

Interest of Community as Citizen Control in the Implementation of the E Government in Bandung City Using Management Control System Approach

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The city of Bandung has implemented the E Government which is part of the Smart City concept. The Smart City concept is a concept that can make it easier for people to access information, so that the government can manage resources effectively and efficiently and be able to provide information in a timely manner, so as to prevent corruption. However, the facts show that Bandung has the highest percentage of corruption due to bribery in Indonesia, which is 10.8% of the total production cost. To overcome this, the community was asked to participate as a supervisor in the financial sector. As a controller, the citizens of Bandung City must be involved in the supervision of budgeting arrangements and oversee the realization and accountability of budgets. The community must also be actively involved in reporting if there is a budget deviation. This study aims to determine the interest of the community as supervisors in government activities in the financial sector. This research method is a description. The results showed that the community is very interested in being a controller. However, this interest has not been supported by existing facilities, such as the lack of understanding in the community to conduct supervision and that the available financial information is very concise with obscurity of legal protection for reporters.

Key words: *E government, Citizen Control, Management Control Systems.*

Introduction

One of the causes of corruption within viewed from agency theory is due to the information asymmetry between citizens as principals and government officials as agents. Information on government activities is only monopolized by the state apparatus, so that information can be used by the apparatus for its own sake. The occurrence of monopoly information can cause the authorities to create administrative obstacles, increase transaction costs and results in inability to make rational decisions. (Guliyeva and Ulviyya, 2018)

To overcome corruption in government, information flows must be designed to reduce the monopoly and power of agents by increasing the level of transparency and accountability of information (Dirienzo et al., 2007). The application of e government allows for increased transparency and accountability of financial information significantly. Information that is transparent and accountable can reduce information asymmetry and will also have an impact on reducing the level of corruption.

The government of Bandung city since 2014 has implemented e government. The government has provided 5,000 public Wi-Fi hotspots for free. With the existence of these facilities, it is expected that the government can facilitate public services, fill a complaint, obtain government financial information online all of which essentially aims to reduce the level of corruption in the city of Bandung. However, Transparency International's data shows the city of Bandung as a city with the highest percentage of bribes, which is 10.8% of the total production cost. In fact, the average Corruption Perception Index (CPI) 2017 in 12 major cities in Indonesia is 60.8. When compared to the Corruption Perception Index in 2015, this position increased by 6.1. (Triyogo, 2017). This index shows that citizens of Bandung city view their government as corrupt and dishonest. Citizens may be cynical about the government and its political life, and as a result, they are less likely to participate in democratic governance. Other views assume that corruption can mobilize the public. That is, if citizens witness and experience a series of criminal acts of corruption, citizens will feel compelled to be involved in the framework of increasing transparency and fairness of public institutions (Neshkova and Kalesnikaite, 2019). Citizens will be encouraged to carry out citizen control, which is to guard against corruption.

Based on the phenomenon of the Bandung city corruption index and the application of e government in Bandung, this study aims to examine the interests of citizens as citizen control in the application of e government, especially those relating to financial information. Implementation of e government can increase transparency of information and accountability of government activities, so that e government can reduce information asymmetry and will have an impact also in reducing the level of corruption. Through e government, a citizen can oversee the running of the government as a controller. The management control system

approach can be used in realizing citizen control. This approach starts from agency theory. Agency theory is based on the relationship between two parties, namely principal and agent. Principals give authority to agents to carry out certain tasks and decisions to agents. In government, the principals are citizens and act as agents are government officials. This agency theory assumes that agents can behave opportunistically, only paying attention to their interests and ignore the interests of principals. Agents can commit fraud by committing corruption. Therefore, it is necessary to supervise the principal through a management control system, so that they are prevented from opportunistic behavior. The purpose of this study is to discuss the management control system in the government and the interest of the community of the city of Bandung as the controller.

Literature Review

Definition of Corruption

Law of Republic Indonesia No. 31 of 1999 which regulates the Eradication of Criminal Acts of Corruption, explains that corruption is defined as: "every action categorized as against the law, commits an act of self-enrichment, benefits oneself or another person or a corporation, misusing authority and the opportunity or means available to him because of a position or position that could harm the state's finance or the country's economy." The law also describes the types of corruption in 13 articles. Corruption includes:

- Actions that cause State financial losses
- Bribery
- Abuse of power
- Extortion
- cheating
- Conflict of interest in procurement
- Gratification

Based on the agency theory, corruption can be possible in the circumstances of the existence of power asymmetry, in which several individuals acting as agents hold power over others as principal. In government, acting as agents are government officials and those acting as principals are citizens.

