

# REGULATORY IMPACT ASSESSMENT: ROLE MODEL FOR INTEGRATED REPORTING INITIATIVE (CASE IN REGIONAL GOVERNMENT)

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## ABSTRACT

*This research was carried out referring to the Regulatory Impact Assessment (RIA) to asses and analysis impact of regulation to effectiveness and efficiency for reporting system of regional government organization. The aim of research based on RIA perspective is to measure influence independent variable, namely implementation of organizational information systems, individual ethical intelligence, organizational ethical intelligence, and characteristics of change as assessment base towards initiative for Role model for Integrated Reporting (IR). This study was conducted referring to 386 (three hundred and eighty-six) Regional Government Work Units (RGWU) in 14 (fourteen) Regional Government in South Kalimantan province, Indonesia. Amount of sample is 99 (Ninety nine) of RGWU. Using the Regression Analysis to test relationship of variables. The results showed, simultaneous relationship of all variables towards role model for integrated reporting initiative with a very high correlation as a very dependable relationship (coefficient about 0.930; sig. F Change 0.000). For measurement partially, the result showed, the significant relationship between Implementation of organizational information systems ( 0.713; sig. 0.000), individual ethical intelligence (0.356; sig. 0.000), characteristics of change (0.329; sig.0.006), except for organizational ethical inteligenace is not significant (0.134 (sig. 0.283) towards role model for integrated reporting initiative. Due to the result, except for, organizational ethical intelligence, that has not been supporting in the initiative to build an role model in integrated reporting. Referring to all of aspects in research can sthrengthnen initiative for regional government with accepts the fundamental concepts, key requirements, guiding principles, and contents element as role model for integrated reporting initiative forward. This is in line with logic underlying the adoption of RIA Model, such as, to fulfill principal-agent models in reporting system, reporting features for economic outcomes, changing the opportunity structure of regulatory choice in order to achieve open governance, and as rational policy-making. Hence, Regional Government needs self-regulation for institutionalization role model of IR.*

*Keywords: Implementation of Organizational Information Systems, Individual Ethical Intelligence, Organizational Ethical Intelligence, Characteristics of Change, Role model for Integrated Reporting Initiative, Regulatory Impact Assessment (RIA)*

Field Reseach : Information Systems

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## 1. Introduction

The implementation of accountability system with reporting of state / regional financial management in Indonesia is done to further improve the achievement of good government governance (Law of State Finances, 2003, 2004; Governmental Accounting Standards (GAS), 2005, 2010). In accordance with the regulatory framework, with uses fully accrual basis, since year of 2015, every Regional Government, as part of the central government in Indonesia, has the obligation to prepare and communicate the 7 (seven) elements of the financial statements. In addition, referring to other regulations, Regional Governments with their working units, also should perform performance reporting, monitoring and evaluation with key performance indicators (KPIs) reporting, reporting prognosis for every semester per year, and including reporting on environmental aspects.

The government uses model of the regulatory state. for regulating the reporting system in Indonesia. This approach provides a highly controlled organizational reporting system, increased coverage of public intervention, but also to be as a symbolic model (Radaelli and De Francesco, 2007). Impact of this model, has created barriers of coordination and harmony in reporting system of government. Such as, problem referring to data communications (financial and asset) between work units with part / bureau of government finance. Then, in case, any delay in the delivery of the report, causes sanctions with delay for distribution of general allocation funds for the regions (Regulation of Minister of Finance, No. 06 / PMK.07 / 2012). From the external examination side, despite there is an increase of amount of Regional Government in achievement for unqualified opinion, but this is still not accompanied by an increase of value for more good government governance.

Government's financial reporting objectives are to meet with the information in the economic, social and political perspectives (GAS, 2010), which, at the same level substantively is equivalent with sustainable reporting (Jones, 2010). For Regional Government in Indonesia, Halim (2004), point out the function and role of regional financial accounting system in Indonesia is to fulfill report for accountability, stewardship, managerial, and for supervisory purposes. Although, this reporting system can be called as progress in fulfilling a more accountable management system, but this reporting system has become a burden of bureaucracy and administrative, such as, reporting's load, because of the various reporting rules to be followed, and, in expenditure for reporting program, which this is an additional burden for budget yearly (Radaelli and De Francesco, 2007; ESA of City/District, 2015, 2016).

