



## QUESTIONING THE EFFECTIVENESS OF INDONESIA'S LOCAL GOVERNMENT ACCOUNTABILITY SYSTEM

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### Abstract

This paper discusses current Indonesia's local government accountability system which has undergone fundamental change since the reform era. Through a number of regulations, local governments now have to submit reports which include LPPD, LKPj, ILPPD, and LKPD. In line with what have been constructed by many experts, from normative perspective, those reports have the potential to facilitate a sound local government financial management and in turn, make them more accountable. Has current Indonesia's local government accountability system been effectively implemented? Have these accountability mechanisms delivered their potential benefits as promised and constructed by many experts? In order to critically answer the questions, this study employs qualitative method with theory-driven approach. The data is mainly obtained through conducting meta-analysis through critically reviewing relevant sources or documents. Analysis goes from data reduction, to data organization and to interpretation. Research findings show that Indonesia's existing local government accountability system has not been effectively implemented and brought all the potential benefits as calculated in both theoretical realm of accountability as well as constructed Indonesian government regulations. The findings of the study are particularly valuable in terms of filling the void on the analysis and information of current practice of local government accountability system in Indonesia's reform era which have been marred by a number of problems, irregular and incomplete reporting, the absence of enforceability, limited capacity of local governments to produce appropriate reports, corruptive behavior of the auditors, and limited public participation.

**Keywords:** Accountability, Transparency, Financial Accountability, Horizontal Accountability, Vertical Accountability

### I. INTRODUCTION

Local governments in Indonesia have entered yet a new phase following the demise of Suharto's authoritarian regime in mid-1998. Since then, we all have witnessed a wave of changes particularly in terms of the governance process of Indonesia's local governments. A long standing of centralized system has been replaced by decentralized one. Needless to say, such a replacement has brought various significant consequences.

One strategic aspect that has attracted many parties, among other things, is accountability system of local government. It is argued that "decentralization will make local officials more accountable to constituents for their performance." (Campos & Hellman, 2005, p. 237). It is because decentralization induces public accountability by

transferring political power downwards. In addition, the claim is also rested on the belief that in turn, decentralization could increase responsiveness, effectiveness and enhance allocative efficiency within public sector as well as transparency, since local government is closer to the local citizens (Eckardt, 2008, p. 2; Mbate, 2017, p. 2).

Normatively, it is argued here that similar calculation is also the foundation of Indonesia's decentralization policy. By referring to the preamble of Law No 22 of 1999 on Local Government, Rahmatunnisa (2013, p. 49) points out that the policy was indeed aimed at making local government more responsive to local people's aspiration and needs, and hence make them as a guide for public sectors' activities. Likewise, Rasyid (2003, p. 64) in his chapter also maintains that decentralization in Indonesia is intended to strengthen public

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accountability as a means of protecting the interests of local communities.

It has been nearly two decades of decentralization era for Indonesia. The system of accountability of local governments has undergone changes in line with the changes in the arrangements of local governments embodied in a number of local government laws since the reform era. Thus, it is important to know what the current nature of Indonesia's local government accountability practices would be. Amidst such changes, an interesting statement has come from, for example, Slater (2009) that like many other developing countries, Indonesia has represented a type of country wherein accountability is still weak. Further in his article, Slater (2009) observes that Indonesian elites have actively strived to avoid it. This captivating statement has raised another important question. Have Indonesia's local governments' accountability systems been effectively implemented? In other words, have these accountability mechanisms delivered their potential benefits as promised and constructed by many experts? This paper will critically discuss the above-mentioned questions by referring to a number of relevant scientific literature and local governments' practices as case studies.

From theoretical point of view, the importance of this study rests on the fact that accountability is considered as a strategic means that has the capacity to facilitate benefits needed for effective and efficient government activities (Bovens, 2010; Lindberg, 2009; Shah, 2007). There have been a number of previous studies on Indonesia's accountability cases, such as Colongon Jr (2003), Sari (2010), Martani dan Lestiani (2012) and Sarah (2015). These studies have focused more on mere political or accounting perspectives. Colongon Jr's study for example, highlights accountability as an important mechanism within Indonesia's new local fiscal management. Meanwhile, for the most part of Sari, Martani and Lestiani as well as Sarah's studies, accounting has been the main perspective on their studies in investigating local government financial statement. Slightly different from those previous studies, this study attempts to investigate the effectiveness of Indonesia's local government accountability mechanisms based on conceptual discourse rooted in various scientific literatures as well as a number of tangible case studies to develop argumentation by using political as well as administrative perspectives. Hence, it is expected that this study will add relatively new analysis and information to the current discourse on Indonesia's local government affairs.