Agency Theory

Agency theory addresses issues that arise in companies because of the separation between principals (owners) and agents (management). This theory originated from the research of Berle and Means (1932) and also Jensen & Meckling (1976). According to the study that modern companies in the United States have scattered ownership, which results in the separation of ownership from control. Ownership can be held by individuals or groups in the form of share ownership. These owners and shareholders (principals) delegate authority to

managers (agents) to conduct business on their behalf. Delegation of authority results in agency problems caused by conflicts between principal and agent. Other problems that arise also such as difficulties for the principal to verify what the agent actually does and whether the agent has behaved appropriately or not (Eisenhardt, 1989). In practice, agents (managers) often ignore the interests of shareholders and act in their own interests (opportunists). This is possible because of the asymmetry between the principal and the agent.

This agency theory also occurs in a democratic country. In a country that adheres to a democratic system, the people have the highest sovereignty, so that the people are the principal. The people choose individuals who can represent it. The people's representatives are either directly or indirectly leading the public administration. Politicians are selected based on the program they are expected to implement if the politician is elected. There is a kind of contract between the people and elected politicians. Thus elected politicians can be considered as agents. Agency problems may arise because elected politicians can also be opportunistic. This will raise the question of how the people can control politicians who act as agents (Fivat, 2011).

Information Asymmetry

Agency problems also cause information asymmetry. Information asymmetry occurs when one party has more and better information than the other party. In a company, information asymmetry occurs between the owner or shareholder and manager. Managers have information about the condition of the company. As a result managers can act opportunistically and take actions that benefit themselves. Information asymmetry directly leads to unequal status of both parties, and parties who have information are in an absolute dominant position. In government, information asymmetry occurs between citizens as principals and the government as agents. Information asymmetry occurs in the process of formulating, implementing, evaluating, and adjusting public policies. In the process of implementing public policy, citizens are basically recipients of information, which leads to the least amount of information received by citizens (Xiaodong et al., 2018).

E Government

Agency theory approach explains that there is delegation of principal power to agents. This agency theory focuses on the assumption that agents will behave opportunistically, because agents have control over information. Likewise with what happens in government, agents can commit fraud through corruption. For corruption to be prevented, the government seeks to provide information in a transparent and accountable manner. One way is to implement e government. The definition of e government according to the United Nation (United Nations 2016): "the application of the internet and the web to provide government information and

provide services to the community. In order to achieve effectiveness in implementing e government, the financial information contained in e government must be transparent and accountable.” Transparency of financial information is information about the budget that refers to the availability of information on budgeting regulations, budgeting processes, transparency regarding government revenues and expenditures, asset management. Transparency also includes information that provides a clear understanding to the public regarding decision making and budget information. Other information that is needed is information about government performance, which includes reporting budget realization, monitoring processes, results (Hladchenko, 2016).

Accountability is the obligation of responsibility of duty that a party has been received. In this case, it is assumed that there are at least two parties: The first party is the party that allocates responsibility and the second party is the party that accepts responsibility and has the obligation to report its responsibilities (Wilson,1975). Every public manager in the framework of accountability must know the goals that must be achieved. Based on the agency theory approach, public managers as agents must be responsible for the way they implement a program, the obstacles faced and the corrective actions they take. This also implies the need for independent reviews of statements made by managers about their performance. Independent review must be conducted to ensure that the agent is responsible for achieving the principal's objectives. The approach to conducting these reviews is a management control system.

Management Control System

The purpose of implementing e government is to present financial information in a transparent and accountable manner, but it turns out that in the city of Bandung, research from Transparency International shows it as a city with the highest percentage of bribes which is 10.8% of total production costs. This may occur because of the weak management control system for the implementation of government activities in the city of Bandung. Management controls include the implementation of accountability, monitoring performance, and providing feedback. The purpose of management control is to ensure that the functions and objectives of the organization are carried out in an efficient, effective and ethical manner. Management control is actually carried out through a series of procedures for reporting activities, disclosures, evaluation of activities carried out in order to be able to detect and correct unnatural activities by preventing any possible occurrence of irregularities (Lyman, 1978).

