) the information that should be disclosed according to the regulations; and (2) the comprehensibility format of the report. Using the content analysis, the results showed that the information published only disclosed 35.46% of the information that should be conveyed. The low quality of disclosure is caused by the absence of disclosing standard of the LAR. The types of information which are not presented or inadequately covered are only a small portion of information displayed uses graphs and tables, and information about performances and its measurements are not presented in a systematic way. Format of presentation consisted of a summary with very long narrative does not guarantee that the important information is conveyed sufficiently to the public. From these results, it is expected for the regulator to develop a disclosing manual of LAR containing types of information and format of presentation which can help the public comprehend the information. The findings of this work show that the quality of the transparency of the reporting made by public bodies becomes crucial for public accountability.

Subjects: Accounting Education; Financial Accounting; Government & Non-Profit Accounting

Keywords: quality of disclosure; performance of the local government; manuals of disclosures; political competition; quality of financial accountability



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Sasono Adi is a doctoral student at University of Indonesia. He was born in Ambon, Indonesia, in 1966. He received the bachelor's degree in Accounting from State Accounting Institute, Jakarta, Indonesia, and the MCom degree in Accounting from the University of Tasmania, Australia, in 2000. He had got a scholarship from the Government of Indonesia for his bachelor's degree and a scholarship from the Australian Government for his master degree. Now, he is pursuing his doctoral degree which also financed by the Government of Indonesia.

He has been a government employee which is work as a government auditor; therefore, his research interest is focus on government accounting, accountability, government offices' performance, and government transparency. This article is one of some articles that are prepared for publications.

PUBLIC INTEREST STATEMENT

One element in the implementation of accountability is transparency. Transparency is important for public entity to provide public confidence. A medium that can be used to provide access to the performance of the local government to public information is the websites. In this perspective, article describes some aspects of the transparency of local governments to their citizens. Based on the results of the content analysis, the quality of disclosure achieved a value of 0.3546, or only 35.46% conveyed from the information that should be submitted to the public. This value is relatively low because not all of the information that should be known to the public is delivered. In Indonesian context, by identifying this issue, the improvement in the content of information to the citizen is a must.

1. Introduction

Disclosure of management performance in the Government of Indonesia is a new thing, particularly after the transparency regime. The notion of a public right to information which specifies that the right to freedom of expression and opinion includes the freedom “to seek, receive, and impart information and ideas through any media and regardless of frontiers”.

One form of management reports on the local government is local administration report (LAR). LAR is enacted with the publication of Government Regulation Number 3 of 2007 about Local Government Activity Report to the Government, Report of the Head of Local Government to the Legislative Council, and Local Government Administration Report to Public. This regulation requires local governments to publish LAR on local printed media or the websites that starts in 2009. The disclosures on the websites make it easy for the public to access the information disclosed; however, the disclosures have made by the local government on the websites are relatively low.

In empirical research on local government disclosure, many researches are more focused on disclosure attached to financial statements of local governments in the form of notes to the financial statements of local governments. On the other hand, local authorities are also required to disclose the performance of the LAR that provides a more comprehensive picture of the activities of the local government. The delivery of financial information that has been set by the standards is not sufficient to meet the obligations of public accountability; therefore, that a more comprehensive information is necessary and required by stakeholders in implementing the programs (Coy, Fischer, & Gordon, 1998; Fountain, Patton, & Steinberg, 2004). Comprehensive information is information relating to the input, output, efficiency, effectiveness, community satisfaction, speed, and quality of public services (Boyne, Williams, Law, & Walker, 2002). This information is disclosed to the public which is published on the local media or electronic media/websites. It contains a summary of performance of the regional administration report.

Disclosure of information is a form of accountability of public officials to report on the use of public resources and the obligation of public officials to meet the performance targets which have been set (Armstrong, 2005; Behn, 2001; Bovens, 2007; Wong & Welch, 2004). One of the media that can be used to provide access to public information is the websites which can report contents related to financial management and performance of the local government (Gandía & Archidona, 2008). Several studies have been conducted about the use of websites in the disclosure of financial information (Ashbaugh, Johnstone, & Warfield, 1999; Caba Pérez, Pedro Rodríguez Bolívar, & López Hernández, 2008; Laswad, Fisher, & Oyelere, 2005; Yu, 2010). Laswad et al. (2005) analyzed the level of disclosure over the websites compared to not disclose over the websites. The same method is used by Yu (2010) who examined the disclosure of information in the financial statements of local governments over the websites in the context of China. In contrast to previous studies, this study uses the disclosure of information submitted via the websites which is not derived from the financial statements but from local government management reports. Management reports, in addition, relatively less studied by researchers. Management report shows that the accountability to the public is not only accountable for financial aspects but also the quality of local government performance (Smith, 2004). This paper is more focused on the quality of management information submitted on the websites since management has more information and discretion how much information is delivered and the type of media used to publish (Ryan, Dunstan, & Brown, 2000; Smith, 2004).

The problem encountered is to what extent the report published on the websites has sufficient quality that can be used to assess the performance of the head of the local government and to be a consideration for making decision for electing the new head of local government. The approach used is a descriptive and the purpose of this study is to evaluate the quality of disclosure of the report published on the websites. This paper offers ideas that the quality of disclosure would be crucial to a public accountability in a form of reporting.