This paper is structured as follows: the following section will briefly explain method of study in order to answer the proposed questions.

Then, it will be followed by conceptual framework for analyzing the issue of current Indonesia's local government accountability system. The next subsection will move on to describe briefly about Indonesia's current regulations on local government accountability. Discussing the implementation of those regulations and their consequences will be the main theme of the result and discussion section. The paper will be ended by a short concluding remark.

It is the purpose of this paper to argue that current Indonesia's local government accountability system has not been effectively implemented yet and brought those expected results as calculated in both theoretical realm of accountability and constructed regulations.

## II. METHOD

In order to discuss the answers of the proposed questions, this paper employs qualitative approach aiming at obtaining deeper understanding on Indonesia's current local government accountability system and its consequences. The reason behind the choice of such qualitative method is sustained by the fact that it allows me to explore and critically analyze a variety of phenomena surrounding the object of the study (Creswell, 2009). In addition, the study also utilizes theory-driven approach, using a number of theories to sustain the investigation and analysis of the proposed topic. The theories are especially used to develop suitable conceptual framework as the basis for conducting data analysis.

Employing meta-analysis approach through critically reviewing and analyzing relevant scientific resources including books, chapters and journal articles as well as other relevant sources is the main data gathering technique employed in this study in order to develop suitable conceptual framework and to analyze a number of relevant previous studies (Bloor & Wood, 2006; Timulak, 2009, pp. 591-592). Critically analyzing various current and relevant regulations concerning Indonesia's local government accountability system is also an important data gathering technique utilized in this study. In order to develop precise arguments, this study also refers to a number of cases which purposively selected and treated as tangible evidence.

The collected data is then analyzed and interpreted using basic qualitative analysis (Creswell, 2009, p. 184) in the manners specified in this study directed towards answering the proposed questions. Specifically, these involve reducing and generating categories of information or data, then positioning it within conceptual framework. The final step is presenting interpretation through explicating a compact story from the interconnections of the categories.

### III. RESULTS AND DISCUSSION

#### A. Understanding Accountability

The central idea of accountability as a concept is that whenever there is transfer of decision-making power from a principal to an agent, then there should be a procedure to hold the agent accounts for any decisions they make with imposing sanctions if necessary (Lindberg, 2009).

Lindberg (2009, p. 1) further asserts that long tradition of the concept of accountability can be found in political science and financial accounting. It was John Locke who initiated the thought that the ultimate strength of representational democracy rested in the premise that “the governed are separated from the governors” (as cited in Lindberg, 2009, p. 1). Meanwhile, within financial accounting, the concept is more limited in scope than in the political science. The accountability refers to the financial prudence and compliance to the regulations and instructions. Nevertheless, both political science and financial accounting have similar core of components of the concept of accountability, namely delegation of authority, performance evaluation, and sanctions.

In the last couple of decades, the concept of accountability has become a buzzword in many areas, not only in political science and economics, but expanded to broader community of scholars and practitioners. This has led to a myriad of meanings and dimensions as well as a somewhat complex interpretation of the concept. In other words, accountability has become an essentially contested concept. It can mean many different things to many different people. As Mulgan (2000) asserts, it is an ever-expanding concept. Hence, it is a daunting task to define what exactly the core meaning of accountability is.

Having said that, there is still a pattern to such an expansion. Most scholars consider accountability as a normative concept or standards used for the evaluation of the behavior of public actors. Therefore, ‘being accountable’ is considered as a virtue – a positive quality of organization or official. Accountability in this sense is used to measure a state of affairs or the performance of an actor. Hence, accountability is associated closely with responsiveness and responsibility – a willingness to act in a transparent, fair, and equitable way (Bovens, 2010, p. 949). This perspective has become the basis of various accountability studies which tend to focus on normative issues or standards or assessment of public agents’ behavior (see for example, Considine, 2002; Wang, 2002).

