

REGULATION HEGEMONY AND ACCOUNTABILITY OF THE LOCAL GOVERNMENT: A STUDY ON REGIONAL FINANCIAL MANAGEMENT IN INDONESIA

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ABSTRACT

Purpose — The purpose of this research is to uncover the reality of implementing regional financial management regulations and their impact on local government accountability.

Design/methodology/approach — This research uses a critical qualitative research approach to the Gramsci hegemony perspective. This approach is useful for analyzing the shackles of regulation in the implementation of regional financial management.

Findings — The results show that regulation has become a means for the state to dominate in the realm of political society and hegemony for civil society. This results in an orientation of local government accountability which tends to vertical accountability rather than horizontal (public) accountability.

Practical Implications — Changes in regional autonomy regulations have led to increasing dominance of the central government in the regions. This is reflected in the various regulations produced by the institutions in the central government which shackle the space and innovation of the local government in managing regional finances. Due to the shackles of the regulation, local governments prioritize serving the interests of the central government (vertical accountability) compared to services to the society (horizontal accountability).

Originality/value — This study contributes to uncovering the facts that occur related to regional financial management so that it can provide input to the government in the implementation of regional government accountability.

Keywords Regional Government Accountability, Regional Financial Management Regulations, Regulation Hegemony.

Paper Type Research Paper.

INTRODUCTION

The terminology of accountability has become a leading discourse in the practice of discursive governance and regulation in the era of public sector reform in Indonesia. This is in line with the adoption of NPM and the *New Public Financial Management* (NPFM) as models of public and financial administration practices used in governance (Djamhuri, 2009; Harun, 2010; Kamayanti, 2011; Mahmudi & Mardiasmo, 2004; Marwata & Alam, 2006; McLeod & Harun, 2014; Prabowo, Leung, & Guthre, 2013). Since then, Indonesia has begun to follow in the footsteps of other countries that have first implemented NPM, such as in Western countries, including New Zealand, the UK, USA, Australia (Christensen, 2002; Connolly & Hyndman, 2006; Andrew Goddard, 2005; Kluvers & Tippet, 2012; Newberry & Pallot, 2004) and Asian countries, including Japan, Malaysia, Thailand, Singapore, Bangladesh and Sri Lanka (Djamhuri, 2009; Prabowo, 2018; Samaratunge, Alam, & Teicher, 2008; Sarker, 2009).

The era of government financial accountability in Indonesia is marked by the issuance of Law no. 17 of 2003 concerning State Finance. The emergence of these laws and regulations, then accompanied by the emergence of Law No. 1 of 2004 concerning the State Treasury, Law No. 15 of 2004 concerning the Inspection of Management and Responsibility of State Finances, and Law Number 25 of 2004 concerning the National Development Planning System. These laws and regulations require the implementation of performance-based budgeting and accrual-based accounting. The implementation of performance-based budgeting and accrual-based accounting is not optional, but it is a binding order (Djamhuri, 2009).

Accountability and transparency are not just rhetoric. Accountability and transparency are concrete actions to provide the best for society (Sylvia, Sukoharsono, Prihatiningtias, & Roekhuudin, 2018). However, the reality of the implementation of government accountability in Indonesia in the era of public sector reform is still limited to the rhetoric, discourse, and even political jargon of government. The problems that

occur relating to the implementation of government accountability show these conditions.

However, on the other hand, it cannot be denied that the concept of accountability has become a discourse that is inherent in the foundations of liberal democratic thinking (Kluvers, 2003) and is a major feature of the democratic system of government (Schillemans, 2015). The accountability discourse was likely used by NPM bearers as the spearhead of their propaganda. According to Jorgensen & Phillips (2002) discourse is a form of social action that plays a role in building the social world including knowledge, identity, and social relations, and also plays a role in maintaining certain social patterns. In social practice, discourse characterizes the ideological effect of a hegemonic process and places the discourse order as a milestone in the hegemonic struggle for power (Eriksson & Kovalainen, 2008).

Thus, one of NPM's hegemonic struggles is to make the discourse of accountability a way to build a social world of governance based on the ideology of neoliberalism (Haque, 2000). Several Indonesian researchers who conducted research on NPM alleged that the enactment of a package of financial legislation was part of the neoliberal power hegemony scheme in regulation as a consequence of the application of NPM (Djamhuri, 2009; Harun, Van-Peursem, & Eggleton, 2015; Kamayanti, 2011; Prabowo et al., 2013; Sylvia et al., 2018; Tresnawati & Setiawan, 2013; Wihantoro, Lowe, Cooper, & Manochin, 2015).

Djamhuri (2009) believes that local government financial reform cannot be separated from NPM ideas. NPM demands a change in *mindset* in local government financial management. In the perspective of NPM, a new model of budget management and accounting is seen as an effective tool in producing information that is accountable to *stakeholders*. Prabowo et.al, (2013) stated that several regulations and systems produced by the Indonesian government since 1999 indicated elements of NPFM. Kamayanti's research (2011) revealed that government regulations contain an NPM 'track record' which is considered a tool of liberalization. The results of her research show that the idea of NPM has indoctrinated the

Government Accounting Standards Statement (PSAP) and gained its legitimacy through legislation.