The results show that the quality of disclosure of LAR achieved a value of 0.3546, or only 35.46% conveyed from the information that should be submitted. This value is relatively low because not all of the information that should be known to the public is delivered. In addition, LAR published through the websites is still based on the obligation for the information delivery, not the content of the information that can be used by the public in decision-making, especially when they have to reelect head of the local government (incumbent).

The remainder of the paper is organized as follows. Section 2 discusses the literature review. Section 3 discusses the data and methodologies used. Section 4 reports the main results. Finally, Section 5 provides a brief conclusion.

2. Literature review

The need for disclosure of financial information is based on the existence of the incentives for preparation of the report and the ability of users in processing financial information (Watts & Zimmerman, 1986). Giroux (1989) argues that the incentives and ability of the parties interested in the financial information can be captured from the quality of disclosure.

Gibbins, Richardson, and Waterhouse (1990) defined disclosure as the delivery of financial and non-financial information, either quantitatively or qualitatively, through formal and informal media. Gibbins et al. (1990) added that the disclosure can be divided into two categories, namely the mandatory and voluntary. Mandatory disclosure made in order to meet regulatory requirements required by law, professional standards, and rules of the capital market. Voluntary disclosure is voluntary submission of information other than information which is compulsory to be disclosed. Voluntary disclosures of information are one way to reduce agency conflicts (Banker & Patton, 1987; Leftwich, Watts, & Zimmerman, 1981; Zimmerman, 1977). Since disclosure of LAR on the websites is voluntary, it is expected that LAR can be used to explain head of local governments' incentives.

According to Fountain et al. (2004) and Coy et al. (1998), submission of financial information that has been set by the standards are not sufficient to meet the obligations of public accountability which raise the need of a more comprehensive information to the stakeholders, such as the social and economic aspects of the local government, and the implementation of the activities of public sector entities. Specifically, Daniels and Daniels (1991) identified four types of information based on user preferences, namely: information on compliance, information about financial capability, information regarding operating results, and information on the efficiency and effectiveness.

Regarding the information used to measure the disclosure index (DI), Steccolini (2004) used comparison between the budget and the actual realization of revenues and expenditures. Meanwhile, Coy and Dixon (2004) used some items to measure information DI on annual reports of universities, among other things: statement of objectives, financial review (narrative), key facts and figures (statistical highlights), descriptive report/general review (narrative); description of national community service, description of local community service, description of international community service; achievements against objectives and targets, statement of service performance, interpretative comment (narrative explanation of service performance); budget information, narrative information about major budget variances; and detailed financial and performance information at the faculty level. Gandía and Archidona (2008) in their research on the quality of local government websites in Spain used several items of information in determining the index of the information disclosure which is delivered via the websites, such as the level of economic development of the city; and policy objectives of the budget, statement of budgetary execution, previous year's budget, budgetary expenditures by class, expenditure public policy, budget distributed by programs.

Mack and Ryan (2004) found that specific information, such as the summaries, figures and key statistics, review and financial analysis, performance indicators, comparison between budget and its actual realization, is identified by the user as relevant and useful information. Furthermore, Clark (2003) stated that the users consider the government's annual report *outcome* measures as the

most important performance indicators, followed by measurement of effectiveness, measurement output, the ratio of employees, efficiency measurement, and the measurement of workload.

Criteria and items in LAR information as set forth in Government Regulation Number 3 of 2007 about Local Government Activity Report to the Government, Report of the Head of Local Government to the Legislative Council, and Local Government Administration Report to Public include a summary of:

- (1) General information, which includes the legal basis of delivering the performance of the regional administration report, a narrative description of the geographical conditions, the geographical maps, narrative descriptions of demographic conditions, demographic tables, narrative description of the economic potential, economic potential table, a narrative description of the condition of GDP, and the GDP tables.
- (2) Information on strategic planning and development programs, which contain a statement of vision and mission, the long-term and medium-term development plans, as well as policies and/or priorities regarding development programs.
- (3) Financial management information, which is information that includes the area of financial management policies, the budget narrative, tables describing the budget, the budget realization narrative, and tables describing the realization of the budget.
- (4) The information related to decentralized affairs, which includes performance of obligatory affairs in narrative form, tables describing the performance of obligatory affairs, year-to-year comparison of the performance achievement, comparison between budget and its realizations, explanation about the problems encountered, and description of the policies adopted by the local government to solve the problems.
- (5) The information about optional affairs, which includes performance of optional affairs in narrative form, tables describing the performance of optional affairs, year-to-year comparison of the performance achievement, comparison between budget and its realizations, explanation about the problems encountered, and descriptions of the policies adopted by the local government to solve the problems.
- (6) The information presented on assistive affairs, which includes performance of achievements in narrative form, tables describing the performance of assistive affairs, year-to-year comparison of the performance achievement, comparison between budget and its realizations, explanation about the problems encountered, and description of the policies adopted by the local government to solve the problems.
- (7) The information presented on various governmental duties, which includes performance of achievements in narrative forms, tables describing the performance of governmental duties, year-to-year comparison of the performance achievement, comparison between budget and its realizations, explanation about the problems encountered, and description of the policies adopted by the local government to solve the problems.
- (8) The information about awards received by the local government, other things that are need to be reported, and the delivery address for feedbacks from the community/public.