Other studies however, reveal somewhat different direction. Bovens (2010, p. 948) further maintains that within these studies, accountability is used in a narrower, descriptive sense. Accountability

within this perspective is considered as a ‘social mechanism’ wherein an agent can be held to account by another agent or institution. Hence, studies using this perspective focus not on the behavior of public agents, but on how institutional arrangements operate instead. More precisely, Bovens (2010, p. 951) asserts that these studies focus on whether the institutions can be held accountable *ex post facto* by accountability forums. Thus, accountability in this sense “involves not just the provision of information about performance, but also the possibility of debate, of questions by the forum and answer by the actors, and eventually of judgment of the actor by the forum.”

Accountability may manifest in different institutional forms. As a result, various literatures reveal numerous classifications of the various types of accountability. Cendon (2004) for example, divides accountability into four types: political, administrative, professional and democratic accountability. Political accountability involves double dimension – vertical and horizontal. Within the former case, government is to be held accountable to the public through elections. While within the latter case, government is to be held accountable to the parliament.

Administrative (managerial) accountability also involves vertical and horizontal dimension. In vertical dimension, administrative accountability links inferior administrative positions with superior – political or administrative – ones. Venning (2009, p. 4) also adds that vertical accountability is also known as direct accountability. By referring to Fölscher, Venning explains that vertical accountability can be promoted from both the supply and demand sides. The former refers to the provision of accurate and accessible budget information and processes to gather and action feedback from external stakeholders such as civil society organizations, parliament, and auditors. While within the latter refers to the stakeholders external (the parliament, the media and civil society) to executive who requests information and takes action to hold the executive responsible.

While horizontal dimension links individual administrator and the public administration as a whole with the public as user of the service, as well as with other external organs of supervision or control (e.g. oversight bodies, audits, controllers, ombudsman). Lawson and Rakner (as cited in Venning, 2009, p. 4) point out that this type of accountability is actually an indirect accountability between decision makers and the public through the arms of government. Horizontal accountability, for example, can refer to relations between the legislature, executive and judiciary; between the cabinets, line agencies and departments, auditors and special commissions, as well as between

different levels of government, such as the central and local governments.

Administrative accountability is applied based on objective criteria of a legal and constitutional provision enforced. The main objective of this type of accountability is to ensure the compliance of administrative performance with the established rules and procedures and the use of public resources. It is worth mentioning here that within horizontal accountability, the relationship between public administration and the citizen in particular is a concrete one on the occasion of a specific administrative act – the user of the service or the client.

Professional accountability is a special type of accountability that occurs within the world of professions, including public administration. It involves the existence of a set of norms and practices of a technical or professional nature that govern the behavior and performance of members of a certain profession within certain areas in the public administration.

Democratic accountability involves direct relationship between public administration and the society. In this relationship, society plays active role in the making of administrative acts as well as in requesting accountability to the public administration. Such an active involvement is strategic element for democratic legitimization of administrative action.

Hence, it can be argued that accountability is an essential mechanism in: maintaining and enhancing legitimacy of public administration; prioritizing public interests; encouraging public administration to carry out public duties in responsive, effective and efficient way; ensuring that power and authority should be used appropriately for the public values, legal requirements and natural justice; monitoring and controlling the activities and the use of resources by public officials; and ensuring that public officials always perform well (Barberis, as cited in Demirel, 2014, pp. 80–81).

Within the aforementioned frame of reference, some scholars highlight the importance existence of accountability as a means towards a specific end. It is executed to ensure that actions or behavior comply with formally or operationally with specific mandates. Within this perspective, accountability mostly associated with public officials or public administration performance.

Having argued that accountability plays significant role in public administration, it is worth mentioning that not all accountability systems are effective. Demirel (2014, p. 80) argues that effective accountability is indicated by: clarity of the roles and responsibilities of the parties involved in accountability; clarity of intended objectives and limitations; balance between capacities and

expected performance; information on performance and results achieved should be reported on a regular and regular basis. The report should include justification of success and failure. And lastly, accountability is operated in a transparent process of investigation and disclosure.

