Administrative Control over Local Government (A Study of Determination of 2014 Kediri Regency Budget)

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Central government control over local government is necessary in order to ensure achievement of decentralization policy goals. Unfortunately, study about local government control is uncommon in Indonesia. This study aims to describe types of central government control to local government and to explain how those control work in crucial political situation within local government. Most of problematic LGR (Local Government Regulation) were about local government budget. Similar to the problem that was faced by many local governments in Indonesia, Kediri Regency struggle with delay of determination of local government budget. This qualitative research was conducted in 2014-2015 in approval process of 2014 Kediri Regency Budget. McNabb procedures for data analysis (2002) was used in this research. There are three types of administrative control: general, sectoral, and functional control. Another research findings about the cause of determination delay for LGR about 2014 local government budget (APBD) were two things. First source of problem was conflict within and between Kediri Regency Council and Local Government. Second source of problem was lack of control from central government about the overtime budget approval.
1. Introduction

Indonesia has significant progress in decentralization and democratization after new order era. Decentralization brings greater autonomy for local government. In order to ensure achievement of decentralization policy goals, control over local government is necessary. Unfortunately, study about local government control is uncommon in Indonesia. This study aims to describe central government control over local government. Actually, central government control is part of state control over local government. Other state control over local government are legislative and judicial control. Central government control is similar to administrative control (Muttallib & Khan: 1982, Smith: 1985). Emphasis on central government control was chosen in this research because its characteristic is more active than other state control.

According to Supreme Audit Agency study in 2012 that from 2002 until 2009 there were more than 4000 problematic local government regulation (LGR) of total 14.000. The annulment of problematic LGR were recommended by Ministry of Finance (MOF) to Ministry of Home Affairs (MOHA). There were 1878 LGR were cancelled at that period by MOHA. In 2010, MOHA identified that there were 407 problematic LGR, 351 problematic LGR in 2011. There are two kinds of problematic LGR. First, the LGR were different from or conflict to upper level regulation (legal review). Second, the LGR endanger public life or local government effectiveness and efficiency (merit review).

Most of problematic LGR were about local government budget. The process of budget Approval and the content of the budget are two side of potential problem for LGR. Similar to the problem that was faced by many local government in Indonesia, Kediri Regency struggle with delay of local government budget approval. This problem has troubled about 36% Indonesian local government in 2013. This trouble hampered effectiveness of local government to finance it services. Public service and development would be in danger. This situation blockade the achievement of decentralization purposes. This study tried to describe the cause of the problem, and to explain central government control to local government in this problematic situation.

2. Discussion

This qualitative research was conducted in 2014-2015 in determination of 2014 Kediri Regency Budget. Informants are officers from Inspectorate General for Ministry of Home Affairs, Ministry of Finance, Inspectorate for East Java Province, Inspectorate for Kediri Regency, and other officers from functional control in central, provincial, and local government. Methods of data collections were interview, documentation and observation. McNabb procedures for data analysis (2002) was used in this research.

2.1 Types of Administrative Control Over Local Government

There are three types of administrative control over local government according to its function. First is general control. This control is duties of Ministry of Home Affairs in general, especially Directorate General of Local Government and Directorate General of Local Government Finance. Second is sectoral control . This control is conducted by sectoral ministries which have functions being served by principle of deconcentration or co-administration. Ministry of Finance was an example in this research because of its function to ensure the effectiveness and efficiency of local government budget and central government grants. Third is functional control. This control is conducted by bureaucratic agency which have main functions to control governmental performance. In this case, functional control were represented by Inspectorate General of Ministry of Home Affairs, Provincial Inspectorate, and Municipality Inspectorate.

According to the subject of controller, there are two types of control of local government. the first is external control which controller are outside of local government. In this research, this control included general (MOHA), sectoral (MOF), and functional (Inspectorate General) control. The second is internal control, which the controller are inside institution within local government. The example of this control are Provincial Council and Inspectorate for Province, and Municipality Council and Inspectorate for Municipality.

