

**CENTRAL GOVERNMENT SUPERVISION STRATEGY TO LOCAL GOVERNMENT:
CASE OF DELAY IN THE DETERMINATION OF THE LOCAL BUDGET IN KEDIRI
REGENCY IN EAST JAVA INDONESIA**

Mohamad Solikin

Doctoral Program of Public Administration,
Faculty of Administrative Science,
University of Brawijaya, Malang, Indonesia
nikilos.avie@gmail.com

Sjamsiar Sjamsuddin, Soesilo Zauhar & M.R. Khairul Muluk

Department of Public Administration, Faculty of Administrative Science,
University of Brawijaya, Malang, Indonesia
syamsiarfia@ub.ac.id
soesilozauhar@ub.ac.id
mrkhairulmuluk@gmail.com

Abstract

As forming autonomous regions, government had an obligation and even the right to supervise local government. With the large number and broad scope, it was an enormous task for the central government to conduct supervision to all levels of government. Moreover, government supervision of the local financial management, which translated into time appropriateness in determination of local budget as instruments for the progress and welfare of the local community. Though not too much research in the field of government supervision in the vertical relationship of the central and local government, this article was intended to describe and analyze how government supervision strategies to local government in case of delay in the determination of the local budget Kediri regency in East Java Indonesia.

Keywords : *government supervision strategy, local government, local budget*

1. INTRODUCTION

Decentralization policy has been brought great changes to the local and its relationship with central government (Cleveland, 1919, p. 237; Faguet, 2013, p. 2; Fengler and Hofman, 2009, pp. 245-246), including in Indonesia (Hoessein 2011, p. 134). As a policy, it gave birth to the pros and cons of decentralization (World Bank, 2002, p. 1), so in addition to raise a number of problems, also recognized can resolve various problems. The implementation of decentralization policy conceptually often viewed by scholars of public administration as an instrument of achieving certain goals (Hoessein 2011, p. 91) for the benefit of the local authority or the interests of the central government. So Leemans (1970) concluded priority objectives of decentralization was efficiency paired with the unity of the nation and democracy was paired with independence and then Halligan and Aulich (1998) described two models of local government, namely the local democracy model that was rooted in the theory of local governance that built according to political theory and the structural efficiency model that built according to management theory (Hoessein, 2011, pp. 91-92). Both models were always important in the formulation of laws on decentralization and local governance, which tried to find a middle ground to take the positive sides of both in hybrid (Cheema and Rondinelli, 2007), as a mixture (Muttalib and Khan, 1982, p. 229) and emphasized on macroeconomic control (Reid, 2012, p.14). This was in line with the spirit of prioritizing the implementation of decentralization in Indonesia based on Law No. 32 of 2004 (Hoessein, 2011, p. 94).

To achieve balance in the above models was very important, because it turned out the size of the accountability of decentralization performance in particular field was often not optimally to achieve national performance targets (World Bank, 2009, p. 83). Most of affairs that have been handed over to the local government in certain areas were not implemented seriously and failed. Especially in matters of local budget, admittedly by the central government it was not easy to control expenditure of sub-national governments (Bahl, 2008, p. 4). Therefore, in addition to the importance of supervision topolity implementation, it was necessary to consider it turned devolution was not necessarily the right answer of decentralization in a specific field (World Bank, 2009, p. 83). If not designed carefully harmful to separatism (Smith, 1985, p. 5; UN DESA, 2005, p. vi), authoritarian (Saunders, 2012, p. 5) as well as encourage disintegration and vertical conflict.

When decentralization was introduced in fact still left liability and even the rights of the central to local government, which was to supervise. However the central government was the creator of the local government (Hoessein 2011, p. 179; Muttalib and Khan, 1982, p. 240), which gave birth, supported and approved the presence of local government (Bowman and Kearney, 2003, p. 229). This meant that as the creator, the government needed to balance the goals of decentralization in achieving both efficiency and local democracy and to realize the continuum between the implementation of control and the benefit of encouraging autonomy and independence (Muttalib and Khan, 1982, p. 232) or a balance of control and demands, in a partnership balance and independence (Pelekamoyo, 1977, p.169). Though it was admittedly realized that the achievement of balance was not easy and difficult (Turner, 1999, p. 1).

In practice the government supervision was urgent and necessary, but quite a lot of obstacles and barriers faced. With more than 500 provincial, regency and city, then it was a remarkable task for government to conduct supervision. Besides affected the ability of local autonomy, also on the ability of local authorities to manage their budget, both in timing of establishment and ability to perform absorption. Delay in the determination of budget affected absorption. As an instrument of local policy, when the budget was late the absorption of budget smaller, so that the budget for the public was also diminishing. The budget determination was not timely appropriate schedules and time limits to bring the consequences of sanctions and reverse the consequences of the award. Government alone could not do much to the delay of the proposed budget, except to sanction the local concerned by delaying the provision of General Allocation Fund (DAU). Then divided the local managed to set a budget on time before the end of the fiscal year given incentives.

In the case above, for this study was taken case in Kediri. This option considered that like most other areas in Indonesia, which delayed the determination of the local budget, Kediri Regency also experienced the same thing (Radar Kediri, January 8, 2014). With these considerations, the choice was quite representative. Therefore, based on the above descriptions concern in this article was "How do actually the supervision strategy of central government in local governance as seen from the vertical dimension of the relationship of

the central government and local authorities in case of delay in the determination of the local budget in Kediri Regency?".