It is in the last criteria, Lederman et al. (2005, p. 4) add that accountability in the form of transparency tends to reduce the informational problem between principals (citizens) and agents (governments), and hence, improving governance. In turn, it can reduce corruption. By the same token, Sohail and Cavill (2008) also firmly argue that accountability is central to tackling corruption through formalizing expected actions or behavior, making the service providers comply with agreed standards of effectiveness and efficiency, and become citizens' monitoring target. It is also emphasized that accountability through transparency can significantly reduce corruption. Likewise, Philp (2001, pp. 359–360) in his article also argues that accountability is for controlling corruption, fraud, embezzlement, negligence as well as gross incompetence of public officials. Hence, from this perspective, it can be argued here that one strategic indicator for effective accountability system is that misdemeanor of public officials including corruption can be prevented.

## **B. Indonesia's Current Regulations on Local Government Accountability: An Overview**

The so-called Indonesia's reform era (era reformasi) has brought various implication on, *inter alia*, local government. Specifically, in terms of local government accountability mechanism. As the transfer of power and authority has taken place since the enforcement of Law No. 22 of 1999 on Local Government, which then replaced by Law No. 32 of 2004 and then replaced again by Law No 23 of 2014, so too the accountability mechanism.

Within Law No. 22 of 1999, head of local government was held accountable to the local parliament (*Dewan Perwakilan Rakyat Daerah/ DPRD*) as local people's representatives, in the form of Accountability Report (*Laporan Pertanggungjawaban/LPj*). If we refers to Cendon's categories, the law actually employed the political accountability (2004).

The said law stipulated that there were three types of LPj: the annual accountability report, which reported the implementation of the budget. Then, there was accountability report on "certain matters", as requested by the DPRD. The last type of LPj was the accountability report of head of local government at the end of his/her service period. For Governors, the report was submitted to the President. Meanwhile, for Regents/Mayors, the report should be submitted to the Minister of Home Affairs. Their respective

DPRD also received the report. The said law granted the DPRD the right to impose sanction to head of local government (Governor or Regent/Mayor) if the latter's accountability report was rejected by the former. Specifically, Law No. 22 stipulated that if the LPj was rejected for a second time, the DPRD was allowed to propose the dismissal of the head of local government to the President via the Minister of Home Affairs (MoHA) in the case of Governor, or to MoHA via Governor in the case of Regent/Mayor. Within this accountability forum, public was assumed to be involved indirectly through their representatives in the local parliament.

Accountability forum changed when Law No. 22 of 1999 was replaced by Law No. 32 of 2004 which firmly stipulated that public was included. Hence, based on Law No. 32 of 2004, local government was required to submit accountability reports to president and to local parliament in the form of Local Government Implementation Report (*Laporan Penyelenggaraan Pemerintahan Daerah/LPPD*) and Local Government Accountability Report (*Laporan Keterangan Pertanggungjawaban/LKPj*) respectively. The LPPD contained report on the implementation of regional administration after 1 (one) year plan based on the Regional Development Work Plan (*Rencana Kerja Pemerintah Daerah/RKPD*) delivered by the head of local government, similar to the previous arrangement.

In addition, local government also has to give report to the public in the form of Information of Local Government Implementation Report (*Informasi Laporan Penyelenggaraan Pemerintahan Daerah/ILPPD*). It is important to note here that apart from adding the public to the accountability forum, Law No. 32 in fact had curtailed the right of local parliament to impose sanction of local government. Hence, the accountability forum had no more capacity to impose sanctions in the case of poor performance.

The system has not changed much following the issuance of Government Regulation (GR) No. 3 of 2007 on LPPD, LKPj and ILPPD, and GR No. 6 of 2008 on Guidelines for Local Government. Particularly in terms of ILPPD received by the public, it was actually only the summary of LPPD submitted to the Central Government. Both Government Regulations were derived from Law No. 32 of 2004.

In terms of financial accountability, local governments also have duty to be accountable to other government entity, i.e. the Supreme Audit Agency (*Badan Pemeriksa Keuangan/BPK*) as has been specifically stipulated in Law No. 15 of 2004 on the Examination of State Financial Management and Accountability. It is stipulated that local governments are obliged to submit Local Government Financial Report (*Laporan Keuangan Pemerintah Daerah/LKPD*). The rationale of this type of accountability

is basically to ensure the transparency and accountability of local government's financial management.