The extent of motivation and incentives of incumbents to disclose information can be explained by the agency theory. The agency relationship is a relationship that demonstrates the nexus of contracting relationships among various interest groups as a principal and politicians as an agent (Baber & Sen, 1984; Besley, 2006; Zimmerman, 1977). Contractual relationship between elected politicians and interest groups raises incentives for political officials to report information to the public (Gordon & Hamer, 1983) and occurs when the benefits obtained by politicians are greater than the costs of collecting and processing information. It suggests that the disclosure is a medium that can link the public needs for monitoring and the politicians' needs to be reelected in the office (Giroux, 1989).

The main factors affecting the estimation of voters' benefits are based on the performances of incumbents during the period of the election (Downs, 1957). Voters will choose candidates who are considered most favorable. To be reelected, the candidates and political parties seek the support of the voters by giving political promises to the public via competition during local general election. Politicians and political parties will try to provide information that can convince voters that they are the best.

The link between transparency and accountability is an access to government information that is important for the community (Piotrowski & Bertelli, 2010). Organisation for Economic Co-operation and Development (2001) suggests that access to information, consultation, and participation in policy-making contributes to the implementation of good governance by improving transparency in policy-making and more accountable. Piotrowski and Bertelli (2010) define the transparency of government is the extent of access to government information available to the public. Information is the media that can be used to control the actions of elected officials. The use of the websites is a mechanism of dissemination of financial statements in the public sector (Styles & Tennyson, 2007). The use of the Websites has several advantages, such as flexibility of time because it can be accessed anywhere by the public so that it can support the interaction between the public and local government (Sprecher, 2000; Torres, Pina, & Acerete, 2005). Thus, the existence of the websites not only as a medium for reporting but also effective communication channel for the public to participate in the democratic process and politics (Moon, 2002; Justice, Melitski, & Smith, 2006; Siau & Long, 2006; Tolbert & Mossberger, 2006).

There are some characteristics that can be identified as factors influencing head of local governments or managements to disclose some information to the public. Yu (2010) examined the factors that affect the disclosure of financial information through the website of the local government in China. Their results showed that the information disclosed is having a positive relationship with the size of the local government, the level of wealth, and the type of local government.

Research conducted by Ingram and Copeland (1981) gives the understanding that the disclosure of information is influenced by the characteristics of the population as the owner of the voice based on the differences in social and economic capacity of the population of a region. They grouped the socio-demographic variables were the four major groups, namely the composition of the population, personal income, economic activity, and employment concentration. The results showed that the use of compound and simple index is relatively equal and no significant difference in association with the factors affect disclosure, namely the form of local government, the level of long-term debt, and federal government grants to local governments.

Giroux and McLelland (2003) conducted a study on the disclosure of local government besides the financial capability of local government (financial viability) and income per capita impact on the disclosure of accounting information. Robbins and Austin (1986) proved that there is a significant relationship between the levels of financial independence to the disclosure of information. Research Giroux and Deis (1983) and Giroux and McLelland (2003) proved that the ability of local government finances significantly associated with disclosure of financial information

Robbins and Austin (1986) in a study of disclosure on local government in the US, proving that there is a significant correlation between the degrees of independence of the financing with the disclosure. Research Giroux and Deis (1983) and Giroux and McLelland (2003) proved that the ability of local government finances is significantly associated with disclosure of financial information.

3. Research methodology

The data aiming the estimation of DI were collected from LAR published on the website of local governments in the period of 2009 until 2011. Actually, there were 156 local governments which held general election in the following year, but it was only 16 local governments published LAR on their websites. It assumed when a head of local government would held an election he/she would have incentives to disclose LAR a year before election for promoting his/her performance.

Analysis was performed on 16 LARs published on the websites by local governments in the reporting period of 2009, 2010, and 2011 as a form of expression which is used by the head of local government (as incumbents) on local general elections in 2010, 2011, and 2012. Actually, there were 156 local governments but only 16 LARs published on the websites can be collected, then the investigation is focused on the quality of disclosure. In 2009, 2010, and 2011, respectively, there were 7 LARs, 7 LARs, and 2 LARs published on the websites.

The content analysis was used in assessing the incumbents' performance in the local administration report published on the websites. The criteria used are based on Government Regulation Number 3 of 2007 about Local Government Activity Report to the Government, Report of the Head of the Local Government to the Legislative Council, and Local Government Administration Report to Public and several previous studies (Coy & Dixon, 2004; Gandía & Archidona, 2008; Mack & Ryan, 2004; Steccolini, 2004). The criteria used consist of eight parts or components and furtherly elaborated into 49 types of information. The result of the content analysis is a DI. The scoring is done by providing a single value for each item of information. It is valued 1 if a type of information is disclosed and otherwise 0 (Steccolini, 2004). Determination of disclosure is done without weighting the values, so it is expected to reduce the bias of the researchers (Ingram, 1984; Steccolini, 2004). Afterward, calculations are performed based on the frequency of occurrence of information disclosed.

$$\text{Disclosure index of type of information} = \frac{\sum \text{value of type of information}}{\sum \text{number of LARs}}$$

$$\text{Disclosure index of component of information} = \frac{\sum \text{value of component of information}}{\sum \text{number of LARs}}$$

Details of the components and types of information can be found in Table 1.