Having observed the burdens in reporting systems, it is because of many sources of regulations, and, where there are the fragmentation of financial management regulations between planning, budgeting, assigning, implementing, recording and reporting. These things, raise a potential for inconsistencies between planning and budgeting, and especially for fulfillment accountability with reporting system activities. From an information technology side, Regional Governments, in fact, require the integration from various sources of information, which fulfillment not only for accounting information, but also to fulfill other of information system, supported by information technology, and, to implement a behavioral approach (McLeod & Schell, 2001; Laudon and Laudon, 2003, Indrajit, 2004).

Therefore, Regional governments really need an integrated reporting (IR) model. As a contemporary model, IR will be a framework which is needed to support the future development of reporting, reflecting for growing complexity. This framework needed to bring together the diverse but currently disconnected strands of reporting into a coherent, integrated whole, and demonstrate an organization's ability to create value now, and in the future (IR, IIRC, 2011).

Some research related to implementation of integrated reporting system shows un-concluded empirical facts of researches previously (Venkatesh et al, 2003; Dulewicz and Higgs, 2005; Lynham and Chermack, 2006; Mooghali and Azizi, 2008; Stubbs and Higgins, 2012; Nuti, et al, 2012; Chua, 2015; Babajide, et al, 2015; Sayudi, et al, 2016; Hifni, 2017). Due to the results of the previous study, it can be explained in terms of contingency theory perspectives (Otley, 1980; Brownell, 1982, Govindarajan, 1986). Kren (1997), describes, the antecedent variable, which these variables, consists of individual and organizational attributes and environment. Meanwhile, understanding the factors which impact on the take up of integrated reporting is also important, i.e, such as role of leadership/leadership style, and change to internal systems and process on adoption of IR (Adams, 2013).

This research uses the Regulatory Impact Assessment (RIA), approach based with Logic underlying (Radaelli and De Francesco, 2007; Atlan, 2013). Based on RIA, it will support to fulfill optimal regulation. Hence, due to RIA, this research try to answer the question, why does Regional Government need integrated reporting model?. In line with the question, the research is to know, how the effect of contingency perspectives, towards the role model, i.e., fundamental concepts, key requirements, guiding principles, and contents elements, for integrated reporting initiative.

Objectives of research are to give evidence, whether based on the result of measurement of the determinants of implementation, there is a feasibility to lead to the institutionalization of integrated reporting system with initiative development. Then, to support with relevant information, if the first objective can be achieved, with uses

RIA perspective, by self-regulation for Government take a policy to set optimal regulation in form regional regulation or in form regulation of regional header.

## **2. Literature Review**

### **2.1. Perspective of Regulatory Impact Assessment (RIA)**

Reviewing the literature and guidelines of the Regulatory Impact Assessment (RIA), link this approach to provides logic for the presence of regulations and policies that will have a positive impact on the stakeholders of the organization (community and the environment) in accordance with the intended from the regulation. The implementation of RIA is voluntary, but a number of countries and implementing organizations have been able to provide

evidence of success for its implementation (OECD, 2009; Radealli and De Francesco, 2007; Coglianesi, 2012), including in Indonesia. For Indonesia, "Regulatory Impact Analysis (RIA) according to National Development Planning Agency is a process analysis and communicating systematically to policy, either new policies and existing policies. Hence, can be viewed, i.e, RIA methods as analytical and communication activities, object of RIA method is policy, either in form of regulation or non-regulation, and can be applied to new policies as well as to existing policies (Suska, 2012).

### **2.2. Contingency theory : Perspective**

#### **2.2.1. Implementation of Information Systems**

Various organizational information systems are written in a number of literature, put and recognizes information as an organizational resources, and states the information systems in various forms, as the foundation for the functioning of an organization's reporting system (McLeod & Schell, 2001; Laudon & Laudon, 2003). Stated, contexts of implementation refers to all organizational activities working towards the adoption, management, and routinization of an innovation such as a new information systems (Laudon & Laudon, 2003). The use of theoretical basis in socio-technical system needs behavioral approach, use CBISs for reporting system, and e-Government (McLeod & Schell, 2001; Laudon & Laudon, 2002, Indrajid, 2004). This thing to link with the function of governmental accounting system, to present the fairness of financial statements and full disclosure of funds and activities of the government units in conformity with generally acceptable accounting principles, and other reporting according to the needs of the organization (GASBs No. 34, 1994, Wilson & Kattelus, 2004; GAS, 2010; CFTF, 2011).