Referring to Gramsci's hegemony concept, hegemonic power relations are closely related to the basis of social class supremacy, namely the ruling class and the subaltern class (Gramsci, 1999). The existence of social class supremacy cannot be released in the context of state power, political society, and civil society. Hegemony in particular is a way how power domination is upheld and maintained (Simon, 2004) through ideas and values (Cooper, 1995). Oftentimes, the ruling class engages in hegemony over the state and political society and makes it a 'vehicle' to perpetuate its power over civil society and the people (Patria & Arief, 2015).

The adoption of the neoliberalism ideology through NPM in the realm of regulation in Indonesia, especially regional financial management, is seen to have obscured the meaning of government accountability by prioritizing the spirit of the *profit-oriented* and *customer-oriented* private sector (Denhardt & Denhardt, 2007; Haque, 2000). Furthermore, the discourse of government accountability is seen as marginalizing the interests of the society, due to the colonization of public discussion spaces by the government thereby removing the value of the sacredness of accountability as a manifestation of the people's trust (Purnomosidi, Triyuwono, & Kamayanti, 2015).

This study seeks to uncover the facts of the implementation of regional financial management regulations. Gramsci's hegemony perspective is used in this study to analyze the existence of regulatory hegemony related to the management of regional financial management and their impact on local government accountability. This paper is structured as follows: after the introduction, part two discusses the literature review on the relationship between NPM and regulations in the era of regional autonomy, government accountability, and Gramsci hegemony. After that, the discussion of the research method in section 3 and the research findings continued in section 4. The research findings are divided into three parts, namely the presentation of regional autonomy and

shackles of regulation, the dynamics of regional financial management, and the impact on local government accountability. Finally, section 5 discusses the findings and conclusions.

LITERATURE REVIEW

NPM and Regulation in the Era of Regional Autonomy

The Indonesian government has adopted the concept of NPM, although it is not explicitly mentioned in the various regulations produced. Various studies both at the level of policymaking and academically, cannot be separated from the discussion of NPM as a cornerstone of public administration and management practices adopted by the Indonesian government (Djamhuri 2009; Aaron, *et al* ., 2015; Kamayanti 2011; Mahmudi, 2010; Mahmudi & Mardiasmo, 2004; Mardiasmo, 2002b, 2002c; Purnomosidi *et al* ., 2015; McLeod & Harun, 2014; Prabowo, 2018; Prabowo *et al* ., 2013; Sylvia *et al* ., 2018). Prabowo *et.al*, (2013) stated that several regulations and systems produced by the Indonesian government since 1999 indicated elements of NPM and NPFM.

There are five different NPFM elements, namely: (1) Development of market-oriented management systems and structures related to pricing and inventory of public services; (2) Development of the budgeting system, including integrating management and financial accounting systems and economic-based information with the intention of trying to link the established budget with the results of reports both financial and non-financial; (3) Development of performance management systems in government entities, including financial and non-financial performance indicators; (4) Reform in the government financial reporting system, namely accrual-based financial reporting in a collection of accounting standards in a professional manner; (5) Reform in the public sector audit mechanism, internal and external audits, especially in the form of oversight of the service function and to complete it with a review of the economy, effectiveness and efficiency (*Value for money*) (Kudo, 2006; Prabowo *et al* ., 2013).

The embodiment of regulation can be a channel of hegemony for the supremacy of the ruling class base in establishing its influence and power over government in Indonesia (Witono, Sukoharsono, Roekhudin, & Nurkholis, 2019). Hegemony is controlled by the ruling class that is formed from an organic alliance between the state or political society and civil society or the result of a balance of various forces (Simon, 2004). Through its intellectual elements, the ruling class packs ideology, conceptions, values , and norms of neoliberalism in the form of management concepts and public administration of NPM and NPFM. Studies on NPM and good governance occupy a leading position in policy-making discussions, academic forums, and the public in the reform era. It is as if the concept of good governance is an 'effective recipe' for the failure of government in the era of the New Order Government (Winarno, 2012). The discourse of decentralization, good governance, accountability, transparency, *value for money*, privatization, rule of law is not a neutral concept, but it contains the hegemonic relations of NPM (Witono et al., 2019).

The NPM and NPFM discourse has become a veil for the real purpose of providing financial assistance from the IMF and World Bank, namely the mastery of the country's economic and financial base through the resulting regulations (Witono *et al .*, 2019). When talking about governance, what is discussed is global neoliberal governance (Angelis et al., 2016), namely governance that places the role of stakeholders such as markets and civil society on a par with the role of the state. Reducing the involvement and role of the state in decision-making and placing economic values or capital accumulation as the main objective compared to social and environmental values is a characteristic of neoliberalism ideology (Angelis *et al .*, 2016; Mantra, 2011).