According to the Republic of Indonesia Law number 32 of 2004, the purpose of administrative control is to ensure local government effectiveness and efficiency. There are two objects of administrative control: control on managing local government affairs and control on local government regulation and head of local government regulation. Indonesian local government comprise of province (upper level) and municipality (lower level). There are two kinds of municipality government: city (urban characteristics) and regency (rural characteristic). Local government regulation is valid by joint approval between council and head of local government while head of local government regulation is valid only by approval of head of local government (governor for province, major for city, and regent for regency). Local government regulation status is higher than head of local government regulation.

Law number 32 of 2004 was implemented by Government Regulation number 79 of 2005 about Guidance of Control over Local Government. This regulation had been operationalized by Ministerial Regulation of Home Affairs number 23 of 2007 about
Methods of Control over Local Government, then Ministerial Regulation of Home Affairs number 36 of 2011 about Evaluation Guidance on Local Government Budget Plan. According to these regulation, there are two scopes of general control on managing local government affairs. The first scope is control on general function of local government: local government policy, institution, personnel, finance, and assets. The second scope is control on local government affairs: obligatory and optional affairs, deconcentration and co-administration affairs, and foreign loan and grant.

Beside Ministry of Home Affairs control over local government, substantively Ministry of Finance would control on local government finance through Directorate General Financial Balance. This sectoral control play significant role to ensure effective local government specific affairs, especially local government budget. It is duty of central government to improve fiscal balance over throughout local governments in Indonesia. Because of different characteristic and fiscal capacity, it is easily possible Indonesia fall into fiscal imbalance situation.

That situation is very dangerous for political stability and governmental sustainability due to public dissatisfaction to government. MOF duty is to ensure that all local governments perform well and public services are provided without much trouble. Based on government regulation number 65 of 2010 about local government financial information system, each local government must send local government regulation about local government budget maximum January 31st of current year to MOF. Indiscipline local government to this regulation would be sanctioned by adjourning of central government grants reimbursement or cancellation of fiscal incentive for local government.

The next type of administrative control is functional control. This control means that control would be organized by institution which has ultimate function to control other institution. According to Minister of Home Affairs Regulation number 60 of 2013, there are three institutions that control local government. First is Inspectorate General of Ministries or Non-Ministerial Government Institutions for ensuring local government achieve their own sectoral goals so this control belongs to sectoral control. Especially, Inspectorate General of MOHA has direct control to supervise provincial and municipal government. The main functions of this institution are to control directly other units in MOHA, provinces, and municipalities so it is belongs to functional control. Other functional control institutions are provincial and municipal inspectorate. Provincial inspectorate supervise provincial obligatory and optional affairs and municipal affairs implementation. Municipal inspectorate supervise municipal obligatory and optional affairs implementation and village governments.

There are two kinds of officer within functional control institution. First officer is auditor and the second one is supervisor for local government. Auditors supervise to ensure achievement of state interest. Auditor’s tasks include performance audit, financial audit, investigative audit, and monitoring & evaluation of audit activities. Nature of auditor’s control tends to be punitive control. Supervisor for local government tasks include supervision on local governments affairs management, control on local government regulation and head of local government regulation, supervision on implementation of deconcentration and co administration affairs, specific purpose supervision such as local government handling on community complaints or supervising head of local government final term of service. Other tasks of supervisors are evaluations on governmental performance, local government capacity in administering autonomous affairs, newly created local government, district and village government, and accountability report. The nature of supervisor’s control tends to be promotive control.

There were 300 auditors and 130 supervisors in Inspectorate General of MOHA. There were 53 auditors and no one supervisor in East Java Provincial Inspectorate. There were 18 auditors and no one supervisor in Kediri Regency Inspectorate. Because of lack of supervisor’s number in the whole level of government, auditors takeover supervisor’s tasks and tend to adapt with promotive control rather than punitive control.

Another administrative control is provincial government control over municipality administration. This control is mandated by central government through Ministerial Regulation of Home Affairs. This control is still belongs to general control of central government. Central government delegates to the upper level local government to control over the lower level local government. Actually this situation was confusing because, according to the Law number 32 of 2004, provincial government did not have control power over municipality government.