According to Allen (1996) Management Control can be viewed from two aspects:

- Management control is a management information system needed by management to direct the work of the organization, to monitor the progress and quality of operations, and to evaluate the results and performance of the organization;
- Management control is a policy, system, procedure, delegation of authority in organizational processes to provide assurance that organizational goals can be achieved.

In encouraging good governance, government leaders play a key role in (1) determining the rules for running a healthy system, (2) establishing leadership and supervision policies, (3) directing policies and implementing programs, (4) utilizing resources, (5) creating mechanisms for social participation, and (6) providing explanations to citizens regarding the promised commitments. Civil society is also expected to play a key role in monitoring how policies are actually launched and affecting the community and they can contribute to government accountability by generating information and feedback, increasing transparency. Strong networks of civil society, with the ability and relationships to influence policy making and implementation are key components of the accountability system (USAID, (2014). The quality of financial management performance will be evaluated on various elements which include budget control; income and expenditure control, and accountability.

Citizen Control

The problem of the agency principle between citizens as principal and the government as an agent is to verify what the agent actually does and whether the agent has behaved appropriately or not. Therefore, citizens as principals need to carry out control actions. Government control can use management control principles. The first step that needs to be done is to raise awareness of citizens about participation in public policy. Citizens must realize that participation as a controller in the process of implementing public policy is not only a citizen's right but also a citizen's obligation. Conducive participation of citizens is needed in order to maximize the interests of citizens and prevent corruption (Xiaodong et al., 2018).

Participation of citizens as citizen control in terms of financial management can take the form of participating in budgeting and overseeing budget implementation. Every public manager in the framework of accountability must set goals to be achieved in accordance with existing laws and regulations, usually in the form of a budget. Expected goals and achievements must be clearly defined. Public managers should account for their expenditures based on the approved budget, explaining the reasons for excess or less expenditure. The emphasis is on achieving results with the resources consumed. As citizen control, citizens should also play a role in decision making by public managers. Public managers make decisions to carry out their official duties. Decisions taken by public managers involve the expenditure of financial resources in the form of procurement of goods and services. An important aspect of

accountability is that public managers routinely make decisions with regard to honesty, prudence and value for money. They must be able to manage assets, liabilities, income, and expenses to optimize cash flow and minimize capital costs. Community members must also be able to monitor whether public managers must be able to make reports in a timely, accurate and consistent manner, maintain all records in an adequate manner so that audit trails can be detected (Khan, 2006)

Research Methods

In this research, a description method is used to explain how the management control system approach can be applied to e government and to find out the interests of the community's role as a controller. To know the interest of residents of Bandung as a controller, researchers distributed 100 questionnaires to residents of Bandung who understand the function of e government. Samples in this study include accounting lecturers, auditors, members of non-governmental organizations and community leaders. The variable that will be examined is how much interest the citizens of Bandung have in citizen control. Supervision starts from budgeting and budget implementation and extends to accountability for budget execution.

Results and Discussion

Implementation of E Government in the City of Bandung

E government of the Bandung city is part of the development of Smart City. Smart city is a concept that can provide convenience for people to access information, so that the government can manage resources effectively and efficiently and be able to provide information in a timely manner (Mursalim, 2017). According to the Chairperson of the West Java Provincial Information Commission, Dan Satriana, Bandung should be a pioneer in information transparency for other local governments in West Java. The Bandung city government website must provide complete and detailed information about government activities, such as details of the budget until its implementation is easily accessed by Bandung residents. However, in its implementation, the concept of smart city has not correlated with the ease for citizens to access this information. Smart city content has not met public expectations (Mauludy, 2018; Ushakov, 2017)

Public information of Bandung's government can be accessed via <https://ppid.bandung.go.id/kb/informasi-publik/informasi-berkala-ppid-kota-bandung/>. The Information relating to financial reports, namely:

- Information about the procurement of goods and services (can be accessed through the <https://ppid.bandung.go.id/kb/informasi-publik/informasi-berkala-ppid-kota->

bandung/pengadaan-barang-jasa/). This page describes the tenders for government services and goods.