#### **2.2.2. Organizational Behavior: Ethical Intelligence**

Some of the literatures of organizational behavioral writing relate this aspect to the development of technology, communication. In contrast, the information system literature also writes about the implementation of information technology with behavioral approaches (Ivancevich and Matteson, 2002; Nelson and Quick, 2006; McLeod and Schell, 2001; Laudon and Laudon, 2003). Stated, there are causes of implementation success and failure, as Laudon and Laudon (2003) point out, where, largely as behavioral and organizational issues. Aspects of ethical intelligence by definition are written as an important part of the behavioral aspect, and as a major aspect of the concept of intelligence. The field of behavior theory also writes this ethics topics, six primary dimension of intelligence, i.e. A.S.P.E.A.K, as: Abstract, Social, Practical, Emotional, Aesthetic, and Kinesthetic; then, reveals the classification of individual attributes and organizational attributes of ethical intelligence (Albrecht, 2002; Weinstein, 201; UPC, 2014). For research reasons, ethical intelligence be classified as intelligence quotient (IQ), and organizational IQ, and, where individual performance is the foundation of organizational performance (Mooghali and Azizi, 2008). Hence, individual ethical intelligence, and organizational ethical intelligence be identified by several key attributes (O'Donohue and Wickham, 2010, Sayudi, et al, 2016).

### **2.2.3. Characteristics of Change**

The concept of characteristics of change is related to the concept of change management, how to manage organizational behavior because of time changes. For the alternative change of management approaches, Ivancevich and Matteson (2002) point out, learning principles in change management, and describes change of management, i.e. by power, reason, and re-education. Then, based on model for management of organizational development, force for change affect for individual, group and organizational with their performance outcome. Hence, there is a need for adaptation and for development for organization (Ivancevich and Matteson, 2002; Nelson and Quick, 2006). This concept with its forming characteristics is related to its implementation and for its application at the system level (Laudon and Laudon, 2003; Cerna, 2013). Another angle with characteristics of change can refer with the institutional theory, institutional isomorphic changes, isomorphics mechanism, conformity and acceptance of economic behavior, and, social legitimacy (Meyer and Rowan, 1997; DiMaggio and Powell, 1983; Carpenter and Feroz, 2001).

### **2.2.4. Integrated Reporting Perspective**

The integrated reporting model was developed with the support of an international task force (IIRC, 2011; GRI, 2013). This reporting model as contemporary issue until 2020. It is a milestone implementation of the reporting stages for organization around the world, which has been applying since year of 1960. As global reporting initiative, this system provides a feature reporting system

that is more beneficial to the organization (GRI, 2013; KPGM, 2011, Adams, 2013). IR providing the basis for working the business model from input to outcome, with the concept of added value to the value chain, which links the organization's activities with the integrated reporting. Underpinning the effort to fulfill the value system in the interests of the organization, customers, society and the natural environment. Based on socio-technical perspective, this integrated reporting fulfill the requirement for the integration of all information sources with the support of the relationship between human with communication effectiveness. The institutionalization of this system requires regulatory support that can formalize the framework at the level for implementation. The aspects that make up the role model of the integrated reporting initiative include: fundamental concepts, key requirements, guiding principles, and contents elements of intergrated reporting (IR, IIRC, 2011).

### **2.3. Hypotheses Development**

Determination of hypotheses is preceded by dimensional formation for indicators of independent variables and dependent variabel of research referring to theoretical perspective, and/or model. Then, for state its relationship between independent variables with the dependent variable, for each hypothesis is based by previous related research.

Based on research by Venkatesh, et al (2003), Mooghali and Azizi (2008), Nuti et al (2013), Chua (2015), Sayudi, et al (2016), Hifni (2017). There are findings, which un-concluded of empirical facts of previous researchs, i.e., quality of output affects perceived usefulness for the information they receive; use the function of information technologi with knowledge management development; relation between the visual reporting system with performance evaluation system; the use and usefulness of integrated reporting; no relationship between information technology (CBISs), and completeness of information in regional government with sectoral integrated reporting; relation between accounting system towards performance of information system. Thus, the first hypothesis stated as:

H01: Implementation of organizational information systems has no influences towards Role model for integrated reporting initiative.

Based on research conducted by Lynham and Chermack (2006); Mooghali and Azizi (2008), Nuti, et al, (2012); Babajide, et al, (2015), Sayudi, et al (2016). Findings, shows for un-concluded of empirical facts of previous researchs, i.e. relationship between participation with ethical behavior; heart, share fate relate to knowledge management development; the high level of employees involvement and performance evaluation system; competence required for integrated reporting, and accountants's view for for integrated reporting; no relationship between individual ethical intelligence with sectoral integrated reporting. Thus, the second hypothesis stated as:

H02: Individual ethical intelligence has no influences towards Role model for integrated reporting initiative.