In essence, the BPK audits the financial management of local governments, with four criteria: 1) compliance with governmental accounting standards; 2) adequate disclosure; 3) compliance with laws and regulations, and 4) the effectiveness of internal control systems. Then, at the end of the auditing process, BPK issues a professional financial statement or conclusion – so-called 'Opinion' – on the quality of the LKPD in four possible types of opinion: 1) Unqualified or fair without exception (*Wajar Tanpa Pengecualian/WTP*) indicates that the financial management complies with those four criteria; 2) qualified opinion or fair with exceptions (*Wajar Dengan Pengecualian/WDP*) indicates that there are one or more accounts that are not reasonable and excluded by the BPK; 3) Adverse Opinion or not fair opinion (*Tidak Wajar/TW*) indicates that information reported is not fairly presented or mislead; and 4) Disclaimer Opinion or not giving opinion (*Tidak Memberikan Pendapat/TMP*) indicates that due to limitation or weaknesses of the reported financial management, BPK cannot gather sufficient data and information in order to assess the fairness of the report and hence, refuses to issue opinion. It is believed that this public-sector accounting has the potential to sustain the efforts of reducing corruption practices that occur in many local governments. The better the accountability of local government financial statements (opinions, internal control systems, and compliance with laws and regulations), the less corruption occurring in the local government.

Needless to say, the aforementioned local government accountability system promises a potential and strategic safeguard to ensure effective and efficient local government administration. Nevertheless, normative scenario does not always automatically materialize. Critical discussion in the following section will buttress such an argument.

### **C. Indonesian Local Government Accountability System: Problems and Its Consequences**

Considering the above explanation on the type of local government accountability, it can be argued here that the nature of Indonesia's current accountability mechanisms – LPPD, LKPj, ILPPD and LKPD – represent political, administrative and democratic accountability types of accountability with vertical as well as horizontal dimension as explained by Cendon (2004, pp. 28-46) and Venning (2009, p. 4). As stipulated within the aforementioned regulations, local governments are held accountable not only to the President and other national as well as local government institutions,

but also to the public in the form of presenting a number of accountability reports annually and at the end of service period.

Nonetheless, the burning question is, how meaningful and effective have these mechanisms been so far? Have these accountability mechanisms delivered their potential benefits as promised and constructed by many experts? It is interesting to note here the findings of a number of studies pertinent to the effectiveness of those accountability mechanisms. For example, Rahmatunnisa's study in Bandung District and Cirebon City reveals that, during the implementation of Law No. 22 of 1999, instead of conducting transparent and objective process of investigation on the LPj (annual financial accountability report), the event in fact once became an arena of "collusive" relationship between head of local government and DPRD (2009, pp. 165–167). This happened because DPRD was granted with powerful position vis-à-vis head of local government since the former held the authority to accept or reject the LPj of the latter if there were gaps between budget allocation and realization. The rejection could lead to the dismissal of head of local government as stipulated within Law No. 22 of 1999. As a result, instead of strengthening a checks and balances mechanism within local government as it was originally meant to be, LPj event once was exploited by DPRD to "blackmail" head of local government so that the LPj would be accepted (Djohan, 2003, p. 156).

In addition, Rahmatunnisa's findings also show that within the LPj mechanism, public was out of the picture. The LPj session became an exclusive arena for political elites – legislatures and head of local government. Whereas, the LPj was originally intended as a channel through which public could exercise their control over local government performances (2009, p. 167; Ramdani et al., 2003b, p. 4).

From the aforementioned tangible data clearly shows that local government accountability system as stipulated in Law No. 22 of 1999 both written and performance do not represent the ideal conception of accountability as explained by scholars, such as Bovens (2010, p. 951). Demirel (2014, p. 80) and Venning (2009, p. 4). Due to the vague standard and criteria on how exactly the accountability reporting mechanism should be executed, instead of becoming a forum for assessing the performance of head of local government in which it involved not only DPRD but also public, the mechanism in this period in fact became an event of blackmailing head of local government by DPRD. The powerful position of DPRD vis-a-vis head of local government became merely as "prison" for the latter and in turn, it involved money politics. Instead of becoming a constructive debate forum, accountability

mechanisms was interpreted more as "a weapon" to dismiss head of local government, and hence it created tension between DPRD and head of local government. No wonder, there was a case where head of local government intentionally refused to present LPj, because he knew in the first place that the event will be used by DPRD to dismiss him, as occurred in City of Surabaya (Ramdani et al., 2003a, p. 34).