- Information about the Government's Regional Budget in Bandung, Information on Work Plans, Budget for Local Government Officials, Information on Work Plans for Regional Work Units, Local Government Financial Statements, Information and Documentation on Budget Implementation of Regional Financial Management Officials (can accessed via the <https://ppid.bandung.go.id/kb/informasi-publik/informasi-berkala-ppid-kota-bandung/laporan-keuangan/>). On this website, only a summary of the Bandung Regional Revenue and Expenditure Budget (APBD) is displayed starting from 2013 - 2019. Cash Flow Reports, Operational Reports, Changes in Budget Balance Reports, Changes in Equity Reports, Revenue and Expenditure Budget Realization Reports and Balance Sheet from 2013 – 2017. For 2018 and 2019 reports other than the Summary of the APBD do not yet exist.

Information in the report is still a summary, there is no explanation of the details of the budget or its realization. The Bandung City Government provides facilities for providing information if the public needs this information. For prevention of corruption, the reports should be made more detail so that the community can be more actively involved. The public should also be involved in budgeting and managing the budget implementation. The report on the implementation of the budget should be updated every day, not reported only at the end of the year, so that if there is a deviation it can be fixed immediately.

Interest of Bandung City Residents as Controllers

The existence of information technology should be able to help the community to monitor the preparation and implementation of government regulations to prevent fraud. For this reason, awareness is needed from citizens that it is an obligation to play an active role as a controller in implementing government activities. The function as a controller starts from overseeing the preparation of the budget and overseeing the realization of the budget and requesting government accountability, especially if there is a deviation.

To find out the interest of the community, researchers have distributed 100 questionnaires to accounting lecturers, auditors, members of non-governmental organizations, community leaders, as research respondent samples, but because of incomplete data, the sample was finalized at 87. Questionnaire questions include the interest of the community to become a controller for budgeting, budget realization, providing reports in the event of a deviation and demanding accountability if there are deviations. Each question is given a score of 1-5. Score 5 indicates that the community is very interested, score 4 indicates that the community is interested, Score 3 shows that the community is neutral, Score 2 indicates that the community is not interested, Score 1 indicates that the community is very uninterested

The results showed high community interest (average score > 3) in terms of being a controller in budgeting, budget execution, reporting if there were deviations and demanding accountability in the event of a deviation. The results of the study are presented in Tables 1 to 4 below.

Table 1: Community Interest as controller of budget preparation

Statement	Percentage
Very interested	33,3
Interested	36
Neutral	24
Not interested	4
Very uninterested	2,7
Average score	3,932

Table 2: Community interest as controller in budget realization

Statement	Percentage
Very interested	64,9
Interested	27
Neutral	8,1
Not interested	0
Very uninterested	0
Average score	4,568

Table 3: Community Interests to provide reports if there is a budget lapse

Statement	Percentage
Very interested	75
Interested	19,7
Neutral	5,3
Not interested	0
Very uninterested	0
Average score	4,697

Table 4: Community interest in seeing the government provide accountability for budget irregularities

Statement	Percentage
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Very interested	40,8
Interested	28,9
Neutral	19,7
Not interested	5,3
Very uninterested	5,3
Average score	3,946

Discussion

The implementation of the E Government of Bandung City in terms of financial transparency is not yet adequate, because the information is still too concise. Such concise information will cause difficulties for the public to conduct supervision, even though public interest in conducting supervisory activities is very high. In addition to the lack of detailed information, another weakness that has caused the community to be unable to conduct conducive supervision is that the community does not know how to supervise and this entails that the government prioritize transparency in the preparation and implementation of government financial accountability. Community interest in reporting is also hampered by unclear legal protection for reporters. In addition, the community also demands clear information about the accountability of budget execution, especially if there are deviations.

Conclusion

Corruption in a democratic country can occur because of the information asymmetry between the government and citizens. The Government as an agent has more information than the community that acts as a principal. Therefore, to ensure resources can be managed effectively and efficiently, requires a management control system. The community as principal must play an active role as a controller. The controller's function is to participate in the preparation of the budget, oversee the realization and report if there is a deviation. The results of the study show that the interest of Bandung residents in various controller roles is very high. Although the interest of citizens is high, without the support of existing facilities, public supervision in government activities in the financial sector cannot be conducive in effect. The weaknesses that are still felt by citizens are: the information provided in e government is too concise, there is a need for clear legal protection for reporter, and accountability reports are not accessible.

Recommendation

In order for the community to play a role as a controller in government activities, especially in the financial sector, government efforts are needed in terms of:

- detailed information about the budget must be
- dissemination of procedures for residents to work as controllers
- legal protection for reporters in the event of budget irregularities
- an accountability report in the event of a deviation.

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