2. GOVERNMENT SUPERVISION: DEFINITIONS AND STRATEGY

The concept of control has long appeared in classical management theory. Be recognized that the complex and extensive supervision need to focus, so it should not waste energy, time and unnecessary costs. Therefore, it is needed to apply the *principle of exception* (Terry, 1977, p. 487; Likert, 1961, p. 590). This means that monitoring is done to extraordinary things and indeed requires corrective action, in addition to efficiency and effectiveness. Concentration of supervision is directed against *key points* (Terry, 1977, p. 487) or *the selection of strategic points* (Sisk, 1969, p. 586), which is held only to control key points and strategic priorities chosen.

Government supervision of local government is very important for a variety of considerations to the interests of the central government itself as well as local and public interest. Therefore, government control to local authorities aimed at protecting the public from abuse of power of local authorities. Then improving the implementation of national policy, the policies and programs of the central government to be applied and implemented in the area. Lastly, that supervision is intended to ensure local government compliance with national policy in general and in the macro-economic management (Anon, 2013, p. 7). Government supervision also means fulfilling the basic conditions of a democratic government, because according to Cleveland (1919, p. 237) to the make the organization and leadership consistent with the conscious ideals and purposes of those who are served.

Normatively, supervision over the activities of local government is a process that is intended to ensure that the local government runs efficiently and effectively according to plan and the provisions of the legislation (Regulation No. 79 Year 2005 on Guidelines for Development and Control of Local Government). Therefore, the supervision also became urgent after considering the fact most of the public services provided directly to citizens by the local government for various purposes, it also must submit and follow the various levels of control by the respective governments (Zimmerman, 2012). It is urgent and vital to avoid failure. Especially when local governments tend to be weak in internal control and audit system (Yilmaz, et al., 2008, p. 24) and the low of local authorities capability in carrying out the functions and responsibilities (Pelekamoyo, 1977, p.165).

Thus, to ensure the achievement of the goals of decentralization and the implementation of the various authorities that have been delegated and keep the interests of local, government supervise to the local government. Government supervision strategies directed against any given government affairs have been implemented by local authorities and with any regional policy has produced. Therefore, the scope of government control strategy can include such things as the political administration and finance (Denters, 2011), the legal aspects of the implementation of the Act and the implementation of a number of matters (Harbich, 2009), local government accountability (Tumushabe, et.al., 2010), budgeting, implementation and policy-making functions (Goldsmith, 2003), the level of capacity of local government (Seller, 2007), and the hierarchical degree of relationship and the coverage of the area of supervision (Humes IV, 1991). Later in the implementation, government supervision activities can be promotive (Muttalib and Khan, 1982, p. 241), preventive and repressive or punitive (Muttalib and Khan, 1982, pp. 242-243; Hoessein 2011, p. 126), as well curative or reformative (Muttalib and Khan, 1982, p. 244). The supervision also involves other elements in order to strengthen government supervision by supervision of the state and community elements in the framework of *local governance*.

3. RESEARCH METHODOLOGY

Besides using a qualitative approach, this research was a case study and descriptive. With a focus on government supervision strategy, which was intended as the activities of the Government and the Provincial Government of East Java as the representative of the government to ensure the local government run efficiently and effectively according to plan and legislation. While, the local government was the local authorities of Kediri Regency, involved regent and council, in the framework of the discussion and determination of local budget of Kediri Regency for Fiscal Year 2014.

Sources of data obtained from the informant, who came from central government and the Provincial Government of East Java, as well as the member of council and officers of the Government of Kediri Regency,

as well as elements of society and the local media. Then the data sources were also obtained from the locations and events as well as other necessary documents. Data obtained through interview, documentation and observation. Finally in this study was used data analysis techniques according to the technique developed by McNabb (2002, p. 296).

4. EMPIRICAL RESULT AND DISCUSSION

4.1 *The Choice of Government Supervision Strategies*

Choice of government supervision strategies intended to realize the goal of which was to ensure that government supervision of local government run efficiently and effectively in accordance with the plan and the provisions of the legislation. When the purpose of government supervision contained in a number of statutory provisions as supervision policy, the formulation would be confronted with the values to be achieved with the decentralization policy which was developed based on Law Number 32 Year 2004 on Regional Government. According Hoessein (2012, p. 177) implementation of the decentralization policy according to Law No. 32 of 2004 not only wanted to increase efficiency and effectiveness, but also realized the independence and local democracy. The hybrid model of decentralization policy was a choice for which in addition to using the structural model approach, also using local democracy model approach.

The problem was whether control policies were in line with the desired values on the decentralization policy. Whereas the desired formulation of government supervision policies of local government must be able to ensure the implementation of the policies of decentralization, deconcentration and *medebewind*. Based on the strategy of the government supervision to the local government, there were two different types of supervision, ie : supervision over the implementation of government affairs and supervision of local regulations and *perkada* (the head of the local government regulation). Both types of supervision were explicitly described and explained in Law Number 32 Year 2004 on Regional Government and its implementing regulations. Later in the context of the case and the determination of the regulation draft on the local budget, it turned out the supervision coupled with other supervisory based on Law No. 33 of 2004 on Financial Balance between the Government and Local Government. Though this supervision set on a different legal basis, could be grouped into the category of the type of government supervision on regulations and *perkada*. The government supervision gave obligations to local government to deliver financial data of local budget as a reporting of Regional Financial Information (IKD) which must be submitted to the Ministry of Finance and Ministry of Home Affairs (MOHA).