The stipulation of Law No. 32 of 2004 significantly altered the accountability mechanism of head of local government. Due to rampant cases of money politics during LPj sessions which involved DPRD, in this law, DPRD no longer had the authority to hold head of local government accountable and to dismiss him/her. Head of local government only needed to present LKPj to DPRD without any disciplinary sanction in the case of poor performance. This new stipulation indeed significantly reduced the prevalence of money politics in the regions. Nevertheless, it certainly did not mean running without problems.

It is Buehler (2010) who maintains that both vertical as well as horizontal accountability did not work well. Especially in terms of LKPj, the local parliament has no meaningful power to hold its executive counterpart accountable or to dismiss him/her if his/her performance was considered poor. In other words, local parliament only receives the LKPj of head of district or municipality with no disciplinary sanction whatsoever in the case of poor performance. The latest local government law – No. 12/2008 – further weakens the duties and authorities of local parliament, as Buehler further asserts that "...the effectiveness of local oversight mechanisms through which subnational assemblies supervise their executive counterparts has continued to erode slowly but steadily."

Thus, the report was actually informative in nature, with no option for DPRD to accept or reject it. In the case of matters that are deemed incompatible with the agreed policies on Regional Medium-Term Development Planning (*Rencana Pembangunan Jangka Menengah Daerah/RPJMD*) as well as Regional Budget (*Anggaran Pendapatan dan Belanja Daerah/APBD*), the DPRD may employ the right of interpellation or right of inquiry to further investigate the incompatibilities. The results of DPRD would be in the form of strategic notes to be followed up by the head of region to make correction in the future. Thus, considering the absence of clear sanction in the LPKj mechanism, it can be argued here that it fails to have strategic element of accountability as mentioned by Cavill and Sohail (2007, p. 21), namely enforceability (punishing poor performance).

Indeed, the above aspect has been the subject of criticism by many experts. It was stipulated within

the Law No. 32 of 2004 that head of region could not be dismissed due to his/her poor performance, there was no other choice for the DPRD and the local citizens than to accept and to let their head of region to continue working until the end of his/her term of leadership. The most effective way to deal with poor performance of head of region is then to leave it to local residents not to vote him/her again at the time of the regional head election (Komari, 2009, p. 57).

With regard to the LPPD, the picture is also nearly similar. There was collaborative study between Central Government and the World Bank in 2007 from the lens of accountability. *First*, with respect to transparency, it was stated that the required reporting of financial information from local governments to the central government (LPPD) was irregular and incomplete, nothing of fiscal information to the public. This could make local government vulnerable to inefficient use of resources and misallocation of central government-provided funds.

*Second*, with respect to answerability, the implementation of performance-based budgeting which aimed at improving accountability has been weak because of limited capacity of local governments and conflicting regulations and directions from central ministries. Such a complicated budget process has led to delays and uncertainties for local governments.

*Third*, with respect to controllability, it was reported that the State Audit Agency only regularly audits around sixty (60) % of local governments due to lack of resources. The reports were submitted to the local parliaments with no public disclosure. Hence, the findings were rarely followed up and if there were corrupt practices, they were eventually not punished.

Although the above study was conducted in 2007, similar findings are also revealed by number studies years afterwards. For example, the study of Puspasari (2010) at two local governments – City of Cimahi and City of Depok – in line with the first World Bank's study. By the same token, considering that effective accountability systems would be indicated by more effective and efficient public administration, Schulze and Sjahrir's article shows that local governments in Indonesia have not practiced effective accountability systems (Schilze & Sjahrir, 2014). Their article entitled "How Indonesian Local Governments Spend Too Much on Themselves", highlights the condition of excessive levels of administrative spending which only benefited local bureaucrats and politicians, not the local people. Firmly, Schulze and Sjarir argue that besides bureaucratic self-interest, lack of accountability is considered as a prime explanation of such administrative overspending. As a result, administrative performance as measured by the

quality of public service delivery also has not improved significantly (von Luebke 2009, as cited in Buehler, 2010; Martini, 2012). This argument implies that all those accountability mechanisms have not been effectively implemented.