Based on research conducted by Dulewicz and Higgs (2004), Mooghali and Azizi (2008), Nuti et al (2012), Stubbs and Higgins (2012); Sayudi, et al (2016), Hifni (2017). Previous researchs, has shown, un-concluded of empirical facts, i.e. factors structure of the organizational referring to leadership; organizational intelligence with knowledge management development; the high level managers involvement with performance evaluation system; sustainability managers representatives with emerging of IR; no relationship between individual ethical intelligence with sectoral integrated reporting; No relation between role of regulation with accounting and performance of information system, and relationship between management support towards accounting system. Thus, the third hypothesis stated as:

H03: Organizational ethical intelligence has no influences towards Role model for integrated reporting initiative.

Based on previous research, Mooghali and Azizi (2008), Cerna (2013), Sayudi, et al, (2016). Finding shows un-concluded of previous empirical facts, i.e. personal change, institutional change, and institutional isomorphic with social and economic legitimacy in organization, appetite for change with knowledge management development, characteristics of change determines implementation, characteristics of change has no relationship with sectoral integrated reporting. Thus, the fourth hypothesis be stated as:

H04: Characteristics of change, has no influences towards Role model for integrated reporting initiative.

### **3. Methodology**

#### **3.1. Research Design**

This research is a quantitative research, uses contingency theory as measurers of cross sectional of phenomenon for the role model of integrated reporting initiative, and qualitative approach with using logic intervention of the Regulatory Impact Assessment (RIA) as the foundation of the research.

#### **3.2. Research methods**

##### **3.2.1. Subject**

Subjects of research are Regional Government (RG) in South Kalimantan Province referring the population of unit of government in Indonesia, with the amount of 415 (four hundred and fifteen) Districts, 93 (ninety-three) Cities, and 34 (thirty-four) Provinces in Indonesia.

##### **3.2.2 Sampling Technique and Sample**

Sampling technique uses multi stages sampling with 2 (two) stages, to determines : (1) sample for regional government, and (2) taking sample of Regional Government Work Unit (Agency, Service, Office, and Secretariat) of each selected regional government. The amount of selected sample are 99 (ninety nine) Work Units of Regional Government from 386 (three hundred and

eighty-six) RGWU of 14 (fourteen) Regional Government in South Kalimantan Province, Indonesia.

### 3.2.3. Data analysis

Data analyzed with statistic analysis uses multiple linear regression analysis. The data used are interval scale. Multiple linear regression equation as follows:

$$Y' = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

Where: Y' = Dependent variable (predicted value)

X1, X2, X3, X4 = Independent variable

a = Constant (value Y 'if X1, X2, X3, X4 = 0); b = regression coefficient (value increase or decrease); e = disturbance error.

## 4. Findings and Discussion

### 4.1. Data Description

#### 4.1.1. Test of Validity and Reliability

Validity and reliability test are performed on indicators of research variables, namely: X<sub>1</sub> = Implementation of Organizational Information Systems, with: X<sub>1.1</sub>. information technology (CBISs), and, X<sub>1.2</sub>. information output; X<sub>2</sub> = Individual Ethical Intelligence, with: X<sub>2.1</sub>. social intelligence, X<sub>2.2</sub>. emotional intelligence, X<sub>2.3</sub>. cognitive intelligence, X<sub>2.4</sub>. ethical maturity; X<sub>3</sub> = Organizational Ethical Intelligence, with: X<sub>3.1</sub>. organizational infrastructure, X<sub>3.2</sub>. Human Resources Management, strategy, policies and procedures, X<sub>3.3</sub>. ethical climate; X<sub>4</sub> = Characteristics of Change, with :X<sub>4.1</sub>. personal change, X<sub>4.2</sub>. institutional change, X<sub>4.3</sub>. institutional isomorphic; Y = Role model of integrated reporting initiative, with: Y<sub>1.1</sub>. fundamentals concepts, Y<sub>1.2</sub>. key requirements, Y<sub>1.3</sub>. guiding principles, and Y<sub>1.4</sub>. contents elements.