Government supervision strategy was in line with the view Harbich (2009, pp. 55-57) which divided government supervision into two categories, namely legal supervision and functional supervision. However, with regard to the obligation to report the IKD, it needed to be seen by the view of Mawhood (1983, p. 21) which stated that one of the targets and the reasons of government supervision was in order to economic regulation. It meant that the purpose of government supervision to control and direct the expenditure of public budgets, including the stabilization of national inflation and balance of payments. Consequently, the government asked local governments to report all utilization and use of their budgets. Therefore, paid attention to government supervision that has been carried out based on Law No. 33 of 2004 was in fact not simply divided the kind of supervision into 2 categories of legal supervision and functional supervision, but there was other type of government supervision. This government supervision was more accurately described as a sectoral supervision. This meant that there were certain fields that required coordination and control in national and macro level by the government because of policies adopted and activities carried out by sub-national governments would had implications for others. So that sectoral supervision not only required compliance with local government to meet its obligations, but also to control the common interests between the national and sub-national. Supervision functions carried by this sector was the synchronization and harmonization of the relevant sector nationwide, even based on mechanisms and results of supervision the data and reporting status was as a material in the context of further policy formulation in distribution and allocation of the resources that allowed it to be assigned or transferred to the local government again. By the sectoral supervision, the government could play a role in stabilizing the concerned sector on the entire territory of sub-national and decisive macro steps in the national interest.

Thus, in the context of financial management and delay in the determination of the local budgetsectoral supervision was not purely the responsibility of the ministry in charge of the functional

supervision as intended by Harbich (2009, p. 57), but been a joint responsibility of MOHA and the Ministry of Finance. At two ministries were equally contained an echelon unit in charge of financial management and fiscal decentralization policy. By using views Humes IV (1991, pp. 5-6) functional supervision that should have done in general by MOHA (general ministry) and technically by other ministries in charge (functional ministry) carried out simultaneously by both. Therefore, the above considerations same supervision was feasible to other sectors in accordance with the objectives and interests of each, such as the field of regional development planning, spatial development, rural development and so on.

The sectoral supervision was focused on the field of finance or budget. Goldsmith (2003, p. 91) and Denters (2011, p. 316) even stated in finance or budget was one of the areas that got priority in determining the strategy the government control of the regional administration. It was recognized, how big the impact and influence of finance or the budget. In fact, by dividing three forms of government control in this study was similar to the views of Goldsmith (2003, p. 91), with the understanding that the sectoral supervision was supervision of the budget.

With reference to the views of Humes IV (1991, pp. 5-6) and Harbich (2009, p. 57) there were an interesting phenomenon in this study, because the functional supervision that was usually organized by technical ministries, it was strengthened to be implemented at the MOHA as ministry in general supervision. MOHA has formed functional officer groups P2UPD (Supervisory on Local Government Affairs), which was part of the government's internal audit (APIP). So the whole conduct of the affairs of local government was part of the supervision of MOHA and as a document of control policies, MOHA was responsible for coordinating all functional supervision tasks of ministries to all local authorities.

4.2. Characteristics of Government Supervision

Government supervision was in fact implemented in stages involving all monitoring devices, at the central, provincial and regency/city as the subject and object of supervision. Supervising the implementation of government affairs carried out by APIP (Internal Government Supervisory Apparatus) includes P2UPD and auditors which were both under the coordination of the Inspectorate General of MOHA. While supervision over local regulation and *perkada* implemented in stages by the level of government on it. Local regulations and *perkada* of regency/city were supervised by the Governor and Provincial regulations and *perkadaby* Minister of Home Affairs conducted by forming the evaluation team. Thus implementing supervision over the implementation of government affairs were functional officials and the holder of supervision of regulations and *perkadawas* structural officials.

Characteristics of the supervision strategies showed that the supervision over the implementation of regional government affairs carried out as preventive measures, where the subject of supervision involved various levels of supervisory authorities and the internal supervision by local government itself. Supervision was intended as an initial effort to prevent errors, breaches and non-compliance. As for supervision over local regulations and *perkada*, with time limitation and liability of supervised object submit a report showed this supervision repressive. Supervision activity was performed after the object supervision carried out their duties, including conducting a democratic discussion of the regulation. Supervision carried out at the end of a series of events after all the stages and process of establishing regulations and *perkada* accomplished. Therefore, the characteristics of above government supervision strategy, in line with the view of Harbich (2009, p. 64) which were structurally the legal supervision was repressive, while the functional supervision was preventive.

But beyond the control characteristics could be observed with due regard to each supervision mechanisms and form on any kinds of supervision. Supervision mechanism for the implementation of regional government affairs consisted of activities: audit, investigation, review, monitoring and evaluation. Audit and investigative activities were not sufficiently known as preventive measures, because it was done selectively based on priority and risk-based, so that more precise control characteristic was a reactive effort where supervision was to seek answers to the problems of the supervision entity. While the review, monitoring and evaluation in the implementation for the purpose of prevention could be categorized as a preventive control. So that in normal circumstances the government supervision over the implementation of government affairs was not fully implemented reactively, but the implementation was based on the fulfillment of targets and priorities to issues predetermined selective based on risk arising as early prevention (preventive). These preventive measures would be effective, if supported by the control system

and effective early prevention as well. Only in certain situations and urgent, conducted supervision for special purposes that were reactive.

Furthermore, supervision over regulations and *perkada*, that the sorting was based on the supervision mechanism consisted of evaluation and clarification, then by placing the position of government approval for regional policy matter as contemplated by Hoessein (2011, p. 126) can be categorized as follows :

1) Evaluation, that the government gave approval or endorsement before local regulation designs set as regulations were put into practice, even though the draft was already discussed and agreed upon between the council and local government. So in this evaluation mechanism of government supervision was a preventive measure,

2) Clarification, that the government gave approval or endorsement after local regulation designs defined as regulations in the specified time limitations to be submitted to the government. So that government supervision was a repressive efforts.