To measure some characteristics of local government published LAR on the websites, there are some variables used, such as regional income per capita (INCOME_CAP), Indonesia development index (HDI), local financial capacity (FIN), and the size of local government (SIZE).

Regional income per capita (INCOME_CAP) is variable that describes the level of economic ability of the residents that may affect the claims of people to the information requirements for the higher level of economic capacity or increasing the income level of the consumption needs including the need for information and the ability to access information. These conditions give effect to the local government to inform its performance. Several empirical studies suggest a link between the economic capacities of the residents to the need for public disclosure of information (Cheng, 1992; Styles & Tennyson, 2007). This variable is measured by counting the log of the total number of regional gross domestic product divided by the number of residents per region.

Human Development Index (HDI) is the variable used to measure the quality of the people of a country or region (Be'renger & Verdier-Chouchane, 2007). Lueder (1992) argues that the information needs by users who have high social and economic backgrounds would have been different with users who have low social and economic backgrounds. The index is obtained from National Statistics Office.

Fiscal capacity (FIN) is a variable which describes the ability of financial resources to local governments. Several empirical studies suggest a link between the financial capacities of local governments to the needs of public disclosure of information (Cheng, 1992; Ingram, 1984; Yu, 2010). Yu (2010) said that when the condition of financial capacity of local governments is better, then the access to information on local government finances on the websites is also better. This variable is measured by transfer fund from central government to local governments divided by total local government budget.

Table 1. Components and types of information used for measuring disclosure index

No	Components	No	Types of information
1.	General information	1.	The legal basis for delivering LAR
		2.	Description of geographical characteristics
		3.	Description of demographical characteristics
		4.	Description of economics characteristics
		5.	Description of local gross domestic product
		6.	Map
		7.	Table of demographics
		8.	Table of economics
		9.	Table of local gross domestic product
2.	Information on strategic planning	1.	Vision
		2.	Mission
		3.	Long-term development plans/medium-term Development plan/regional medium-term Development plan
		4.	Policy/direction of local development
		5.	Local development priorities
3.	Information on local financial management	1.	Local financial management policies
		2.	Description of annual budget
		3.	Table of annual budget
		4.	Description of budget realization
		5.	Table of budget realization
4.	Information on obligatory affairs	1.	Types of obligatory affairs
		2.	Descriptions of budget and realization on obligatory affairs
		3.	Descriptions of performance achievements
		4.	Tables of performance achievements
		5.	Comparison of the performance between current year and previous year
		6.	Issues that hinder the fulfillment of the target
		7.	Description of problems solved
5.	Information on non compulsory matters	1.	Types of optional affairs
		2.	Descriptions of budget and realization on optional affairs
		3.	Descriptions of performance achievements
		4.	Tables of performance achievements
		5.	Comparison of the performance between current year and previous year
		6.	Issues that hinder the fulfillment on the target
		7.	Description of problems solved
6.	Information on assistive affairs	1.	Types of assistive affairs
		2.	Descriptions of budget and realization on <i>assistive affairs</i>
		3.	Issues that hinder the fulfillment on the target
		4.	Description of problems solved
		5.	Descriptions of performance achievements
		6.	Tables of performance achievements

(Continued)

Table 1. (Continued)

No	Components	No	Types of information
7.	Information on governmental duties	1.	Types of government duties
		2.	Descriptions of budget and realization on various governmental duties
		3.	Descriptions of performance achievements
		4.	Tables of performance achievements
		5.	Comparison of the performance between current year and previous year
		6.	Issues that hinder the fulfillment on the target
		7.	Description of problems solved
8.	Others	1.	Description of awards received
		2.	Other things reported
		3.	Official address or email for feedbacks

Notes: 1. The substance was developed under Government Regulation Number 3 of 2007 on Local Government Activity Report to the Government, Report on the Head of Local Government To the Legislative Council, and the Local Government Administration Reports to the People.

2. In addition, the substance of which is composed also taken from several previous studies that use the disclosure index measurement, such as Steccolini (2004); Coy and Dixon (2004).

3. The steps in calculating the index disclosure are following: (1) Conduct an assessment on each criterion by giving the value 1 when displayed in LAR and gives a value of 0 if it is not displayed in LAR; (2) Doing the sum total value obtained; (3) Averaging the overall value of the number of items that assessed the criteria to obtain the final value for the index disclosure.

The SIZE are variables that describe the level of wealth or size of the funds managed by local governments. The higher the level of wealth of local government, the greater the public's demand for greater transparency in the management of such property. Some studies suggest a link between the SIZE with disclosure (Giroux & McLelland, 2003; Torres et al., 2005; West, 2000). This variable is measured by the log numbers of budget plan.