**Table 1**  
**Test of Validity and Reliability**

VARIABLES	INDICATORS	r <sub>count</sub>	(r <sub>TABLE</sub> =0,361)	ALPHA CRONBACH	<i>Expl.</i>
X <sub>1</sub>	X <sub>11</sub>	0,895	VALID	0,914	RELIABLE
	X <sub>12</sub>	0,927	VALID		
X <sub>2</sub>	X <sub>21</sub>	0,909	VALID	0,849	RELIABLE
	X <sub>22</sub>	0,949	VALID		
	X <sub>23</sub>	0,922	VALID		
	X <sub>24</sub>	0,912	VALID		
X <sub>3</sub>	X <sub>31</sub>	0,938	VALID	0,876	RELIABLE
	X <sub>32</sub>	0,940	VALID		
	X <sub>33</sub>	0,924	VALID		
X <sub>4</sub>	X <sub>41</sub>	0,893	VALID	0,872	RELIABLE
	X <sub>42</sub>	0,924	VALID		
	X <sub>43</sub>	0,923	VALID		
Y	Y <sub>1</sub>	0,938	VALID	0,850	RELIABLE
	Y <sub>2</sub>	0,956	VALID		
	Y <sub>3</sub>	0,969	VALID		
	Y <sub>4</sub>	0,973	VALID		

Sources: Appendix, data processing, 2017

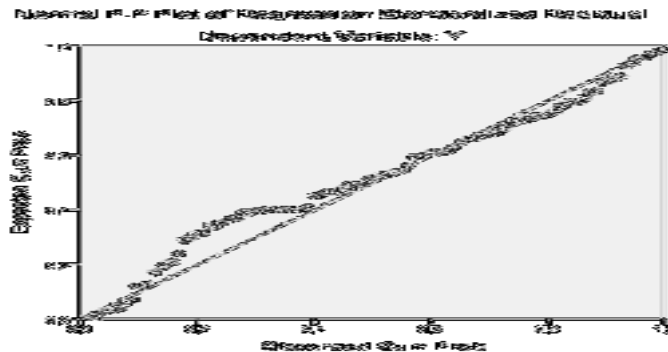


Based on test of validity and reliability uses scale reliability analysis, with Cronbach's Alpha, showed for all of indicators of each variable is valid (r count > 0,361), and reliable with alpha Cronbach shows values more than 0,6.

#### 4.1.2. Test the classical assumptions for the model

##### (i) Normality Test

Figure 1  
Normality Test



In this study regression model is said to meet the assumption of normality, because the data spreads around the diagonal line and approached the direction of the diagonal line.

##### (ii) Autocorrelation Test

Table 2

Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	,964 <sup>a</sup>	,930	,927	6,347	,930	310,855	4	94	,000	2,069

a. Predictors : (Constant), X4, X1, X3, X2

b. Dependent Variable: Y

Testing of autocorrelation symptoms be done with Durbin Watson test (DW Test) which can be seen from the regression test with the following conditions: (1). The DW number below -2 means there is a positive autocorrelation; (2) The DW number between -2 to +2 means there is no autocorrelation, and (3) The DW number above +2 means there is a negative correlation.

##### (iii) Heteroscedasticity Test

Figure 2



## Heteroscedasticity Test

From the analysis result by using SPSS graph obtained the residual dissemination is irregular. This can be seen in the scattered plots and does not form a certain pattern as seen in the picture.

### 4.2. Test of Hypotheses

#### 4.2.1. Determination Coefficient Test ( $R^2$ )

**Table 3**  
**Coefficient of Determination Test Result ( $R^2$ ): Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.964 <sup>a</sup>	.930	.927	6.347

- a. Predictor (Constant):  $X_1$ ,  $X_2$ ,  $X_3$ , and  $X_4$   
 b. Dependent Variable: Y

Based on the test coefficient of determination of R square ( $R^2$ ) generated value of 0,930. This shows the effect of high correlation or very dependable relationship and closely between independent variable with dependent variable. R Square represents how much dependent variable are caused by independent variables. This also shows that the variables  $X_1$ ,  $X_2$ ,  $X_3$ , and  $X_4$  contributes 93,00%, and the rest of about 7,00 % is explained by other variables.