Thus, the difference in the two above mechanisms that meant by the establishment of the draft of regulations was the process of enactment. But if what was meant by such designation was the approval culmination on the agreement of both the local authorities, the council and the head of the local government, after going through the stages of democratic discussion, the two mechanisms both evaluation and clarification, would equally apply repressive supervision. That was, evaluation and clarification were equally implemented after the local regulation approved together as determination. Certainly understanding of this definition was in line with the opinion of Harbich (2009 p. 64), Hoessein (2011, p. 126) and Manan (Huda 2007, p. 41). So with the last character, to the government's control over the establishment of the draft regulation on the budget was also included in the repressive supervision.

However, by observing activities undertaken in the evaluation phase on the draft regulation on the budget, which allowed the local government as the party of supervised and government as the evaluation team met, made clarification and dialogue on policy matters and problems faced, government supervision was not merely repressive. Processes and mechanisms of dialogue in the evaluation activities for the local autonomous very important because it could explain the position of an adopted the budget policy reasons, as well as a consultation event on the validity, relevance and appropriateness of the measures taken. So that it became a reason for the government superiors to question the clarity and confirms the reason of every policy area that was considered important and strategic, in contrast to the local government evaluated that was an opportunity and effective forum for consultation and ask an explanation. Therefore, the evaluation mechanism on the draft of local regulation on the budget, the government supervision also been consultative. Although this was not a dominant character.

Related to the obligation to deliver IKD, the level of government supervision was carried out by placing all of the autonomous regions as the object of government supervision. While the Central Government as the subject of supervision did not involve the provincial government as the representative of the central government to help carry out the supervisory function. Central government control all autonomous regions, both governments of provinces, regencies and cities. The government supervision was the same as the supervision of the draft of local regulation on the budget that were repressive, which still provide sufficient space for the region to use its discretion in the local financial management as long as not exceed the specified time limit. Even a number of financial regulation, grants and financial aid that governed the local level have been formulated as a mechanism and a means of control. That was accordance with the steps of government supervision activities as Malan (2012, p.121) and Steytlor and De Visser (Reynecke, 2012, p.11) explained : regulation, monitoring, intervention and support.

Great room for innovation and creativity of local financial use was guaranteed by the Law, as the Dillon Doctrines (Bowman and Kearney, 2003, p. 230, US Legal, 2013, p. 1; NLC, 2013, p. 1), local governments had the authority to acting for the powers conferred clearly. Therefore, when legislation provided the space was so large, the regional authority to manage local finances. The Law of State Finance provided that the President as the head of government hold the power of the state financial management as part of the government authority and submitted it to the governor/regent/mayor as the head of local government to manage local finances and represent local governments in the ownership of local assets were separated.

Thus, the central government under legislation has given authority to the heads of regions to manage local finance. It meant that the head of the region as the head of government should prepare and formulate,

organize, discuss together with the council, implement and accountable to local finance that formulated into local budget. So that by the mandate of the central government, the local authorities have been given power within the limits of authority for financial management. It means that the region could not act arbitrarily and only carried out power when required under the provisions of the legislation.

Given that the impact of the uncontrolled of local financial management was very large and systemic, as thought Mawhood (1983, p. 21) government supervision in this field was very tight and powerful. As punishment, the sanction would be given to the region that was late in fulfilling their obligation to submit local regulation of the budget. Local government must report the IKD to the government on time. Delays can be given sanction in the form of a written warning or delay their financial rights in the form of transfer funds, in addition to the publication for the delay and sanctions to the media. Therefore, strictly and clearly sanctions showed that the supervision over IKD reporting obligations different with other forms of government supervision, this supervision was punitive sanctions.

Policy making supervision over the implementation of government affairs was bottom-up, while the formulation of government policy towards regulation and supervision of *perkada* was top down and in its implementation tended powerful. Implementation of government supervision over the implementation of government affairs have been covering various sectors and matters, which implemented throughout the year in accordance with the planning. Then, supervision over local regulation and *perkad a* implemented only at a particular time and in a limited time, after the establishment of mechanisms and stages of local regulations were met.

Characteristics of the tiered government supervision policies showed restraint and a strong role of the central government. There was a clear separation between the government and the local government that supervised. Besides government supervision based on the basis of norms and ethical supervision static. In the case, local government was the object of supervision, then supervision of the government policy of not placing the local government as partner for the central government.

By referring Bekkers and Homburg (2013, p. 4) interaction in the implementation of the above supervision, the government as the controlling party acting as a cop or police officer rather than a coach. So that the control policies were built and developed more as a government screening process than to the steering. Therefore, in line with the view Knottnerus (2013, p. 13) supervision was still dominant policy to emphasize the importance of controlling the financial and administrative burdens than to be directed to the fulfillment of various complaints and empowerment of local governments, as well as to the role and function of government in politics-administration. Even under supervision in the financial sector, as the opinion Spiotto (2014, p. 1) government should not and was not enough to just played the traditional role in the supervision, but the government's role was to assist, guide and direct the local administration in order to anticipate and prepare for when conditions economic downturned.

Furthermore, in the context of achieving the objectives of decentralization hybrid models, preventive supervision carried out in order to support the structural model of efficiency and repressive supervision to strengthen local democratic model (Muluk, 2009, p. 66). Accordingly, government supervision over the implementation of government affairs was the most relevant to the structural efficiency model. It's just that this supervision also had the characteristics of a reactive supervision, in addition to preventive supervision. As described previously, a reactive supervision was intended as an attempt to acquire and find answers to problems faced directly on the supervision entity. Therefore, this supervision could also be referred to as curative supervisory, because the recommendations of supervision that should be followed by supervision entities, then it contributed to provide solutions and drugon supervision results in the field. This was actually an attempt to push back the performance of the organization and function of local government could work more efficiently and effectively. It meant that the reactive control strategy was also intended to bring the regional administration more efficient and effective.