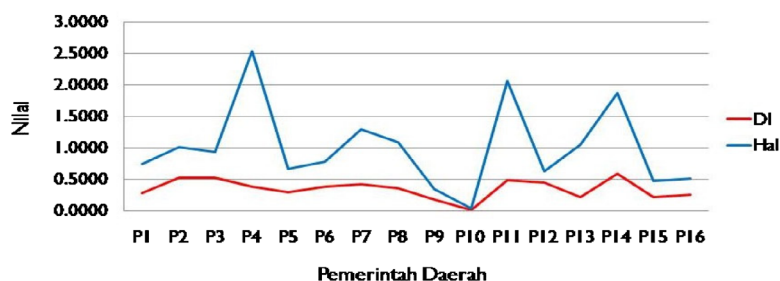
4. Data analysis and discussion

In relation to know the association between the quality of disclosure and the number of pages reported as shown in Figure 1; it can be seen that the quality of information disclosed has a relationship with the number of pages in the report. In general, when the report has more pages, the disclosure value shows an increase. Conversely, when the report has fewer pages, the disclosure value shows a decrease. These results indicate that the more pages provide more possibilities of the information disclosed. However, to find out the quality of disclosure in more details, the analysis carried out on the components and the type of information contained in the report.

A description of the characteristics of the local governments that publish LAR on the websites is shown in the Table 2. Most of the samples are districts as many as 11 local governments, and the remaining are three cities and two provincial local governments. The average value of HDI that describes the quality of the citizens in a specific area reached 72.1556. Previous researches show that the higher the level of quality of life of the citizens, the greater the demands on the openness of local government. The lowest value of HDI amounted to 69.1400 is Cianjur District, while the highest value of HDI is 79.5200 which is the city of Yogyakarta.

Another characteristic of local governments publishing LAR on the websites is income per capita of local governments studied showed the average value of Rp 19.730.900 with a fairly large amount of variation. The lowest per capita income of Rp 4.966.466 is in the Grobogan district and the highest income per capita is in the province of Aceh of Rp 85.537.970. This condition illustrates that the local governments' intention for disclosure not only local governments which own higher income per capita level, but also local governments which have lower income per capita level.

Figure 1. The relationship between disclosure index and number of pages of local government administration report (LAR).



where:

DI: Disclosure Index Hal: Number of Pages Compared by Average Number of Pages of LAR

Table 2. Characteristics of local governments

No	Local government	Disclosure index	Human development index	Regional income per capita	Dependence level of the central government funding	Budget (in million)
1	District of Ban-janegara	0.2857	69.9100	7.712.477	0.8418	717.108
2	District of Cianjur	0.5306	69.1400	8.490.725	0.8696	1.246.777
3	District of Grobogan	0.5306	70.8300	4.966.466	0.8455	870.280
4	District of Malang	0.3878	70.0900	11.429.635	0.8709	1.292.371
5	District of Purworejo	0.3061	71.8800	8.068.627	0.8839	712.655
6	District of Sragen	0.3878	71.0000	7.860.941	0.8243	788.505
7	District of Wonogiri	0.4286	71.0400	5.821.632	0.8734	826.254
8	District of Kendal	0.3673	70.0700	9.894.244	0.8513	736.016
9	District of Maros	0.1837	70.5500	7.020.219	0.7896	545.349
10	District of Banjar	0.0204	70.5200	12.345.208	0.4219	633.845
11	District of Purwakarta	0.4898	71.5900	17.495.516	0.6029	1.054.655
12	City of Yogya-karta	0.4490	79.5200	30.216.604	0.6525	754.157
13	City of Ambon	0.2245	78.5600	10.389.839	0.7694	559.468
14	City of Balik-papan	0.5918	78.3300	73.726.106	0.6877	1.142.848
15	Province of Aceh	0.2245	72.1600	85.537.970	0.2464	7.089.390
16	Province of Kalsel	0.2653	69.3000	14.719.153	0.4614	1.638.465
Mean			72.1556	19.730.900	0.7183	1.288.000
Deviation standards			3.4085	24.240.870	0.1934	1.575.800

On the other hand, based on sources of revenues, to large extent the funds come from the central government funds on average approximately 71.83% of the total budget of local government as fiscal transfer from central government to regions. While the budget managed by local governments on average the amount is Rp 1.288 million. However, it can be seen further that the size of budget of the local governments is quite varied. Most of the budgets managed by the local government are below average.

Disclosure index of the performance of the regional administration report of 16 local governments that is published the information on the websites is shown in Table 2. The highest value of DI is reported for the year 2010 published by the City of Balikpapan which almost reaches the value of 0.5918, followed by the districts of Cianjur and Grobogan that published their reports in 2010, both of them obtain the same value of 0.5306. Conversely, the lowest value of DI is the report published by the Banjar Regency in 2009 with value of 0.0204. The insufficient level of disclosure in the information is the primary cause of the low value of the index. In general, the types of information which are not sufficiently presented in LAR among others are the problems encountered and description of the policies adopted by the local government to solve the problems.

When DI is associated with the characteristics of the local government, it can seen that in the district local government, the highest value of DI are The districts of Cianjur and Grobogan with each of them has the same value of 0.5306, have the human development index levels that are relatively not much different from some districts that have a low DI, like the Banjar and Maros which each of them has the DI of 0.0204 and 0.1837. On the contrary, districts that have low value of DI have the higher human development index. District of Purworejo and Sragen, each of them has DI only 0.3061 and 0.3878 but they have higher human development index, i.e. 71.8800 and 71.000. Meanwhile Cianjur district has DI amounting to 0.5306, but it has the human development index of 69.14. The same thing is happened in the city government and the provincial governments. This condition indicates that the level of quality of life is not always related to the information needs to be submitted by the local government. As long as the local government is able to improve the lives and well-being of society, public do not demand much of the information published by the local government.