Government Accountability

In the realm of public sector reform, there have been many studies that show that accountability has become a prominent discourse both in developed countries (Adhikari & Gårseth-Nesbakk, 2016; Arnaboldi, Lapsley, & Steccolini, 2015; Carter & Molisa, 2005; Christensen, 2002; Denhardt & Denhardt, 2007; Kluvers & Tippet, 2012; Skalen, 2004; Yamamoto, 2003), as well as in developing countries (Islam, 2015; Kim, 2009; Marwata & Alam, 2006; McLeod & Harun, 2014; Mimba, Jan van Helden, & Tillema, 2007; Sarker, 2009). The complexity of policies faced by government, globalization, and the pluralization of service provision to the public is the driving force behind this reform (Robinson, 2015). Accountability in the public sector becomes the main idea in democratic practices and principles, namely a controlled and accountable government (Denhardt & Denhardt, 2007; Fatemi & Behmanesh, 2012; Siddiquee, 2006).

Historically and semantically, the word accountability is closely related to accounting (Bovens, 2007). This opinion is based on the that accounting is an instrument that produces financial statements that serve as a vital tool to achieve transparency and accountability (Hassan, 2015; Marwata & Alam, 2006) within the framework of performance improvement (Hood, 1991; 1995). Accountability is the foundation of all financial reporting in government (GASB, 1999; Mardiasmo, 2002b; Pallot, 1992).

In the context of governance, accountability is not limited only to the technical aspects of accounting but has also become part of the social and cultural dynamics of society. Haque (2000) states that accountability has become a major concern of all societies and civilizations in the formation of sociohistorical, ideological tendencies, and culture. Accountability is seen as a product of authoritarian relations that depend on the ideology, motives, and language used (Sinclair, 1995). Accountability is also associated with the concept of honesty and ethics in

a social relationship that has a moral and strategic dimension as a component of supervision (Parker & Gould, 1999).

Referring to this, it can be said that government accountability may be a pattern of social relations that contains ideological content. Any practice in society will apply to situations where humans are not controlled by physical strength alone, but also by ideas or ideologies to realize political and moral leadership (Momin, 2010). Ideology becomes hegemonic when it is widely accepted and encourages people to give approval to dominant institutions and practices in an organization (Ahmed, Hoper, & Wickramasinghe, 2010; Cooper, 1995; Goddard, 2002). This is in line with Gramsci's thought about hegemony, as Goddard (2005) stated that the core of Gramsci's conception of hegemony is ideology.

This tendency is reflected in accountability from the standpoint of neoliberal capitalist ideology. Under neoliberal democracy today, according to Haque (2000) public government has experienced major changes in terms of objectives, norms, structure, roles, and service recipients. Contemporary changes were clicking toward the efficiency, results, competition, *value for money*, a catalytic role, autonomy, partnership, and customer orientation have important implications on the accountability of the public, as well as the values in the NPM. NPM has had an impact on public management systems and public officials, as well as influencing understanding of accountability and the processes that support it (Horton, 2006). Even Kluvers & Tippet (2012) called the NPM a 'Trojan horse' in accountability.

Accountability in NPM emphasizes the business approach and market mechanism models to be implemented in the public sector. So the focus of accountability is on meeting performance standards to produce outcomes and being accountable to individual customers and not the public or citizens. Accountability is a matter of satisfying direct customer preferences from government services. This is because NPM emphasizes privatization in meeting public needs in order to produce outcomes most cost-effectively. Thus shifting accountability from the public to a personal perspective (Denhardt & Denhardt, 2007).

The accountability discourse on NPM has fundamental objectives that can be found in democratic principles, legal principles and good and effective governance (Bovens, 2007; Cameron, 2004; Kim, 2009; Sarker, 2009). The accountability discourse has become a symbol of success in the discursive practices of good governance and good financial governance. However, the accountability discourse in the policy format of regulation is produced socially by an intellectual society through political persuasion rather than based on social facts that occur (Mantra, 2011). Therefore, in Gramsci's (1999) perspective, the discourse of accountability in the arena of social practice can be an effort to develop rational and common sense ways of thinking and produce active submission or approval of the power of regulatory policy (regulatory hegemony).

Gramsci's hegemony

Gramsci introduced the concept of hegemony relations in social structures. According to Gramsci, the basis of social class supremacy is manifested by two criteria, namely intellectual and moral dominance and leadership (hegemony), where a social class dominates another social class in a social structure (Gramsci, 1999). Hegemony is a form of mastery over ideology, conceptions, values, norms that are internalized in the subaltern class until they get approval for their subordination and are not only sufficient with physical strength (Sugiono, 2006). Hegemony is also a form of dynamic relations between social classes by mobilizing and combining a form of a system of alliance through political and ideological struggles (Simon, 2004) to create conditions for increasing its power.

Referring to the concept of Gramsci hegemony, hegemonic power relations are closely related to the basis of social class supremacy, namely the ruling class and the subaltern class (Gramsci, 1999). The existence of the basis for the supremacy of social class cannot be released in the context of the relations of state power, political society, and civil society. Hegemony in particular is a way how power domination is upheld and maintained (Simon, 2004) through ideas and values (Cooper, 1995).