Then, paid attention to the characteristics of supervision over local regulation and *perkada*, besides this was indeed indicated an attempt repressive, also it had a punitive character. It was very obviously obtained from this research that the supervision over local regulation and *perkada*, as well as supervision of the reporting IKD as a sectoral supervision had the implementation of sanctions which contained clear and unequivocal. Sanctions imposed on the region if the decision was contrary to the rules of higher government or more, and contrary to the public interest. Sanctions were also given to the local after the specified time limit was not met to submit a report on the regulation of the local budget along with financial data to the

government in a timely manner. Delays in the implementation of regional obligations have been resulting penalty. As a repressive supervision, punitive supervision held at the end of a process of dialogue and discussion as well as the establishment of the draft of local regulation was under way. This meant that the repressive and punitive supervision created conditions to provide the widest possible space for local governments to make choices of their own decisions independently and through a democratic process.

That was why, in order to achieve goals and realized the values championed by the decentralization policy of hybrid models, the findings of this study complements the Muluk opinion (2009, p. 66). That in order to support the structural efficiency model was required of preventive and reactive supervision, and to realize democracy and independence at the local level should be supported by repressive and punitive supervision. Then the characteristics of the supervision strategy was spread in 3 different types of supervision as mentioned above which complements the opinion of Harbich (2009, p. 64), which the characteristic of government supervision strategy structurally that legal supervision was repressive, functional supervision was preventive and reactive, then the last sectoral supervision was punitive.

4.3. Synergy of Government Supervision

In practice, various forms of supervision to the local government in the different characters should not be performed by dominating or weakening each other, otherwise mutually reinforcing and complementary. Shortage of one form of supervision could be filled and fulfilled by other forms of supervision. Moreover, as it was well known that the supervision area coverage was so extensive that indicated the amount of control need and the capacity of government supervision at various levels were limited, in human resources, budget support and access to information. It was unlikely to be effective if the government supervision by relying on one form of supervision.

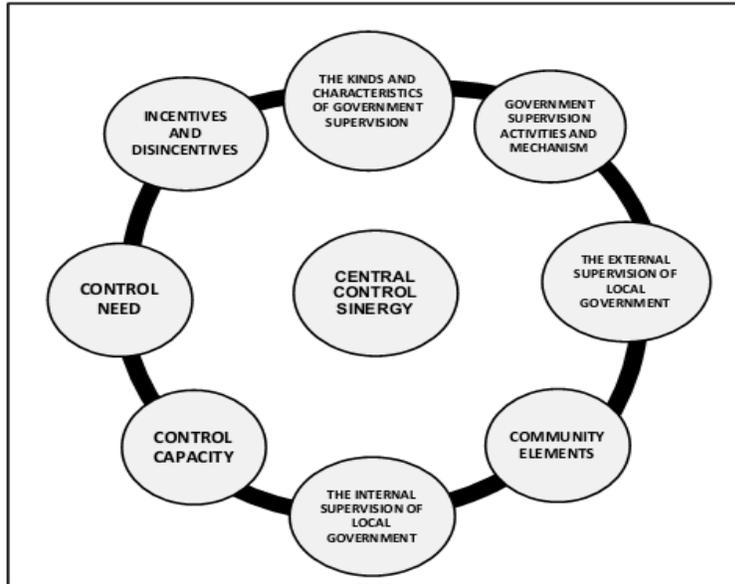
Reinforcement of the implementation of government supervision was not only coming from the government itself as an organizer of external supervision of local government and local governance internally, but also the support and participation of various elements, such as mass media, universities, community leaders and NGOs. In among each element had a synergy in order to realize the objectives of government supervision. This was in line with research Linnas (2010) who has filed a formulation about the possibility of doing the integration model of audit, control and supervision, which was the design of an audit system, integrated control and supervision over the local government could be justified scientifically, as well as appropriate and functional with real life.

While Reid (2012, p. 6) confirmed that the theory of governance tended to focus in part on the presence of multiple stakeholders, especially in relation to the collective problem could not be solved by the public sector that worked on its own but required the cooperation of players (for example: citizens, businesses, voluntary, non-profit sector and the media). Moreover, because of the complexity of the processes and interactions that hybrid governance and multijurisdictional with the plural stakeholders which incorporated in networking (Bevir, 2011, p. 2). Therefore, government control over the local government could be done within the framework of local partnerships and forms of cooperation (UN, 2012, pp. 6-9). The existence of a partnership and cooperation demonstrated synergy in supervision activities.

Synergy, according to Covey (1989) meant 'effective cooperation', that the synergy created a solution or a better idea and innovative of a partnership. Then Kanter (1989) stated that synergy was the interaction of businesses that generated greater profits and beyond what could be done by each unit if doing it on their own. Cooperation and interaction in the form of such partnership buildings encouraged effective synergy for maximizing the utilization of resources so it could produce better outputs, greater achievements and product quality, as well as the presence of quality standardization on the results of government supervision.

So within the framework of government supervision of the local government, especially avoided delaying in the determination of the local budget, as mentioned earlier, the strengthening should pay attention to the control needs and control capacity by engaging the resources in the implementation of other government supervision through synergy in the implementation of government supervision strategy and appropriateness of the choice government supervision activities, which was supported by networking through cooperation and partnership with some supervision organizers and the local community elements.

