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Article 1

Editorial: AABFJ Volume 11, Issue 4, 2017

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Abstract
Editorial AABFJ.

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The current edition of the journal publishes a special issue of the best papers from the 6th International Accounting Conference on the topic of “the growth game changer: how accounting works in digital era”. The conference was hosted by Indonesian University (Universities Indonesia) in Jogjakarta from 7 to 9th August 2017. In this edition, the journal specifically publishes papers which focuses on auditing, public sector accounting, financial and corporate taxation, and business issues collected from companies in the ASEAN region or authored by those affiliated with universities or other institutions in the region, including Indonesia. The publication of these papers indicates the journal’s continued strong commitment to actively engage in the dissemination of high quality research papers representing different issues related to accounting, financial and business issues from Asia and the Pacific region. Two of the guest editors of the edition are from the University of Canberra, Australia and we are grateful for the opportunity to have reviewed these papers.

The paper by Sutopo, Wulandari, Adiati and Saputra (2017) contributes to the current growing literature on public sector accounting in Indonesia as recently appears in the work of Harun et al. (2015) and Monir and Wahyu (2013). Sutopo et al.’s (2017) study examines whether there are relationships between e-government, the dimensions of e-government, and audit opinion and the performance of local government administrations. They find that the use of e-government positively affects the performance of local government administration. The study also finds that audit opinions have a positive association with performance, as was expected. The authors believe that e-government and audits can be used as indicators of the performance of local governments in the nation. This study contributes to the recent literate in the public sector which shows the impacts of IT technologies in improving local government performance.

Meanwhile, Ariningrum and Diyanty’s (2017) study, examines the effect of political relations relating to the effectiveness of the Board of Commissioners and Audit Committee on the audit fee. It is found that political relations positively affect audit fees. In this vein, the study contributes to a better understanding of the impacts of politics on company governance practice and political issues may lead to an increased risk to the company of rent seeking behavior and practices towards minority shareholders using political donations and lobbies within the authorities. Therefore, from the perspective of auditors, the politically connected company is considered to have a higher risk than other companies that do not have political connections, and consequently, auditors will increase audit efforts required and this will thus lead to increased audit fees. We believe this study also contributes to practice as it provides further evidence regarding the failure of agency theory based governance systems adopted by

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corporations and shows the impacts of social and political contexts which eventually affect the extent to which governance systems are internalized by corporations.

In the specific theme of the auditing discipline, another study by Febrianto, Dini, Audina, Yuskar and Juita (2017) studied whether mandatory and voluntary rotation of auditors will result in higher audit quality in Indonesia. This article provides findings based on longitudinal data (2002-2015) collected from the 857 non-financial companies listed in the Indonesia Stock Exchange. Key findings of this longitudinal research include (i) The companies that rotate their auditors mandatorily have higher audit quality than that of companies voluntarily rotating auditors. (ii) The switching of auditors among bigger accounting firms have the highest audit quality, rather than those companies switching between smaller audit firms. (iii) the study could not confirm that pseudo and pure mandatory rotation have varying degree of audit qualities. (iv) Lastly, the motives of accounting firms to engage in pseudo or pure mandatory rotation are driven by the financial size of their clients. The results of this study provide important implications for policy-makers of an emerging country specifically for the Indonesian government, in understanding the impact of mandatory regulation of rotating auditor on audit quality.

Another study of an important factor in understanding the impact of using information technology (and other factors on the dysfunctional behaviour of auditors and the behaviour of auditors' in the process of fraud detection using a psychological theory, for example the Job-related stress model) was conducted by Umar, Sitorus, Surya, Shauki, and Diyanti (2017). Specifically, their study examined the effect of information technology and other factors such as time budgets and task complexity on dysfunctional audit behaviour, together with exploring whether dysfunctional audit behavior affects the auditors' ability to detect fraud. Primary data collected from 81 external auditors located in Jakarta, and analysed using multi-variate techniques from statistics, such as Structural Equation Modelling (SEM), the principal findings of the study are; (i) The time budget and complexity of tasks have some impact on dysfunctional audit behavior (ii) information technology does not have any impact on dysfunctional audit behavior. The findings of the study also indicate that dysfunctional audit behavior has an adverse effect on fraud detection. The findings of the study provide a valuable initial insight for regulators and other policy-makers by providing evidence that, when time pressures are imposed on auditors by their clients, dysfunctional audit behavior may emerge. Such behaviour tends to reduce the auditors' ability to detect material misstatement and fraud in the financial statements. The findings also imply that more in-house training may be required to train junior audit staff, or to provide more supervision to junior audit staff by senior audit members during an audit program to allow a better understanding of task complexity of the clients that may reduce the dysfunctional behaviour of auditors.