Oftentimes, the ruling class engages in hegemony over the state and political society and makes it a 'vehicle' to perpetuate its power over civil society and the people (Patria & Arief, 2015).

To realize the realization of hegemony in the area of civil society and the people, in general, cannot be separated from the strategic role of intellectual groups. Gramsci (1999) refers to intellectuals as ambassadors of the ruling class to infiltrate the *subaltern* class on the functions of social hegemony and political governance. The function of social hegemony is the effort to get spontaneous consent from the majority of society as a form of recognition and acceptance of the ideology, culture, values, norms, politics of the ruling class. Of course, not all intellectual groups are able to carry out this difficult task, but intellectuals in societies that have certain criteria, as Gramsci said " *All men are intellectuals, one could therefore say: but not all have in society the function of intellectuals*" (1999, p. 140), namely intellectuals who are able to function their intellectual capacity in the social domain.

Intellectuals are expected to have the ability to build political awareness and leadership through intellectual and moral reform and take over national leadership (Pramono, 2006). Creating a new hegemony (*counter-hegemony*) does not stop at the awareness and critical self-awareness of change agents. The next heavy task of organic intellectuals is to instruct hegemonic leadership aimed at developing intellectual, moral, ideological, and philosophical agreements from all major groups in the nation. Efforts to transform leadership will not succeed until they are able to win the hearts of the people so they must unite and act in the interests of the people (Pramono, 2006).

Gramsci (1999) argues that civil agreement - not coercive force - is the main source of power for the formation and maintenance of the state. Political domination is obtained by developing and spreading hegemonic culture so that the ideology of the ruling class is considered common sense among the people. Civil consent makes the hegemonic class able to create and maintain a network of alliances in society through moral and intellectual struggle. This consensus formation is manifested and

facilitated through a process in which organic intellectuals achieve dominance over traditional intellectual thought (Xu, Cortese, & Zhang, 2013, 2014).

RESEARCH DESIGN

Methodology: Gramsci's Hegemony Perspective

Gramsci's thought approach is believed to be consistent with qualitative research methodologies (Jubas, 2010). According to Gramsci (1999), the law of uniformity or generalization in knowledge is neither useful nor interesting. Gramsci also rejects the evolutionist positivism approach in creating science about humans and society, because it is something that cannot be predicted experimentally as a natural science model. Gramsci holds that knowledge is not limited to the product of intelligence, but also contains elements of feeling (emotion) and involvement with people. According to Gramsci, knowledge is something concrete that results from intelligence, feelings, and experiences developed in a social context (Jubas, 2010).

The subject of qualitative research is humans who live in a material, social and cultural context and are not creatures that are essential and constant. Human nature is a complex social relationship that always changes dialectically in line with changes in social relations. Therefore, the conceptualization of knowledge in qualitative methodologies is subjective and multi-interpretative, not objective and singular (Jubas, 2010). In qualitative research, it is implied that researchers are key instruments in qualitative research (Creswell, 2007). Researchers must be able to get in and explore the natural world of research informants and be actively involved directly by using all the technical capabilities of research. In practice, qualitative researchers tend to collect data in locations where there are problems or issues under study, gather information through direct talks with informants, observe their behavior/activities and act in their context. Research data collection activities such as checking documents, observing behaviors or activities, and interviewing informants were carried out by researchers.

In the paradigmatic dimension, Gramsci's hegemony theory is categorized in the critical theory of the paradigm of radical humanism.

Critical qualitative research explores the interaction between meaning and structure, where the approach taken is based on the nature of human social relations and does not originate from natural science (Jubas, 2010). The critical qualitative approach places human beings as a group of active subjects in shaping the complexity of social facts that always change dialectically in line with changing social relations (Eriksson & Kovalainen, 2008). For this reason, dialogue is needed between subjects, namely researchers and actors.

RESEARCH METHODS

The object of this research is reality or social facts. Social facts in the context of this study are social interactions between regional financial management actors and existing financial management facts. This interaction takes the form of a series of social roles, values, norms, and social institutions based on their knowledge and experience in viewing the implementation of regional financial management regulations from the aspect of local government accountability. Social interaction is a dynamic thing because it contains the subjective point of view of the actor in identifying and conceptualizing reality. Reflexivity is needed and is useful to confirm the initial conception of the researcher with the conception of the actor/informant, to further construct new knowledge related to the object under study.

The determination of informants is based on the Gramsci superstructure concept approach (1999), namely political society and civil society. The political society in this case is the government apparatus involved directly or indirectly in the management of regional finances. The political society in this study consisted of central government officials, represented by informants from the Ministry of Home Affairs and the Ministry of Finance; while the regional government apparatus, represented by officials or regional finance executors, namely the Regional Financial and Asset Management Revenue Agency (BPPKAD) and also representatives from the DPRD (Regional People's Representative Assembly). DPRD is classified in political society because based on the regional autonomy law it is part of the regional government as the organizer of the government. For civil society consisting of:

representatives from the Indonesian Institute of Accountants (IAI) Public sector accounting compartments; academics, namely public sector accounting lecturers; local government consultants; and non-governmental organizations (NGOs).