The source of problem was dual position of governor: as head of provincial government (belongs to decentralization principle) and as central government representative (belongs to deconcentration principle). The control power over local government (both province and municipality) is duty of governor as second position. In executing this position, governor did not have resources (budget, institution, and personnel) so governor use provincial bureaucracy resources. This means that local government resources were used to execute central government duties. By this position, governor could develop municipality government capacity in implementing autonomous affairs and could give
sanction over municipality government which disobey to legal and merit compliance.

**Tabel 1 Characteristics of local Government Control**

<table>
<thead>
<tr>
<th>Type of control</th>
<th>General Control</th>
<th>Sectoral Control</th>
<th>Functional Control</th>
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<td>Controller</td>
<td>MOHA</td>
<td>MOF</td>
<td>Inspectorate Agency</td>
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<td>Type of control</td>
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<td>Role of control</td>
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<td>Punitive</td>
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Source: Analytical result, 2019

East Java Provincial control on 2014 Kediri Regency Budget had been operationalized by several processes: identification, evaluation, revision, legalization, and feedback. Identification stage was a process to check the completion of all documents needed to further to the next stage. The documents are: letter from Kediri Regent, Joint approval between Kediri Council and Regent on Regency Budget, Financial Note, Regency Regulation Draft on Budget Plan, Council Plenary Session Minutes, Local Government Action Plan, Synchronization Paper between Central and Local Government Program. After this identification stage accomplished, Provincial Government invited Kediri Regency Officers to attend evaluation meeting on specific date. They are Head of Department in Finance, Health, and Public Works affairs, and Legal Unit, and Planning Agency.

There were two activities in evaluation stage. First, desk evaluation was a process to evaluate regency budget plan by a provincial team. Evaluation was directed to analyze three aspects: budget account which was analyzed by Provincial Financial Agency officer, public service and development aspect which was analyzed by Provincial Planning Agency officer, and legal drafting which was analyzed by Provincial Legal Unit officer. Second, evaluation meeting between provincial and regency team to clarify the desk evaluation findings to regency officers. After this meeting, provincial evaluation team would issue notification to be responded by regency. The response must be less than 7 days. Recommendation from provincial evaluation team was legalized by governor decree. This legalization was the third stage and the decree was sent to Kediri Regent and Council.

The fourth stage was revision of regency budget plan by Kediri Regency Government and Council. The result of fulfillment of provincial recommendation and response to the recommendation was sent back to the Governor. This process include as the fifth stage, feedback from regency government to provincial government. After Approval of Regency Council and the revised budget was delivered to Governor, budget plan could be approved by Regent and legalized as Kediri Regency Regulation. After feedback stage, Governor could let the budget plan being a budget through regency regulation or annulment the regulation. The last would bring a consequence that the regency will use last year budget for the financial basis of public service and development in the current year.

2.2 **Control on Local Government Budget Planning**

Research findings about the cause of approval postpone for LGR about 2014 local government budget (APBD) were two things. First, source of problem was conflict within and between Kediri Regency Council and Local Government. Regency Council should determine the budget before November 30th 20013, but the Council approved it on January 6th 2014. Approval after December 31st would be punished by MOFA by deleting Kediri Regency as a Receiver of fiscal incentive from Central Government. This overtime approval were caused by internal conflict within Council mirroring situation of councilors and political parties as a Council supporter basis. Another cause was conflict between Council and Local Government. Debate and discussion about content of budget policy took more process so that the approval of budget delayed. Development of New Regency Hospital was one of several cases that hamper on time budget approval.

2014 was critical year for Kediri Regency Councilors, because it was the last year for service and there was general election in the midyear. Discussion about 2014 Budget Plan began in November 2013. The councilors already began to compete each other running for candidacy and involved in campaign season until the electoral day on April 2014. They would compete again on July 2014 for supporting presidential election. Usually in the previous year of service, each councilor would collect citizen supports for candidacy and raise fund for financing campaign (not only for himself but also for his political party). There were 43 of 50 councilors run for candidacy. There were only 7 councilors who did not run for candidacy because of several reasons, such as internal
political party conflict, unqualified requirements due to electoral threshold, and personal problem. Most councilors would use budget plan approval process in the previous year of service for their own interests both personal and political parties. In this situation, there were hard discussions and debates within regency council plenary session on budget plan especially on development of Kediri Regency Hospital located at Simpang Lima Gumul (SLG). Actually, this development plan already approved by council for 2012 budget by using multiyear financing scheme. Because of some problems, this development plan was unimplemented and would be proposed again for 2014 budget. The debate amongst councilors was about financing scheme, whether multiyear or single year scheme, although all councilors agreed on hospital development. This disagreement amongst councilors influenced discussion on budget plan between council and local government. According to law number 32 of 2004, local government comprise of head of local government and local bureaucracy.