As part of horizontal accountability, a relative similar description to the effectiveness of LPPD and LKPj, ILPPD has not been effective either. A collaborative study conducted by Seknas FITRA and The Asia Foundation covering 42 districts/municipalities in 16 provinces reveals that ILPPD has not been an effective means of local government accountability mechanism to the citizen (SEKNAS FIKRA and The Asia Foundation, 2008). It was found that the ILPPD documents tend to be less available and less accessible. Accordingly, public involvement in the process of evaluating development implementation was restricted. Another interesting finding from this study is that there were more than 34% of local governments did not produce ILPPD documents. It was also found that there was almost no initiative from local governments to develop an accountability mechanism which involved the public directly. From 42 districts/municipalities, only one district – Bojonegoro District – provided means for the community to respond to the ILPPD, established through a regulation. It was called "Friday Forum" which gave the residents opportunity to provide input on all local development activities. This Forum is in accordance with what has been conceptualized by Boven (2010). The other 17 localities surveyed did not provide channels whatsoever for the public to respond to ILPPD. Then, in 15 other localities, ILPPD never existed, let alone public response. By the same token, Martitah's study of Semarang District shows that the local government has not fully implemented the principles of accountability. It is particularly reflected in the lack of public policy information available for the public (2013).

No less captivating analysis also comes from Solikin (2005, pp. 22-23) who asserts that LPPD and ILPPD represent a type of self-assessment accountability reporting. This type of accountability reporting has been criticized by many experts suffers from bias and hence, raises the question of accuracy and reliability of the reports as a meaningful instrument for holding the local government accountable.

In terms of LKPD to the BPK, the pictures are also somewhat similar to the aforementioned accountability mechanisms. Normatively, the LKPD is considered to be a manifestation of public sector accountability (Mardiasmo, 2002). As explained earlier, the main purpose of the LKPD is to examine local government's financial statements based on four criteria. As the examiner, BPK will issue four (4) possible "professional opinion" (WTP, WDP, TW or TMP) which basically indicating the degree of



compliance to the government accounting standard and other related financial government regulations. Indeed, the LKPD mechanism is actually an essential part of Indonesia's radical reform in the field of public sector financial reporting, which started by the stipulation of Law No. 17 of 2003 on State Finance (*Undang-Undang Keuangan Negara*). Mcleod and Harun (2014, p. 238) maintain that the main objective of the radical reform was to combat corruption and hence, helping to improve governance.

The said law was then accompanied by two other laws, namely Law No. 1 of 2005 on State Treasury (*Undang-Undang Perbendaharaan Negara*) and Law No. 15 of 2005 on Auditing of State Finances (*Undang-Undang Pemeriksaan Keuangan Negara*). These laws were basically aimed at strengthening the transparency and accountability in managing the people's resources entrusted to the state. Specifically stipulated in Law No. 17 of 2003, the new adopted accounting system was aimed at supporting the government's efforts to combat corruption (McLeod & Harun, 2014, p. 239). Has this been achieved?

Based on the BPK Reports since 2011, there has been a relatively positive trend in terms of local governments obtaining the WTP status, as can be seen in the following line chart.

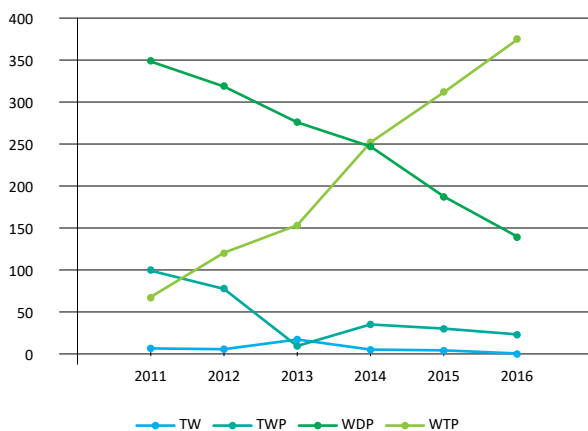


Figure 1. BPK Opinion on LKPD

If we consider what have been argued by Lederman at al. (2005) and Sohail and Cavill (2008) for example, that accountability mechanism could contribute to the effort of curbing corruption though transparency and public monitoring, and making governments act in more effective and efficient manner, we could assume that what have been reported by BPK would be accompanied by a similar achievement in terms of corruption cases.