In terms of the regional level of income per capita in the district, districts which have the highest level of DI of 0.5306, namely Cianjur and Grobogan, have different per capita income levels, each district has a rate of per capita income Rp 8.490.725 and Rp 4.966.466. Conversely, District of Banjar which has the lowest level of DI amounted to 0.0204, has a level of regional income per capita amounted to Rp 12.345.208. Districts with the highest level of per capita income amounted Rp 17.495.516, just have a level of DI of 0.4898. The lowest level of per capita income, Grobogan, it has the highest level of disclosure index that is equal to 0.5306. Therefore, the level of DI on district governments has varying levels of income per capita. The same thing happened to the provincial government. However, the city administration seems different that the greater the level of income per capita, the higher the level of DI.

Connecting to the dependent level of the central government funding, the lowest level of dependence, namely Banjar District value of 0.4219, has the lowest level of DI of 0.0204. On the other side, the highest level of dependence that is equal to 0.8839 just shows the level of DI of 0.3061. While the highest level of DI in Cianjur and Grobogan each of which has a degree of dependence, namely 0.8696 and 0.8455. In general, this indicates that the level of dependence on government funding is not always accompanied with a level of DI as well. The same conditions occurred in the city government and the provincial governments.

To the level of the budget managed by the district government, in general, the greater the budget managed, the greater the level of DI. At Maros, the district's budget for Rp 545.349 million, its DI is equal to 0.1837, otherwise in Cianjur district with a budget of Rp 1.246.777 million, disclosure index showed the highest level of 0.5306. The same thing happened in the city government, but it does not occur in the provincial government.

Table 3. Correlation matrix

Variable	DI	HDI	INCOME_CAP	FIN	SIZE
DI	1.0000				
HDI	0.1135	1.0000			
INCOME_CAP	-0.0118	0.3559	1.0000		
FIN	0.3316	-0.2471	-0.688 ^a	1.0000	
SIZE	0.4520	-0.1471	0.4290	-0.1412	1.0000

Notes: DI: Disclosure Index of LAR published on the websites; HDI: Indonesia human development index; INCOME_CAP: Log of "regional gross domestic product divided by the number of residents per region"; FIN: Transfer fund from central government to local governments divided by total local government budget; SIZE: Log of budget plan.

^aCorrelation is significant at the 0.01 level.

Table 3 contains the correlations among the characteristics of local governments. The variables, FIN and SIZE, which reflect the fiscal capacity of a local government, show significant correlations with the quality of disclosure DI (0.3316 and 0.4520), as well as with most of their components. Likewise, the variable INCOME_CAP, which represents the income per capita, exhibits a negative relationship with the quality of disclosure DI (-0.0118). The variable HDI, which reflects the social and quality of life, shows a positive association with the quality of disclosure DI (0.1135). From these findings, it is apparent that the internal capacity of the local governments and its level of level of social and quality of life are the significant drivers of the development of quality of disclosure. On the other side, economics capability of local government indicates negative effect to the quality of disclosure.

The index values of disclosure of information per component of the report are shown in Table 4. The highest index value of disclosure is the one contained in the component of information about strategic planning of regional governance with a value of 0.6000. This is consistent with the characteristics of reporting on the performance of government agencies where strategic planning is a key point that should serve as a reference for implementation of programs and activities. The next highest value is the component of general information which contains the legal basis and the environmental characteristics of the area, with a value of 0.4306. Conversely, in terms of component of information, basic information such as the local government financial management area, implementation of decentralization affairs, the organization of choice affairs, the organization of co-administration, and implementation of public administration tasks, the index values obtained are only in the range of 0.2589–0.3000. These indicate that publishing the report is based on the obligation to deliver information, rather than to fulfill the quality of information that can be used by the public in decision-making.

Based on general information components delivered in the report, all local governments present the regulations related to the disclosure of the report. In contrast, not any local government presents information about geographical map. Narrative description of the geography, demographics, and regional income per capita is reported by most local governments. This indication can be seen on DI values, respectively, by 0.5625; 0.5625; and 0.6250. Meanwhile, the presentations of information using tables are relatively low, as the DI values show only in the range of 0.1250–0.3125. This can be concluded that the legal basis for the presentation of report published on the websites is considered as an element of mandatory information. Furthermore, narrative description is more frequently used than the use of tables and graphs.

Based on the components of the strategic plan of the local government, the highest DI value is achieved by information about the vision and mission of the local government with a value of 0.8125 and 0.7500. Basically, this information is a promise from the heads of local governments to the public when they were elected as the heads of the region. On the other hand, information about Long-term Development Plans/Medium-term Development Plan/Regional Medium-term Development

Plan only reaches the value 0.3125. The low score of this information DI value gives an indication that the planning process was not been properly informed to the public. Policy/direction of development and development priorities showed relatively better performance than information about Long-term Development Plans/Medium-term Development Plan/Regional Medium-term Development Plan with the achievements of 0.5625.