#### Statistical Test Results F (F Test)

**Table 4**  
**Statistical Test Results F**  
**ANOVA<sup>b</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	50092.921	4	12523.230	310.855	.000 <sup>a</sup>
	Residual	3786.917	94	40.286		
	Total	53879.838	98			

- a. Predictors: (Constant),  $X_4$ ,  $X_1$ ,  $X_3$ ,  $X_2$   
 b. Dependent Variable: Y

The basis of decision making is to compare the value of F arithmetic of observation with the value of F table at the level of trust or significance of 0.05. The value of F table is obtained by calculating the numerator value ( $N1$ ) =  $K - 1$  or the number of variables - 1, and the denominator value ( $N2$ ) =  $n - k$  or the number of samples - the number of variables. The calculation of the value of F table of the numerator value ( $N1$ ) = 5-1, and the denominator value ( $N2$ ) = 99-5, from the calculation obtained value numerator ( $N1$ ) of 4, and the value of denominator ( $N2$ ) equal to 94 with significance 0,05. Based on the calculation obtained F table value of 2,47. According to statistical test F obtained by the value of F

arithmetic amounted to 310,855. The value of F obtained is 310,855 > 2,47 (F table value), meaning that all variables, i.e. X<sub>1</sub>, X<sub>2</sub>, X<sub>3</sub>, and X<sub>4</sub> simultaneously affect Y.

#### 4.2.2. Statistical Test Results t (t test )

**Table 5**  
**Results of Multiple Linear Regression Testing**

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Correlations		
	B	Std. Error	Beta			Zero order	Partial	Part
1 (Constant)	1.598	2.416		.661	.510			
X1	.713	.116	.401	6.140	.000	.932	.535	.168
X2	.356	.098	.318	3.635	.000	.934	.351	.099
X3	.134	.124	.084	1.079	.283	.899	.111	.030
X4	.329	.116	.201	2.834	.006	.913	.281	.077

a. Dependent Variabel: Y

Basis for the tests were performed on the variables X<sub>1</sub>, X<sub>2</sub>, X<sub>3</sub>, and X<sub>4</sub> against Y. The basis of decision making t test using n for testing the influence of X<sub>i</sub> to Y. The statistic test t was performed at the level of confidence of 95 %. Appropriate (df) = 99 - 5 - 1 = 93 at the level of significance of 5% known value t table 1.661. The value of t table is obtained with the degree of freedom (df) = n - k - 1 or the number of samples - the number of variables - 1 with α of 5%. Then, for results of tests performed show the variable X<sub>i</sub> has a t value of 6,140. Based on the value of t table at 5% significance level is as basis for acceptance or rejection of hypotheses.

Based on measurement shows, the results:

- (1) Variable X<sub>1</sub> has a t value of 6,140 > t table of 1,661, and a significance value of 0.000 < 0.05, hence, H<sub>01</sub> can be rejected or Ha<sub>1</sub> acceptable);
- (2) Variable X<sub>2</sub> has a t value of 3,635 > t table of 1,661, and a significance value of 0.000 < 0.05, hence, H<sub>02</sub> can be rejected or Ha<sub>2</sub> acceptable;
- (3) Variable X<sub>3</sub> has a t value of 1,079 < t table of 1,661, and the significance value of 0.283 > 0.05, H<sub>03</sub> hence, can not be rejected or Ha<sub>3</sub> is unacceptable;
- (4) Variable X<sub>4</sub> has a t value of 2,834 > t table of 1,661, and the significance value of 0.006 < 0.05, hence, H<sub>04</sub> can be rejected or Ha<sub>4</sub> acceptable.

Based on the results of the analysis, then, be built a multiple linear regression model of this research:

$$Y = 1,598 + 0,731 X_1 + 0,356 X_2 + 0,134 X_3 + 0,329 X_4 + e$$

Based on value of 1,598 as constant for unstandardized coefficients, it mean, if all the independent variables in this study has a value of 0, then, for role model for integrated reporting Initiative (Y), the dependent variable will be worth 1,598.

For implementation of organizational information systems (X1), with indicators information technology of Information Systems (CBISs), and output Information of organizational reporting, which has coefficients 0,731, it mean, for every increasing for indicators in variable with one unit then the variable Y will increase with 0,713, with assuming all independent variables others in model has a fixed value.

For individual ethical intelligence (X2), with indicators of social intelligence, emotional Intelligence, cognitive intelligence, and ethical maturity, which has coefficients 0,356, it mean, for every increasing of indicators in variable with one unit, then the variable Y will increase with 0,356, with assuming all others independent variables in model has a fixed value.

For organizational ethical Intelligence (X3), with indicators organizational infrastructure, human resources management strategies, policies and procedures, and ethical climate, which has coefficients 0,134, it mean, for every increase of indicators of variable with one unit, then variable Y will increase with 0,134, with assuming all others independent variables in model has a fixed value, but with the opposite direction.