In qualitative research, triangulation serves as a way to strengthen the validity of a study. Triangulation is needed as an effort to understand sufficient information and data related to the research problem in order to analyze and interpret research findings (Gramsci, 1999 p. 798). In collecting data, the ideal triangulation will not only seek confirmation from three sources but will try to find three different types of sources (Yin, 2011). This research not only confirms three data sources, namely informants from the central government, local government, and the society but also uses three different data sources, namely data archives or documents, interviews, and participatory observation.

Archives or documents are accessed and collected from various sources, such as through the internet, the official website of the central government, local governments, the Indonesian Institute of Accountants (IAI), NGOs or directly obtained from the results of field observations. Types of secondary data in the form of archives or documents in the form of a) legislation documents, both originating from the central and regional governments, b) APBD, LKPI, LKPD documents, accounting policies, and local government accounting systems, c) documents issued by institutions KSAP, in the form of SAP, PSAP, IPSAP and technical bulletins, d) other documents, in the form of articles from magazines, newspapers, journals, and proceedings.

When conducting interviews, researchers use semi-structured interviews with guidance on the main themes of the questions prepared previously. Guide questions are only used as a tool to help to ensure that all of the major themes of the question have been delivered to the informant. However, in practice in the field, researchers can still develop questions in accordance with research needs. Researchers can directly conduct in-depth interviews with informants if needed to deepen the discussion of the question. Interviews last for one to one and a half hours

using aids in the form of a recorder, to ensure all data and information from the interview can be well documented.

During observations in the field, notes/memos are made by the researcher. In addition, notes/memos are also used to record important things obtained from the results of conversations between researchers and regional financial management implementers. The researcher's notes/memos contain information that is needed to enrich field data outside of information from document archives or interviews with informants.

RESEARCH FINDINGS

Regional Autonomy and Regulation Shackles

In the era of regional autonomy in Indonesia, the fragmentation of power among central government institutions strengthened when Law No. 32/2004 on regional autonomy replaces Law No. 22/1999. The law revokes the authority of the DPRD as a regional legislative body and withdraws regional authority to regulate its own affairs including those related to policies and regulations. Local governments are 'only' given authority limited to government affairs delegated to the regions.

Changes in the substance of regional autonomy in legislation are strongly felt by local government officials. Regional autonomy no longer gives the breadth of authority to local governments, including in the management of regional finances. One informant, Mrs. Gina, a regional financial management official said:

"Actually, when it is autonomous, automatically in financial management it is also given the flexibility to manage its own regional finances. But this central government provides rules or some sort of guidance on how to manage regional finances. In fact, the guidance given by the central government is often difficult to do in local governments, why? Because the central government does not think about how the human resources in the region, sometimes make a rule that is perceived as not the same or often not appropriate in the region. Well, it is better if the autonomy is

given, it means that the regional government in terms of its management can be more flexible "

The 'reduction' of the regional authority seems to encourage central government institutions to compete in producing regulations that help regulate the running of government in the region, including regulations related to regional financial management. The clearest example is the Regional Budget (APBD) which is the most important part in managing regional finances. In fact, the regional budget is a regional financial structure that reflects many interests in it. Various regulations issued by government agencies at the center 'flooded' the APBD. Almost every account in the budget no doubt be attached to any regulation. Starting from the regulations on taxes, balancing funds, spending, and financing cannot be separated from regulations produced by central government institutions.

The same thing happened in the realm of local government financial reporting. Throughout the year, local governments must compile reports requested by various central ministry/agency institutions. Regional governments are required to submit regional financial information in the form of monthly and semester financial reports to be submitted to the Minister of home affairs and the Minister of Finance. At the end of the year, local governments must prepare the following reports:

Table 1. Form and Types of Local Government End-Year Reports

Report Form	Report Type	Addressed
Local Government Financial Report (LKPD)	1. Budget Realization Report (LRA)	1. Central Government
	2. SAL Change Report (LPSAL)	through the Governor
	3. Operational Report (LO)	2. BPK (the
	4. The balance sheet	Supreme Audit
	5. Statement of Changes in Equity (LPE)	Agency)
	6. Cash Flow Statement (LAK)	3. DPRD
		4. Internal Local Government

	7. Notes to the Financial Statements (CaLK)	
Performance report	Government Agency Accountability Report (LAKIP): contains a summary of the outputs of each activity and the results achieved from each program as specified in the APBD implementation documents	1. Central government 2. Internal Local Government
Regional Head Accountability Report	Regional Government Implementation Report (LPPD)	Central Government through the Governor
	Accountability Report (LKPI)	DPRD
	Information on Regional Government Implementation Report (ILPPD)	Public

These reports do not include reports on the use of funds related to matters of authority delegated to the regions, such as reports on the use of general allocation funds, special allocation funds, health capitation funds, school operational funds (BOS), village funds, and so on.