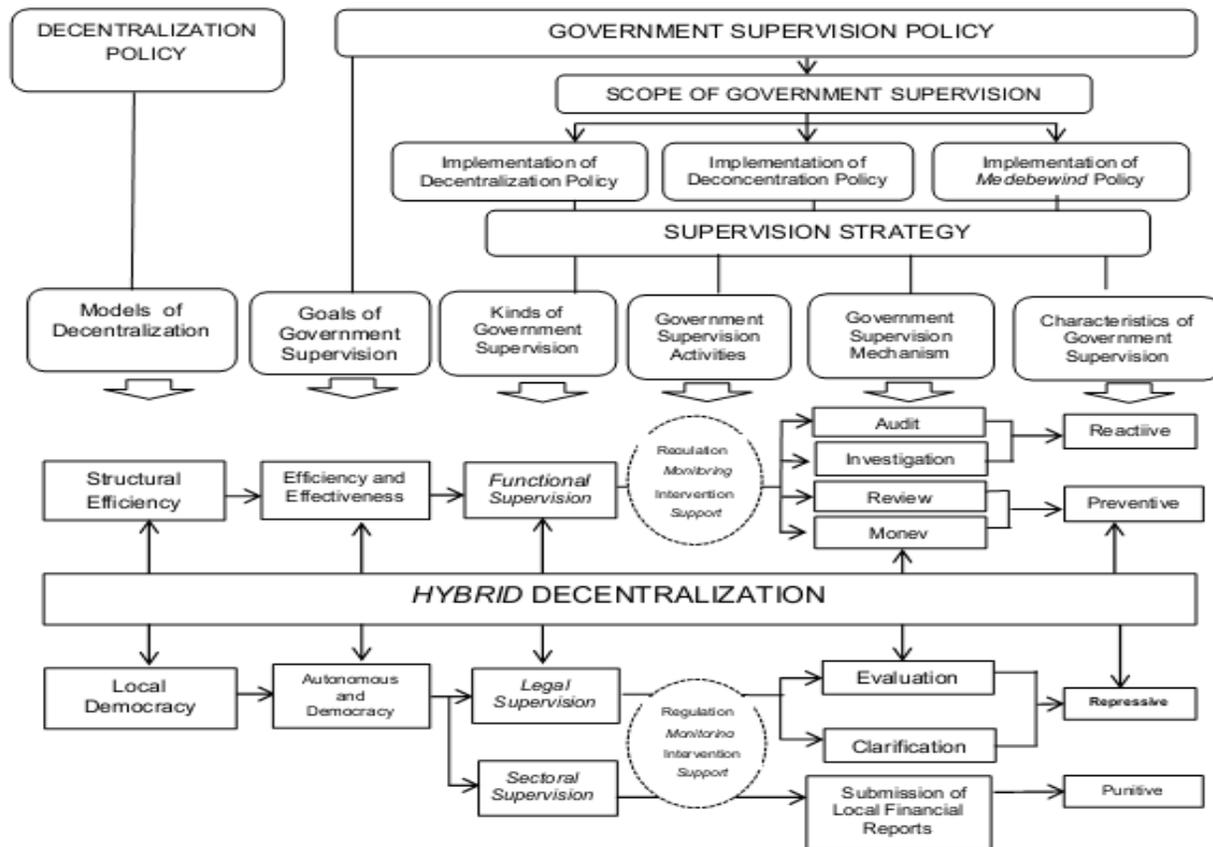
By paying attention to the activities of supervision required, finally it could put forward an option government supervision synergy to the local government.



Synergy Among Organizers of Government Supervision, Internal Supervision Regional Government, Government External Supervision, and Community Elements

The next implication, that to formulate policy objectives of government supervision that was poured into the legislation should not be directed only enough to obtain the efficiency and effectiveness of the local government, but also it needed to be affirmed explicitly that the government supervision would be achieved of independence and democratization at local level.

So that the formulation of the goals of government supervision was to ensure the local government efficient and effective according to plan and legislation as well as independent and democratic. The relationship of the hybrid decentralization policy model with the supervision policy as shown in the figure below:



Source : data explored, 2015

Figure 2
The Relationship of The Hybrid Decentralization Policy Model And
The Government Supervision Policy

It was clear that what was meant by functional supervision was the strategy of government supervision over the implementation of government affairs, and legal supervision was government supervision over local regulations and *perkada*, and sectoral supervision was government supervision over certain areas of reporting that IKD.

5. CONCLUSION

Under the supervision of government policy, there was government supervision strategies in local governance to delay the establishment of Kediri regency budget for Fiscal Year 2014, covered the preventive and reactive supervision on the implementation of government affairs at the local, the repressive supervision over the local regulation and *perkada*, then the supervision of reporting the IKD that was punitive. Government supervision was carried out with the involvement of various levels of government as the subject and object of supervision: the central, provincial and regency / city governments. Supervision policy was more geared built within the framework of the decentralization policy was loaded with values of efficiency and effectiveness for the benefit of the central government as a party to supervise. But it has not been addressed in the formulation of normative control policies that government supervision was also encouraged by the values of local democracy and independent as a policy objective of decentralization. So that in the last part, government supervision also positioned the controlled object as an important part of the objectives and implementation of supervision.

Finally, the theoretical implication was that the strategy of the government supervision of the local government was meant to realize the goals of government supervision. Moreover, the strategy of the government supervision of the local government as well as to realize the values of the objectives of hybrid decentralization policy models. Thus, the formulation of government supervision purposes, not only to ensure the local government more efficient and effective, but also embodies the local democracy and independent. Then the government supervision strategy recommended was synergy of central control to local.