For characteristics of change (X4), with indicators personal change, institutional change, and institutional isomorphic, which has coefficients 0,329, it mean and shows for every increase indicators of variable with one unit, then variable Y will increase with 0,329, with assuming all others variable Independent in model has a fixed value.

### **4.3. Discussion**

In agreement with the theory of contingency, the measurement results of this research show, besides supported with technological perspective, also be supported with ethically responsible behavior, ie. individual ethical intelligence, and characteristics of change, but, there is still no support from organizational ethical intelligence towards the role model of IR. Referring to the results of measurements in this research, hence, for aspects of technological support, and contingent aspects of organizational behavior can be accepted as antecedents that explain acceptance to integrated role reporting model (see, Kren, 1997; Adams, 2013).

That, Regional governments actually have a basis for the practice of organizational reporting systems that meet financial reporting systems completely, reporting for management, environmental reporting, and some aspects of sustainable reporting systems. However, due to the variety of regulatory sources that become the reference, not yet based on the SPIR, so it has not met the context

of fulfillment reporting in integrated manner and strategically (see, McLeod & Schell, 2001; Laudon & Laudon, 2003; Carniage and West, 2005; Jones, 2010; GRI, 2013). This evidence, may encourage Regional Governments to develop an existing reporting system, with CBISs, e-Government, and make fulfillment for output information completely (McLeod & Schell, 2001; Indrajit, 2004). As per the reporting practices implemented on the organization, it shows, that all of output information has fulfilled, all of financial statements (GAS, 2010, Par 28). Also, for the completeness of output information to fulfill report for management, accountability, stewardship, and for supervision with their stakeholders, such as for supervisory purposes by The Supreme Audit Agency, and for development supervision, by the Regional People's Representative Assembly, has been fulfilled, even though the implementation is loaded with bureaucratic and administrative burdens (Halim, 2004; GR No. 56 Year 2005; PMK No. 46 / PMK.02 Year 2006; GR No. 58/2005; Radaelli and De Francesco, 2007). This empirical facts, not in line with (Sayudi, et al, 2017), but in line with research dan writing previously (Venkatesh, et al, 2003; Mooghali & Azizi, 2008, Nuti, et al, 2012; Chua, 2015; Hifni, 2017).

As noted in statistical test results, that individual ethical intelligence as ethically responsible behavior, be perceived and with internalization, for the presence of role to support development of reporting system. This is because of the fulfillment of the aspects ethical intelligence throughby human being context in organization. They have knowledge and abilities needed to interpret of IR. Then, with sense the emotions to understand, to manage, and gives a respond in a functional way referring to with IR, the intellectual capacity of the individual to access IR, and to utilise that information to adapt effectively to the environment. Also, based on ethical maturity, i.e. will achieve the highest level of moral development at which an individual is capable of autonomous moral reasoning using abstract universal principles, such as for IR (see, Albrecht, 2002).This empirical facts in line with research dan writing previously (Lynham and Chermack, 2006; Mooghali and Azizi, 2008; Nuti, et al, 2012), but not in line with Babajide, et al, (2015), Sayudi, et al, (2016).

According to the measurement results of characteristics of change, indicate the presence supporting through by reinforcement on development efforts, through by adaptation and development for organization. By personal change, Ivancevich and Matesson (2002) denotes for internal change agents and external change agents. Organization needs combination with external-internal change agents. Organization need to blend of knowledge, experience to increase trust and confidence to get things done. Meanwhile, by institutional change (Cerna, 2013), describes, organization need to develop process of change (incremental and abrupt) to get result of change (continuity and discontinuity). Then, based on DiMaggio and Powell (1983), we can put forward perspective, and looking more broadly referring to the concept of

an isomorphic mechanism described as competitive isomorphism and institutional isomorphism. The concept of competitive isomorphism is related to the description of organizational efficiency and economic viability of the organization, whereas institutional isomorphism is related to the strength of the social environment which gives rise to certain pressures for the organization to be able to develop certain practices accepted within the organization. Then, based on this institutional isomorphism forms the basis for organizations in the process of adoption of IR systems, for the fulfillment of the best practices for Regional Government. Although, this empirical facts, show not in line with previous related research (Sayudi, et al, 2016), but, based on contingency perspective, because in line with research dan writing previously (Mooghali and Azizi, 2008), and Di Maggio and Powel, 1983; Meyer and Rowan, 1997), hence, it is possible, to consider that Regional Government has readiness to change.