Mr. Anto, the regional financial consultant acknowledged that the regional government had difficulty with many financial and non-financial reports that had to be made by the regional government. He said:

"If we see, it's not only the financial statements that are required to the government at the regional government. We know that there are many reports to be made ... Well, this then makes the regional government feel dizzy. They then sort of caught up with administrative problems... "

In a different perspective, Mrs. Indri, an academic, considers that these regulations are a tool of the (central) government to force regions to be more accountable for every rupiah of money they receive. She also considers it appropriate for the regional government to compile many reports to the central government because it assumes that the majority of the regional revenue composition is from the state (central government).

The conditions as stated by the informants showed evidence that the regional government was too preoccupied with administrative-technical matters to prepare reports required by various regulations produced by agencies in the central government. Commenting on the issue regarding the regulation, Mr. Saiful, an official at the ministry of home affairs, said apologetically:

"... the difference occurred because the rules did say that. Everyone's understanding is different. There may be differences in understanding between the ministry of home affairs and the finance ministry regarding budgets and reports. In the aspect of expense, the term transfer account is not known in budgeting ".

If we look closely at what was conveyed, it appears that there is difficulty in finding common ground constructed in a regulation, bearing in mind that perspectives differ conceptually, as is the difference between the separation between budget and reporting.

Furthermore, when the researcher tried to confirm that financial management actors in the regions felt difficulties with the different approaches of the regulation, Mr. Saiful firmly said: *" Actually it is not difficult, sir, where is it difficult if you say? For us, (if it is) to obey the rules there is no difficulty "*. As long as they obey and follow the applicable rules, there will be no difficulty in their implementation. The impression captured from the statement shows the neglect of the difficulties experienced by financial management actors in the region. The central government seems to turn a blind eye to the obstacles faced by local governments in the management of regional finances.

The Dynamics of Regional Financial Management

During the implementation of regional autonomy, regulations regarding regional financial management have been amended several times. Many regulations result from the derivation of regional autonomy, state finance, and state treasury laws, both in the form of government regulations and ministerial regulations. It could be that the purpose of these laws and regulations is to assist local governments in the form of directives and guidelines in carrying out regional financial management. But it can also be understood as a form of excessive intervention from the central government to regional governments.

Based on the study of regulations and participatory observation, researchers found there was still disharmony in regulation. For example PP (government regulation) No. 71/2010 concerning Government Accounting Standards, where the person in charge is from the Ministry of Finance, even though it involves the Ministry of Home Affairs and professional associations, there are still asynchronous and disharmony with PP No. 58/2005 concerning Regional Financial Management, Permendagri (Minister of home affairs regulation) No. 13/2006 concerning Guidelines for Regional Financial Management, even Permendagri No. 64/2013 concerning the Application of Accrual Based Government Accounting Standards to Regional Governments and responsible for its preparation is the Ministry of Home Affairs.

Asynchronous occur in the format of financial statements produced by local governments. This condition causes the regional government to make two financial reports, where the actual contents of the information are the same, but with a different format. Both reports must still be made by the regional government. Local financial management actors directly felt the impact of these problems. As stated by Mrs. Kristi who feels how difficult it is to deal with the differences between one regulation and another that are both guidelines in the management of regional finances, with the following statement:

"... Then related to the rules. We also asked several times at that time, the central government asked why it was called the regulation, how come it was never the same, between what was made from the Ministry of Finance and from the Ministry of Home Affairs, why was it never the same. Which one do we want to join? That they certainly cannot answer. Yes, we have to ask for example the issue of accounting, he is the one who made it on the budget, the budget will make this, then we want to ask this, why how come it never sat together like that.

Actually, from the regional side, they have also given input and criticism on various obstacles and confusion they experienced in the implementation of regional financial management to the central government. However, they have not yet gotten an answer that is able to solve the problems they face.

Actors of regional financial management in regional governments face the chaotic conditions of regional financial management regulations, as stated by Mrs. Dila as follows:

" Principle regulation for regional financial management is needed as long as there are strong studies, there are rules that underlie, mutual synergy, do not overlap between rules, change not too fast, be useful for improvement, can be applied in the regions, carried out comprehensive socialization"

When the preconditions as stated by Mrs. Dila are not fulfilled, it would be very natural for financial management actors in the regions to feel confused due to overlapping rules, and often the rules change, difficulties in applying the rules because they are not implemented or multiple interpretations.

This condition is consistent with Marwata & Alam's research (2006) which highlights the chaotic process of formulating and formulating policies and regulations. The process of formulating and drafting regulations in the era of regional autonomy is full of *rivalries* and alliances among the axis of reform drivers consisting of various interest groups. The intended interest groups include intellectuals from both the

political and civil society (Gramsci, 1999). Intellectuals from the political society consist of central government institutions, both from the Ministry of Finance, the Ministry of Home Affairs, the Financial and Development Supervisory Agency (BPKP), the Supreme Audit Agency (BPK). While civil society includes intellectuals from professional associations, academics, and consultants or practitioners of regional finance.