REFERENCES

- [1]. _____, 2013, *Central Supervision of Local Government*, [online], Available at: <xa.yimg.com/.../Central+Supervision+of+Local+G> [Accessed 9 July 2013]
- [2]. Bahl, Roy, 2008, *Promise and Reality of Fiscal*, dalam Bowman, A.O. and Kearney, R. C., 2003. *State and Local Government The Essentials*, Second Edition, Houghton Mifflin Company, Boston, New York,
- [3]. Bekkers, V. and Homburg V., 2013, *Administrative Supervision and Information Relationship*, [online], Available at : <repub.eur.nl/pub/632/BSK006.pdf> [Accessed 25 March 2014]
- [4]. Bevir, Mark, 2011, *The Sage Handbook of Governance*, Sage Publication, Los Angeles
- [5]. Bowman, A.O. and Kearney, R. C., 2003, *State and Local Government The Essentials*, Second Edition, Houghton Mifflin Company, Boston, New York,
- [6]. Cheema, G. Shabbir and Dennis A. Rondinelli, (eds), 2007, *Decentralizing Governance: Emerging Concepts and Practices*. Washington, D.C.: Brookings Institution Press. [online] Available on : <<http://sps.unas.ac.id/xhome/wp-content/uploads/2013/09/Cheema-Rondinelli-2007-Decentralizing-Governance-Emerging.pdf>>, [Accessed 19 Desember 2013],
- [7]. Cleveland, Frederick A., 1919. *Popular Control over Government*, *Political Science Quarterly*, Vol. 34, No. 2, Jun 1919, [online] Available at : <<http://www.jstor.org/stable/2141437>>
- [8]. Covey, S.R. 1989. *The Seven Habits of Highly Effective People*. Simon and Schuster. New York.
- [9]. Denters, Bas, 2011. *Local Governance*, in Bevir, Mark, 2011, *The Sage Handbook of Governance*, Sage Publications.
- [10]. Faguet, Jean-Paul, 2013, *Can Sub-National Autonomy Strengthen Democracy in Bolivia? Analysing the Reforms and Predicting Their Consequences*, *The Journal of Federalism*, [online] Available at : <http://eprints.lse.ac.uk/49817/1/Faguet_Can_sub-national_autonomy_2013.pdf> [Accessed 27 October 2013]
- [11]. Fengler, Wolfgang dan Bert Hofman, 2009, *Managing Indonesia's Rapid Decentralization: Achievements and Challenges*, In : Ichimuradan Bahl, 2009, *Decentralization Policies in Asian Development*, ebook, World Scientific Publishing, USA
- [12]. Goldsmith, M., 2002, *Central Control over Local Government : A Western European Comparison*, *Local Government Studies*, 28 (3), 91-112.
- [13]. *Government Regulation No. 79 Year 2005 on Guidelines for Development and Control of Local Government*.
- [14]. Harbich, Jürgen. 2009, *State Supervision of Local Government Authorities*, *Uprava, letnik VII, 4/2009*, [online], Available at: <www.dlib.si/stream/URN:NBN:SI:DOC.../PDF> [Accessed 9 July 2013]
- [15]. Hiskey, Jonathan T. 2006. *Principals, Agents, and Decentralized Democratic Development: A Conceptual Framework for Democratic Local Governance*. USAID (United States Agency for International Development) and the Urban Institute, Washington, DC. [online] Available on : <www.ddlg-atwork.com/UI%20Concept%20Paper%20Hiskey_Final%2010%2027.pdf>, [Accessed 27 Desember 2013],
- [16]. Hoessein, Bhenyamin, 2011, *The Change of Models, Patterns and Forms of Local Government : From New Order Era to Reformation Era*, Departement of Administrative Science, Fisipol, UI, Jakarta
- [17]. Huda, N., 2011, *Central Supervision to Local, in Regional Government*, UII Press, Yogyakarta.
- [18]. Humes IV, Samuel, 1991, *Local Governance and National Power*, Harvester Wheatsheaf, New York
- [19]. Kanter, R.M., 1989, *Beyond The Cowboy and The Corpocrat: A Call to Action*. dari *When Giants Learn to Dance*, dalam *Psychological Dimensions of Organizational Behavior*. Staw, Barry M, Editor, Macmillan, New York.
- [20]. Knottnerus, J.A., 2013, *Supervising Public Interests, Towards a broader perspective on government supervision*, WRR, Netherlands, [online] Available on : <http://www.wrr.nl/fileadmin/en/publicaties/PDF-samenvattingen/Supervising_public_interests.pdf>, [Accessed 2 January 2015],
- [21]. Likert, Rensis, 1961, *New Patterns of Management*, McGraw Hill Book Company, Inc. New York,
- [22]. Linnas, Raivo, 2010, *An Integrated Model of Audit, Control and Supervision of the Local Government Sector: The Case of Estonia*, Dissertation, [online], Available at : <<http://www.openthesis.org/documents/Integrated-Model-Audit-Control-Supervision-596632-s13.html>> [Accessed 18 January 2014]