Organizational ethical intelligence, does not supporting for integrated reporting for organization. This empirical facts, in line with (Sayudi, et al, 2016; Hifni, 2017), and not in line with research dan writing previously (Dulewics and Higgs, 2004; Mooghali & Azizi, 2008, Nuti, et al, 2012; Stubbs and Higgins, 2012; Hifni, 2017). Hence, in the interest of fulfilling the feasibility of Regional Government to adopt IR model, we can view for learning principles in change management (Ivancevich and Matteson, 2002). Such as, with "unfreezing old learning", which requires people who want to learn new ways to think and act. Due to efforts to implement learning principles in change management, next, be applied through by alternative change management approaches, as Ivancevich and Matteson (2002), states, with use the application of power, supported by reason, and re-education, to achieve and bring about change implies with use of coercion, and do self-regulation to regulate a new system which will be adopted.

This is acceptable, because ethics is not the same as regulation, then through the optimal regulation, it can reconstruct organizational ethical intelligence that are not conducive, to be conducive to system development needs (Goldman, 2013; Atlan, 2013; Coglianese, 2012). This is because, behavior associated with the form of knowledge, attitudes, and forms of action in response to established regulations ( Craig and Diga, 2007). Also, because the notion of definition for state regulation, which has been defined as any government intervention or measure which controls, directs or restricts the behaviour of individuals, or sectors of society (The Comptroller and Auditor General, 2001).

Regional Government need for strengthening regulation with logic intervention of RIA. This step is also justified and according to the legal tradition in Indonesia, namely at the level of local government to make regulations according to their needs, and can be accountable to the public. Fulfillment for new regulation be needed to regulate the implementation of information technology, ethical intelligence, and characteristics of change, and directing the role of

the organization in harmony with implementation objectives,. For effectiveness of regulation, to enhance benefit of integrated reporting system, self-regulation, requires to regulate, namely, for: Information technology which be built with SPIR, CBISs, e-Government, Role of individual, Role of institution, and for Integrated reporting model that includes: (1) Three fundamental concepts underpinning IR Model, such as, Value creation for the organisation and for others, framework to report of all capital, namely, financial, manufactured, intellectual, human, social and relationship, and natural capital, which focus is on capitals that are relevant to the entity, and for the value creation process (2) Key requirements with an integrated report, identifiable communication, and the integrated report which should include a statement with governance that meets particular requirements; (3) Guiding Principles, i.e., Strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness, consistency and comparability; (4) content elements, i.e. organisational overview and external environment, governance, business model, risks and opportunities, strategy and resource allocation, performance, outlook, basis of preparation and presentation (see, IR, IIRC, 2011; GRI, 2013; Abeysekera, 2013; Black Sun, 2014).

Setting new regulation for Provinces, Districts, or Cities, which need optimal regulation, it might be in form Regional Regulation, or in form Regulation of Regional Header. According to requirement for the role of regulation, the regulation established must fulfill, i.e. the clarity of objectives with the contents of the regulation, completeness content of regulation, acceptance of regulatory reference, and ease of application. There is perspective in organization with clarity of goals and processes, such as through setting for the new regulation (see, Sawyer, 1992). As a leader, Governors, Regents, and Mayors are important to tie themselves to leadership style in context, with goal-oriented (Dulewicz and Higgs, 2004), to support what the development needs for Regional Government with their IR system.

## 5. Conclusion

Regulatory Impact Assessments are intended to help deliver good regulation by self regulation. Stipulation of this regulation is not intended to replace the functioning of existing rules of reference, but with self-regulation, Regional Government can to establish new regulations to enhance integrate objectives and integrate the diversity of regulatory sources into optimal regulation. The formulation of the regulation is proposed to fulfill the clarity of the objectives, according to the contents of the regulation and the completeness of the regulation for integrated reporting. In accordance with the Craig and Diga (2007), the substance in the regulatory is intent relation to the regulatory reference set forth as the formal regulations, which need consists of:

- Carried out with the consideration, among others, i.e., purpose and intended effect, risks, benefits, costs, securing compliance, impact on organization and environment, public consultation, monitoring and evaluation, recommendation as summarises and

makes recommendations to Ministers, having regard to the views expressed in public consultation (The Comptroller and Auditor General, 2001);

- Contents of regulation referring to fulfill a framework which is needed to support the future development of reporting, i.e, fundamental concepts, key requirements, guiding principles, and contents element of intergrated reporting (IR, IIRC, 2011).

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