On the specific theme of financial accounting and taxation, an important study was conducted by Rachmawati and Martani (2017) collecting three years' of data (2013-2016) from the 303 firms listed in the Indonesia Stock Exchange. The purpose of their study was to examine the effect of book-tax conformity (BTC) level on the relationship between tax reporting aggressiveness and financial reporting aggressiveness. Analysing data using ordinary least squares (OLS) of regression, the study found that the endogeneity problem plays a key role towards understanding the relationship between tax reporting aggressiveness and financial reporting aggressiveness. Additionally, the study reports that tax reporting aggressiveness affects financial reporting aggressiveness, but not vice-versa. The study also found that the firms with a low level of BTC were weaker in terms of trading-off between tax reporting aggressiveness and financial reporting aggressiveness than firms with a higher level of BTC. The findings of the study make an important contribution to the academic literature, in particular, in the specific context of Indonesia, as previous studies in the context were silent in providing empirical evidence of understanding the impact of BTC levels on the relationship between tax reporting aggressiveness and financial reporting aggressiveness.

Furthermore, it is also interesting to know that one of the papers published in this edition focuses on the impacts of XBRL adoption on the systematic risks of financial institutions listed in the New York Stock Exchange (NYSE). This means the authors, associated with a local university in Indonesia, also explore the international nature of their work and research interests. In their study, Suwardy and Tohang (2017) tested the impact of the mandatory adoption of eXtensible Business Reporting Language (XBRL) on the systemic risks of American financial institutions listed in NYSE by analysing the financial data of financial institutions for the period of 2007-2012. In this vein, they find that the adoption if XBRL has no substantive impact on the systemic risk of financial institutions listed on the NYSE. This study contributes to the literature by demonstrating the lack of effectiveness of a controlling and accounting technology adopted by companies to reduce systematic risks. For regulators and for practice, this result requires further exploration as to why the system was found to be ineffective and to explore the potential costs associated with the implementation of the system.

In recent years, corporate taxation is an emerging theme in the accounting and financial literature as highlighted in the study conducted by the Kurniawan and Nuryahanah (2017). This study examines the effect of corporate tax avoidance on the level of corporate cash holdings of Indonesian public listed companies. In the study, the authors tested the relationship of tax avoidance with the amount of cash held by the company. By relying on the data from 46 non-financial, non-property, non-real estate and non-construction companies from 2009-2016, with a total 368 observations, they find no significant relationships between corporate tax avoidance and the level of corporate cash holed by companies listed in Jakarta Stock Exchange. Nonetheless, the authors highlight the necessity of future studies to further explore how tax avoidance and corporate cash holdings are related in emerging economies such as Indonesia.

Finally, Afteriara, Utama and Wardhani (2017) examine environmental uncertainty. This study uses secondary data to develop and propose an alternative measure of environmental uncertainty, called the environmental uncertainty index (EUI). Using regression analysis, this study suggests that the EUI will offer an improved measure of technological uncertainty. The findings suggest that this new technology uncertainty measure is an improvement over other measures and calls for this measure to be applied in future research.

Statement from the Conference
"The Growth Game Changer: How Accounting Works in the Digital Era".

The 6th International Accounting Conference 2017 was organized by the Department of Accounting, Faculty of Economics and Business, Universitas Indonesia in Yogyakarta, Indonesia. The conference theme was "The Growth Game Changer: How Accounting Works in the Digital Era". This theme is of high importance and could not have been more relevant to the accounting field, considering the advent of advanced technology and its implementation in the areas of analytics, business processes, shared services and industry innovations such as fintech and financial inclusion.

The conference involved practitioners, scholars, and experts in accounting and economics, including speakers from the Government of Indonesia (Bank Indonesia, Directorate General of Taxes), International Federation of Accountants (IFAC) as recognized accounting organization, big-four Public Accountant Firms, as well as participants from universities in Malaysia and Japan. The committee successfully attracted 361 submissions and accepted only 227 papers to be presented in the event. The participants came from various countries, such as Japan, Malaysia, Australia, Singapore, China, The Netherlands, Brazil and many diverse parts of Indonesia. All papers were reviewed based on double blind review, with reviewers including both local and foreign reviewers using the Scopus journal criteria. The most highly rated authors then sent their papers to the Australasian Accounting, Business and Finance Journal (AABFJ). Authors were required to make the necessary revisions until their paper meet the requirements and standard for this referreed international journal.

The selected papers cover the areas of (a) book-tax aggressiveness issues (b) environmental uncertainty and decision making in business strategy (c) information technology in audit detecting frauds (d) the influence of pseudo audit on audit rotation and its quality (e) corporate tax avoidance and the level of corporate cash holdings (f) e-government, audit opinion and performance of local government in Indonesia (g) XBRL adoption and systemic risk in NYSE and (h) political connection and board commissioner and audit committee effects on audit fees. These topics represent current issues related to global accounting development and are still relevant in the context of digital era. It is expected that these papers will answer questions and provide interesting guidance to future research and policy, both in academia and in the accounting industry.

Papers published in this special issue may fill the gap in the previous studies in the field of accounting and business. Additionally, the issues addressed by these papers are based on empirical data, which can be utilized by practitioners in the relevant field, contributing to a better decision making process. Last but not least, the strength of this special issue is that all papers are based on strong theories that add to the information available in previous studies. This further research will be relevant to practitioners, academics and policy makers.

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