Table 4. Disclosure index based on components and types of information

No	Components	No	Types of information	Disclosure index
1.	General information			0.4306
		1.	The legal basis for delivering LAR	1.0000
		2.	Description of geographical characteristics	0.5625
		3.	Description of demographical characteristics	0.5625
		4.	Description of economics characteristics	0.4375
		5.	Description of Local Gross Domestic Products	0.6250
		6.	Map	0.6250
		7.	Table of demographics	0.2500
		8.	Table of economics	0.1250
		9.	Table of Local Gross Domestic Products	0.3125
2.	Information on strategic planning			0.6000
		1.	Vision	0.8125
		2.	Mission	0.7500
		3.	Long-term Development Plans/Medium-term Development Plan/Regional Medium-term Development Plan	0.3125
		4.	Policy/direction of local development	0.5625
		5.	Local development priorities	0.6525
3.	Information on local financial management			0.3000
		1.	Local financial management policies	0.2500
		2.	Description of Annual Budget	0.3750
		3.	Table of Annual Budget	0.3125
		4.	Description of budget realization	0.3125
		5.	Table of budget realization	0.2500
4.	Information on obligatory affairs			0.3571
		1.	Types of obligatory affairs	0.8750
		2.	Descriptions of budget and realization on obligatory affairs	0.4375
		3.	Descriptions of performance achievements	0.75000
		4.	Tables of performance achievements	0.3125
		5.	Comparison of the performance between current year and previous year	0.0625
		6.	Issues that hinder the fulfillment of the target	0.0625
		7.	Description of problems solved	0.0000

(Continued)

Table 4. (Continued)

No	Components	No	Types of information	Disclosure index
5.	Information on non compulsory matters			0.3304
		1.	Types of optional affairs	0.8750
		2.	Descriptions of budget and realization on optional affairs	0.3750
		3.	Descriptions of performance achievements	0.7500
		4.	Tables of performance achievements	0.2500
		5.	Comparison of the performance between current year and previous year	0.0625
		6.	Issues that hinder the fulfillment on the target	0.0000
		7.	Description of problems solved	0.0000
6.	Information on assistive affairs			0.2813
		1.	Types of assistive affairs	0.6875
		2.	Descriptions of budget and realization on assistive affairs	0.3750
		3.	Issues that hinder the fulfillment on the target	0.0625
		4.	Description of problems solved	0.0625
		5.	Descriptions of performance achievements	0.3750
		6.	Tables of performance achievements	0.1250
7.	Information on governmental duties			0.2589
		1.	Types of government duties	0.8125
		2.	Descriptions of budget and realization on various governmental duties	0.0000
		3.	Descriptions of performance achievements	0.7500
		4.	Tables of performance achievements	0.1250
		5.	Comparison of the performance between current year and previous year	0.0000
		6.	Issues that hinder the fulfillment on the target	0.0625
		7.	Description of problems solved	0.0625
8.	Others			0.2292
		1.	Description of awards received	0.5000
		2.	Other things reported	0.0625
		3.	Official address or email for feed-backs	0.1250
	Total value of disclosure index			0.3546

As described in Table 3, information which is a relation to the financial policy information and financial management of local government which are reflected in the local government budget (revenues and expenditures), only reach an index value of 0.2500. This achievement is relatively low because only 25% of this kind of information convey to the public. Similar to that, the delivery of information on the budget and realizations, both in terms of revenues and expenditures, indicate a relatively low disclosure quality in the range of value 0.2500–0.3750. In terms of budget information, the narrative description is more dominant than information provided in the form of tables. In

general, local governments' quality of disclosure about the budget is low, both in terms of budget and expenditures, less than 50% of the information that should be disclosed.

Analysis of the components of information regarding the implementation of obligatory functions shows that the types of obligatory affairs and its performance achievement narrative occupy two of the highest DI value, 0.8750 and 0.7500, respectively. These results are relatively high and consistent with the information that needs to be presented to the public as a form of accountability and performance measurement of the heads of local government. However, there was still a lack of table utilization, with an index value of 0.3125. In terms of financial reporting, information about the budget and its realizations on obligatory affairs has not been fully presented to the public; therefore, it only has index value of 0.4375. For the presentation of year-to-year performance comparison and information about the problems encountered in achieving the target, the index value obtained is very low, only 0.0625. This illustrates that the information which may have negative impact is not adequately disclosed. This is specifically the case for information related to problem-solving, because there are no local governments which presented that information in LAR. Whereas in accordance with Government Regulation Number 3 of 2007 on Local Government Activity Report to the Government, Report on the Head of Local Government to the Legislative Council, and the Local Government Administration Information Reports to the People, information related to problem-solving is the type of information that needs to be known to the public.