While it has begun coordination across sectors, such as the Ministry of Finance and the National Development Planning Agency in the field of planning and budgeting as well as the Ministry of Finance and the Ministry of home affairs in the case of government accounting standards, rivalries, and alliances between the institutions of the central government still occur. Mrs. Yuni, the organizer of the financial report, shared her experience, as follows:

" In our opinion, based on previous experience, it would be nice if in the central government whether the Ministry of Finance or the Ministry of Home Affairs made the regulation at least written together. It means if you make rules, don't do it yourself. If you sit together maybe. When the Ministry of Finance made a regulation inviting the Ministry of Home Affairs or whatever, so that along with it like this, both of them insisted that they were right. That's just the example yesterday when the allowance for receivables, the Ministry of Home Affairs made the rules already launched, the local government was invited to all, but apparently from the Ministry of Finance does not consider it at all ".

The regional government, in dealing with the problem, was apparently not limited to the scope of rivalry between ministries in regulation, but also had to deal with BPK as an external auditor of the regional government. The regional government must obey the Ministry of Home Affairs as its direct supervisor. However, local governments must also follow the advice of the BPK, because in conducting audits. The BPK is guided by government regulations and not ministerial regulations because ministerial regulations are not included in the statutory order. Therefore, the executor of regional financial management will prepare

financial reports in two different formats, one format for reporting to the Ministry of Home Affairs and one other format for BPK.

In this context, regional financial management seems to be a competition for policies and regulations for intellectuals in institutions in the central government. Competition, both institutional and individual intellectuals, compete to influence the process of policymaking to gain legitimacy, even though the decision remains in the hands of bureaucrat intellectuals as the final power holders (Marwata & Alam, 2006).

Mrs. Esti from the Ministry of Finance stated that coordination between government agencies is very important so that the resulting regulations do not trouble the local government implementing the regulations. Mrs. Esti said:

" We are aware, sir, that we cannot be selfish here because the regions are implementing the regulation. I feel sorry for the regions if the regulations are different like that, right? I think PP 71 already involves experts from accounting, right, sir, right?"

Furthermore, Mrs. Esti considers that as a result of regulatory disharmony not only be felt by the local government but also by those in the central government. Mrs. Esti gave the following explanation:

" Actually, even if it becomes a problem. The problem is not (only) in the regions. But we also have problems when we have to compile data. We have to present it in one unit, right, it's difficult, sir, if the format is different. That's also a problem for us to be frank, sir. So actually we also want one format. We actually don't want to bother the regions too, sir. we are also sitting together with friends of the Ministry of Home Affairs so that we can equate the perception. Yes, I don't want to cause trouble for the regions because we are also difficult if we are actually different, sir. Ministry of Home Affairs is also difficult, we are also difficult if we stick with each other's wishes".

It is unfortunate if the problematic 'feud' between sectors in the central and regional government continues. An irony, when regional authority is reduced in the aspect of formulating policies and regulations

autonomously, but in reality, the central government is also unable to make the condition of regional financial management better.

implementers of local government financial management also feel unable to improvise and innovate to produce local government financial reports that are in accordance with regional needs. This was stated by Mrs. Kristi, regional financial management official stated:

"In financial management, we can be too innovative indeed, sir. All the rules are from the center, specifically for financial management from planning to reporting. After all, there are rules, we can't innovate. We can't make it later like this ... like this ... like this".

In addition to the problem of binding rules, for them to talk about things that already have rules are considered taboo and vulnerable. More advanced, Mrs. Kristi stated

" We just try like this ... in financial management, it tries to be clean, because talking about financial management is prone to talk about things like that".

Performers of financial management will always try to do and carry out as well as possible and try to play 'clean' by not violating the rules, whatever the conditions of regulation.

As long as the problem of coordination between agencies in the central government is not resolved and is still happening, then the actors of regional financial management will always be victims of hegemony regulations. Mr. Anto's comments regarding the matter are as follows:

" That is the real difficulty of the regional government. Moreover, if we look at the competition of interests between institutions or ministries in producing policies or regulations ... oh clearly, our government is now like in the regional government, it becomes a kind of guinea pig for policies in the central government, right?".

Local governments cannot avoid the obligation to comply with these regulations. They can only circumvent the rules so that they can be accepted by all interested parties, even though it is sufficiently draining resources, both energy, mind, time, and funds.

Impact on Regional Government Financial Accountability

The problems that have been explained before, have a direct and indirect impact on the implementation of local government financial accountability. In this context of accountability, when the regulatory pressure from the central government to local governments is so great, it will always be followed by demands for responsibility. Responsibility is narrower than accountability because responsibility is an element of accountability (Bovens, 2006; Erkkilä, 2007; Kim, 2009; Mulgan, 2000). Responsibility tends to be the obligation to carry out the authority received to a higher authority structurally or commonly called internal accountability or managerial accountability (Christensen & Lægreid, 2014; Sinclair, 1995).