2014 was a political year not only for Kediri Regency Councilors but also for Regent. Political party composition in Council would influence cooperation and effectiveness of local government. 2014 was year of preparation for 2015 Kediri Regent election. So this political situation influenced discussion on 2014 budget plan. For Kediri Regent, the success of Hospital development was a valuable credit for 2015 Candidacy. Kediri people needed new hospital for better health service. If Kediri Regency Government could realize this development then it would be great achievement for the Regent. In this competition situation, most of councilors tried to block the development.

Local government tried to succeed the approval of budget plan by using multiyear scheme for the hospital development. This scheme was supported by provincial government and MOHA. These two institution’s officers attended council plenary session and explained that multiyear scheme had no serious problem and could be implemented to overcome financial adequacy problem.

It was interesting that the council still postponed the approval of budget plan although the councilors realized that this delay would inflict a financial loss not only for them personally but also institutionally. If they didn’t have local government regulation on 2014 budget, then local government still operated on the basis of Regent Regulation on 2013q budget. This latest legal basis would finance only routines and emergent regency activities. The councilor would have only basic salary and would not have extra revenue for their activities. Of course they didn’t want this situation because in the year of critical politic such as 2014, they needed much more money than before. It means that the councilors were buying time to hamper effectiveness of local government. Actually, they needed the budget but they disturbed it to gain another things.

Second source of problem was lack of control from central government about the overtime budget approval. From several central institution which had responsibilities to supervise local government, only Directorate General Fiscal Balance of MOF had detected the problem. Inspectorate General MOHA and other central government control agency did not detect this problem. This condition was caused by gap between local government control need and control capacity in MOHA. Control need was conditions that were needed to ensure the achievement of decentralization purposes such as the effectiveness of local government to bring welfare to the community and to ensure synchronization between central government program and local government policy.

Control need was influenced by span of control and the burden of supervision. There were 34 provincial government, 508 municipal governments (comprise of 415 regencies and 93 cities), and 6 administrative municipalities (5 non-autonomous cities and 1 non-autonomous regency). There were 7,024 districts and 81,626 villages in Indonesia. If those all local governments directly were supervised by central government then the span of control was too wide. It was difficult to achieve effective control. There were more than 3000 LGR in 2010, and there were more than 9000 LGR in 2011. Those number of LGR should be controlled by Inspectorate General of MOHA which had supervision budget only 0.02 percent of MOHA budget.

In order to overcome that problem, MOHA delegated Provincial Inspectorate to supervise municipality government. It means that East Java Provincial Inspectorate would supervise Kediri Regency. Control need for this institution actually much harder than its capacity. East Java Province had 74 provincial local bureaucracy and more than 200 technical unit. East Java Province comprise of 38 municipality government which are divided into two types: 29 regencies and 9 cities. All of these institution would be supervised by Provincial Inspectorate with only 53 auditors.

3. Conclusion

There are three types of administrative control over local government in Indonesia. They are general, sectoral, and functional control. General control was run by several Directorates General of MOHA, while sectoral control was served by MOF, and functional control was done by Inspectorate in various level of government. Postponement of Budget Approval were caused by conflict within local government and lack of capacity of administrative control. Conflicts within local government, especially within council and between
council and local government, were difficult to be overcome by internal control of local government.

Interventions of central government were needed to overcome the problem by empowering administrative control. Synergy between general, sectoral, and functional control would minimize inefficiency of control activities and maximize effectiveness of control. Delegation of more significant authority to provincial government would increase effective control over municipal government. It would shorten hierarchy between controller and the object of control. It would decrease the problem of span of control in controlling activities.

References