Analysis of the components of information regarding the implementation of non compulsory matters shows that information about the types of optional affairs that must be implemented by the local government and its narratives be at the position of the two highest DI values, respectively, 0.8750 and 0.7500. These results are relatively high and consistent with the results achieved in the disclosure of components of information regarding obligatory affairs. This fact shows that as a principal information, this information needs to be presented to the public as a form of accountability and performance measurement of the heads of local government. However, similar to the reporting regarding obligatory affairs, there was still a lack of table utilization, with an index value of 0.2500, which was relatively low than the one obtained in obligatory affairs reporting. In terms of financial reporting, information about the budget and its realizations on optional affairs achieved an index value of 0.3750. For the presentation of year-to-year performance comparison and information about the problems encountered in achieving the target, the index value obtained is very low, only 0.0625. This illustrates that the information which may have negative impact is not adequately disclosed. This is specifically the case for information related to problem-solving, because there are no local governments which presented that information in LAR. Ideally, as long as no problems encountered and significant problems can be solved, the information can be adequately presented in the form of affirmation.

Analysis of the components of information regarding the implementation of assistive affairs shows that the information about the types of assistive affairs that must be implemented by the local government and its narratives are the highest performance with a DI value of 0.6875. The results are relatively high and consistent with the result achieved in the disclosure of the components regarding obligatory and optional affairs. However, table utilization was still low with an index value of 0.2500. This value was relatively low than the one regarding obligatory affairs. In terms of financial reporting, information about the budget and its realizations on assistive affairs achieved an index value of 0.3750. For the presentation of information on the problems encountered in achieving targets and information related to problem-solving, the index value obtained is very low, at only 0.0625. This illustrates that the information which may have negative impact is not adequately disclosed. Related to the form of information, information is more often presented in narrative form than in the form of tables, where in a few cases both forms are used simultaneously. It is also consistent with their index values; information presented in narrative form (with a value of 0.3750) is more commonly used in LAR than in the form of tables (with a value of 0.1250).

Analysis of the components of information regarding the implementation of various governmental duties shows that the information about the types of duty that must be implemented by the local government is the highest DI value of 0.8125. This was followed by its performance narrative with a score of 0.7500. This result is relatively high and consistent with the result achieved in the disclosure of the components regarding obligatory and optional affairs. However, the presentation in table form was still significantly lacking, with a value of 0.1250. In terms of financial reporting, information about the budget and its realizations on various governmental duties and year-to-year comparison of performance achievements has not been presented to the public; therefore, it achieved an index value of 0.0000. For the presentation of information on the problems encountered in achieving targets and information related to problem-solving, an index value obtained is very low, at only 0.0625. In relation with the form of presentation, more information presented in narrative form than in table form, where in some cases both forms are used simultaneously. All in all, the information presented in narrative form (with a value of 0.3750) is more commonly used in LAR than in table form (with a value of 0.1250).

Regarding components of other, information can be inferred that the local government awards received is presented in LAR with a DI value of 0.5000. It illustrated that the heads of the local government perceived this information as one of the important information to convey to the public, so they can publicize their achievements. Information on other significant information that needs to be presented to the public only reaches 0.0625 or reported by only one local government. Lastly, presentation of information about office address and emails as a mean for the public to provide an opinion on LAR only achieved an index value of 0.1250.

5. Conclusions, implications, and limitations

Based on the results of the content analysis conducted on the Implementation of the LAR, the quality of disclosure of LAR achieved a value of 0.3546, or only 35.46% conveyed from the information that should be submitted. This value is relatively low because not all of the information that should be known to the public is delivered. In addition, LAR published on the websites is still based on the obligation for the information delivery, not the content of the information that can be used by the public in decision-making. It can be seen from the form of presentation, which used narrative form more than the use of tables, images, or diagrams. Descriptions about the budget and its realizations on each types of affair have not been fully presented to the public, while the presentation of year-to-year comparison of performance achievement and information about the problems encountered in achieving the targets is not adequately disclosed.

This work has focused on the content of the LAR as a disclosure of head of local governments' performance published on the websites from 16 local governments in Indonesia. It shows that head of local governments which have more information tends not to disclose all information they own since there are opportunities to make a discretion.

With reference to the Circular of Minister of Home Affairs Number 120/313/OTDA dated 24 January 2011 concerning the preparation of Local Administration Extended Report 2010 and Circular of Minister of Home Affairs Number 120.04/1050/OTDA Date 15 February 2012 regarding Guidelines for Preparation Local Administration Extended Report In 2011, the use of Key Performance Indicators (KPI) in LAR format can be used, with the main report supported by a description of relevant explanations. LAR disclosure manuals can be made based on those references, especially the use of KPI, year-to-year comparison, and the use of growth charts relevant to the KPI. As for local governments, the disclosure manuals of LAR will facilitate the preparation and disclosure of significant and relevant information, which affect the information delivered to the public.

In the context of public management, the creation of a more efficient and effective public sector that is oriented to satisfying citizens' needs optimally is pursued. Among the multiple activities performed to achieve that goal is the use of public websites as mechanisms to simplify and improve the interaction among local government and other agents. The findings of this work show that the

quality of the transparency of the reporting made by public bodies becomes crucial for public accountability.

This work has some weaknesses and limitations, one of them is the tests conducted to determine the effect of factors that become the main incentives for incumbents to publish LAR cannot be done, and a number of local authorities used as sample are confined to the period of local elections in 2010, 2011, and 2012. A number of samples can be reproduced by adding the local election period studied to obtain a more representative sample. Future research avenue is still open in Indonesian context, since as a developing country, many possible factors that can drive the local government are to be more transparent and accountable.

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