- [23]. Malan, L, 2012, Intergovernmental Relations in South Africa, A Revised Policy Approach to Co-operative Government, *Journal of Public Administration*, Vol 5 No 3, December 2012, [online] Available at : <<http://repository.up.ac.za/bitstream/handle/2263/21842/MalanIntergovernmental%202012%29.pdf?sequence=1>> [Accessed 3 September 2013]
- [24]. Machingauta, N., 2010, Supervision of Local Governemnet, in : De Visser, Jaap, N. Steytler and N. Machingauta (eds). 2010. *Local Government Reform in Zimbabwe, A policy Dialogue*, [online] Available at <<http://repository.uwc.ac.za/xmlui/bitstream/handle/10566/208/DeVisserLocalGovtZimbabwe2010.pdf?sequence=4>> [Accessed 5 January 2015]
- [25]. Mawhood, Philip, 1983, *Local Government in The Third World, The Experience of Tropical Africa*, John Wiley & Sons, New York.
- [26]. McNabb, David E., 2002, *Research Method in Public Administration and Nonprofit Management, Quantitative and Qualitative Approaches*. ME.
- [27]. Muluk, M. R. Khairul, 2009, *The Map of Decentralization Concepts and Local Governemnet*, itspress, Surabaya
- [28]. Muttalib, M.A. and Khan, Mohd. Akbar Ali, 1982, *Theory of Local Government*, Sterling Publisher Private Limited, New Delhi.
- [29]. NLC (National League of Cities), 2013, *Local Government Authority*, [online] Available on :<<http://www.nlc.org/build-skills-and-networks/resources/cities-101/city-powers/local-government-authority>>, [Accessed 23 Desember 2013],
- [30]. Pelekamoyo, George M., 1977, *Local Autonomy and Central Control in Zambian Urban Authorities*, Dissertation, [online] Available at :<http://dspace.unza.zm:8080/xmlui/bitstream/handle/123456789/1501/PELEKAMOYO_GEORGE00001.PDF?sequence=1> [Accessed 7 Apr 2014]
- [31]. Radar Kediri Daily, 8 Januari 2014.
- [32]. Reynecke, A. Jermain, 2012, *Testing the boundaries of municipal supervision: an analysis of section 106 of the Municipal Systems Act and provincial legislation*, [online] Available at : <http://etd.uwc.ac.za/usrfiles/modules/etd/docs/etd_gen8Srv25Nme4_7286_1370340352.pdf> [Accessed 9 Apr 2014]
- [33]. Reid, Michael, 2012, Managing Central-Local Government Relationships: The Case of New Zealand, *Commonwealth Journal of Local Governance*, Issue 11: December 2012, [online] Available at :<<http://epress.lib.uts.edu.au/journals/index.php/cjlg/article/view/3055/3257>> [Accessed 26 October 2013]
- [34]. Saunders, Cheryl, 2012, *Options for Decentralizing Power: Federalism to Decentralization* [online] Available at :<<http://www.constitutionmaking.org/files/federalism.pdf>> [Accessed 2 May 2013]
- [35]. Sisk, Henry L., 1969, *Principles of management : A Systems Approach to The Management Process*, South-western Publishing Company, New York.
- [36]. Smith, B.C., 1985, *Decentralization, The Territorial Dimension of the State*, George Allen &Unwin, London
- [37]. Spiotto, James E., 2013, The Role of the State in Supervising and Assisting Municipalities, Especially in Times of Financial Distress, *Municipal Finance Journal* [online], Available at :<http://www.chapman.com/media/publication/206_Spiotto-MFJ-3304-3401-sa7Spiotto_.pdf> [Accessed 14 October 2013]
- [38]. Terry, George R. 1977, *Principles of Management*, Seventh Edition, Richard D. Irwin, Inc., Homewood, Illinois)
- [39]. Tumushabe, Godber, et al., 2010, Monitoring and Assessing The Performance Of Local Government Councils In Uganda, Background, Methodology and Score Card, *ACODE Policy Research Series No. 31, 2010*. [online], Available at :<http://www.acode-u.org/documents/PRS_31.pdf> [Accessed 7 July 2013]
- [40]. Turner, Mark (ed.), 1999, *Central-Local Relations in Asia Pacific*, Palgrave Publisher, New York, USA
- [41]. UN DESA, 2005, *Decentralized Governance for Democracy, Peace, Development and Effective Service Delivery*, Available at :<<http://unpan.org/publications/content/PDFs/E-Library.....pdf>> [Accessed 18 January 2014]

- [42]. UN, 2012, *Intergovernmental Governance and Regimes*, Economy and Social Council, [online], Available at :<<http://unpan1.un.org/intradoc/groups/public/documents/un/unpan048432.pdf>> [Accessed 17 January 2014]
- [43]. USLegal, 2013, *Dillon's Rule Law and Legal Definition*, [online] Available on :<<http://definitions.uslegal.com/d/dillons-rule/>>, [Accessed 23 Desember 2013],
- [44]. World Bank, 2002, *Political Challenges of Decentralisation*, [online] Available at : <<http://worldbank.08.pdf>> [Accessed 26 April 2013] .
- [45]. World Bank, 2009, *Local Government Discretion and Accountability: Application of a Local Governance Framework*, Report No. 49059-GLB, Washington DC, [online] Available on : <http://capacity4dev.ec.europa.eu/.../9-wb_logal_govern>, [Accessed 23 Desember 2013].
- [46]. Yilmaz, S., et al., 2008, *Local Government Discretion and Accountability: A Diagnostic Framework for Local Governance*, *Local Governance & Accountability Series, Paper No. 113 / July 2008*, [online], Available at :<<http://siteresources.worldbank.org/EXTSOCIALDEVELOPMENT/Resources/244362-1193949504055.pdf>> [Accessed 19 October 2013].
- [47]. Zimmerman, Joseph E., 2012. *State-Local Governmental Interactions*, Summary, State University of New York, [online], Available at :<<http://www.sunypress.edu/p-5338-state-local-governmental-intera.aspx>> [Accessed 19 October 2013]