Nevertheless, contrary to what has been expected, a number of reports in fact reveal that

corruption cases in Indonesia has been quite alarming since the reform era, especially when it comes to what happens in the regions. For instance, it was reported that in 2008, more than 20 governors out of 33, former governors, heads of districts and mayors were imprisoned or declared suspects of corruption. No less shocking, more than a thousand members of local parliaments across country were under investigation for corruption-charges in 2006. Indeed, in his article, Green (2005, pp. 6-7) asserts that following the era of decentralization, there have been many evidence of corruption frequently occurring at local government level. As a result, Transparency International has ranked Indonesia a 2 on the Corruption Perception Index (CPI) out of 10. The CPI is a composite indicator which aggregates data from a number of different data sources that provide perceptions of country experts and business people of the level of corruption in the public sector. In this index, zero represents highly corrupt and ten represents a highly clean business environment. Instead of improving local citizens, it is believed that decentralization in the form of granting regional autonomy to the local officials has in fact increased the ability of local officials to request and receive bribes and illegal gifts.

The latest condition has been considered "slow and imperfect progress" as reported by Transparency International with regard to the efforts in fighting against corruption (Transparency International, 2018). The report is aligned with the data revealed by the Minister of Home Affairs last December 2017. It is reported that between 2004-2017, there have been 392 (out of 542) heads of local governments involved in legal cases, in which 313 (almost 80%) of them are corruption cases. This figure is more than 50% of head of local governments in Indonesia (Zulfikar, 2017). Besides bribes and illegal gifts as mentioned by Green a decade ago, their corruption cases also occur in the management of regional finances that are derived from budgeting, taxes and user charges, procurement of public goods and services, grant and social assistance expenditure, and travel expenditure (Zulfikar, 2017).

Considering the BPK's opinion on LKPD, it is argued here that such a financial accountability method could not be an effective warranty that an opinion of WTP means free from corruption. If we look at BPK's report in 2017 for instance, Makassar City received a WTP Opinion (BPK RI, 2017). Nevertheless, a survey conducted by Transparency International Indonesia (TII) in 2017 in fact shows that Makassar City is considered to be one of the corrupted Cities as shown by her CPI score at only 53.4 out of 100. Likewise, Medan City obtained WDP Opinion in 2017. Yet, according to the TII Survey Report 2017, Medan City is considered to be the most corrupted City in Indonesia with her score



at 37.4 out of 100 (Transparency International Indonesia, 2017).

In addition, if we compare the data on BPK's Opinion and the figure from Transparency International wherein more than 50% of heads of local governments involved in corruption cases, needless to say, there is no parallel relationship between BPK's Opinion and prevalence of corruption. How could this happen? One intriguing and hypothetical answer for that question is related to the latest case of corruption scandal that shook BPK. It is reported that BPK's auditors have been caught red-handed for taking bribes so that auditee entities could get WTP opinion (Retaduari, 2017). In other words, those cases indicate that all along, the BPK's WTP opinion could be manipulated and traded by BPK auditors. This is another reason that makes LKPD unreliable as an effective accountability mechanism.

Having argued that, it must be admitted that such a financial accountability system does have the potential to be an effective means for preventing corrupted behavior if it is not considered merely as an obligation of local government entities to report their financial management appropriately. If it is treated as a meaningful means of controlling the behavior of state apparatus in public sector's financial management, then it is argued here that there would be a strong parallel relationship between BPK's opinion as a form of accountability mechanism and improved CPI scores or ranks, as many experts have calculated.

#### IV. CONCLUSION

Local government accountability system is among strategic aspects that have been fundamentally altered since the demise of Suharto's regime in mid-1998. Political, administrative and democratic type of accountability with vertical as well as horizontal dimension have been adopted by Indonesian government. Normatively, they have been employed not only intended as a means of reporting a sound financial management per se, but more than that, aiming at controlling and reducing the tendencies of public sectors' apparatus conducting ineffective and inefficient behavior as well as other fraud activities. Within a bigger picture, fundamental reform in local government accountability system has been specifically aimed at improving governance and combatting corruption.

Nevertheless, empirical evidence shows that all those idealized aims have been materialized yet. One obvious indicator for this statement is the massive prevalence of corruption cases across many local governments in Indonesia. Evidence also shows that the local government accountability system is still tarnished by a number of problems, including the absence of enforceability, limited capacity of

local governments to produce appropriate reports, corruptive behavior of the auditors, and limited public participation. Accordingly, the accountability systems have not effectively made local governments in Indonesia more accountable and free from fraud or corruption as expected.

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