Meanwhile, accountability is more responsible for the implementation of authority with a broader scope in evaluating the level of performance (Parker & Gould, 1999) or called external accountability or public accountability. The work process for accountability is to ensure that decisions and actions taken by the government are subject to public scrutiny to ensure the realization of people's welfare. This accountability is known as political accountability (Christensen & Lægreid, 2014) or democratic accountability (Sinclair, 1995).

If viewed from the definition of accountability, then accountability in the realm of regional autonomy should be public or external accountability and not just responsibility. This is because the regional autonomy legislation has in fact emphasized that accountability as a principle that determines each activity and the final results of the activities of the state organizer must be accountable to the society or the people as the highest sovereignty holders of the state.

Commenting on this, Mr. Luki, an NGO practitioner, sharply stated that "*regional autonomy is theoretically, that autonomous is the regional government. Society is never truly autonomous*". With regional autonomy,

the regional government is preoccupied with the demands of its implementation which must be accountable to the government above it, rather than being accountable to the society. If it refers to the purpose of implementing regional autonomy as an effort to improve services and welfare of the society, it is appropriate, if all local government activities also involve society participation and accountability also to the society as the main stakeholders.

Furthermore, when asked whether the number of financial reports that must be made by the local government, shows that the local government has been accountable? Mr. Luki refutes this view through his statement about accountability:

"... accountability is considered only a procedural problem. Even though accountability is related to two important aspects that are often forgotten by them (local government) about ethics, morality standards or immorality. Then also the matter of behavior is etiquette ... that is often ignored. It is true that local governments are considered transparent and accountable if the size is only conveying apbd via the website. Yes it has fulfilled the material aspect that we are open. Now the issue is whether openness is significant or not with public involvement when compiling, planning, implementing, monitoring, evaluating and accountability... "

The government will be seen as *legitimate* if it is able to prove its accountability. However, if it refers to the conditions as stated, it shows that local governments prioritize vertical accountability rather than horizontal accountability to the society. Government legitimacy is not measured by the number of financial reports produced. The power of legitimacy is to expand society's involvement and participation and carry out sustainable public services.

Society in the regions does not feel that they have been much involved in policymaking in local governments. Policy development and public service come from more initiatives and policies of the government. The mechanism and procedures for society involvement in the formulation

and decision making are actually already in the legislation. But in practice, society involvement is felt to be limited to formality and fulfills regulatory obligations. During this time, many society proposals are not accommodated in the policies taken by local governments. The behavior of local government officials in implementing regulations is also a crucial part of implementing local government accountability.

DISCUSSION AND CONCLUSIONS

Based on the results of the research findings consisted of three problems related to the application of regional financial management. **First**, changes to the law on regional autonomy have implications for the existence of a 'parade' of regulations produced by institutions in the central government, both from ministries and other government agencies. This results in an orientation of local government performance that is more administrative than service to the society.

In the perspective of Gramsci's hegemony (1999), government officials from both the central and regional governments are part of the political society. Gramsci does not distinguish between political and state society. Political society is not a substitute term for the state, but only shows the coercive relations of the state to the state apparatus (Simon, 2004). The relationship between central-regional government relations is more dominating than hegemony. Despite implementing regional autonomy, the central government apparatus represented the state in dominating the regional government apparatus. Gramsci described the country as follows:

"... The State is the entire complex of practical and theoretical activities with which the ruling class not only justifies and maintains its dominance but manages to win the active consent of those over whom it rules, .. " (1999, p. 504).

The state through the central government apparatus builds collective will through the ideology of NPM neoliberalism which is packaged in the form of binding regulations. The collective will was

formed because its existence depends on the creation of ideological unity, which will serve as an adhesive in building power (Gramsci, 1999). The political will built by the state into a hegemonic project combines political, institutional, and moral strategies through an institutional framework (central-regional relations), policy (regulation), and action programs (hierarchical relationship) to maintain the long-term interests of the hegemonic class (Goddard, 2005).

However, various regulations produced by central government institutions are obligations that must be obeyed by local governments as part of achieving the expected performance. This study confirms the results of Christensen & Læg Reid's (2014) study which states that local managers feel that performance indicators have distracted them from several key tasks related to the overall objectives of reform. The shackles of regulation have made local governments more concerned with meeting the demands of the central government compared to the demands and needs of the society. Gramsci (1999) described it as dominance in the realm of political society. Although regional autonomy has been implemented, the dominance built by the central government is through the resulting regulations.

Second, a further consequence of the regulatory 'parade' produced by institutions in the central government is that regional financial management actors face the chaotic nature of regulations governing regional financial management. The problems faced include: regulations often change in the not too long period of time; overlapping and out of sync between one rule and another; differences in views on a problem between one institution and an institution in the central government. The situation and conditions are in accordance with the results of Marwata & Alam's research (2006) which revealed a dynamic interaction in the form of alliance and rivalry between institutions in the central government in producing policies/regulations related to public sector accounting reforms in Indonesia.

The problem of alliance and rivalry has an impact on the performance of local governments. Local financial managers often face

confusion to follow which rules must be followed or face difficulties when all the rules must be implemented. Local governments do not have innovative space in managing regional finances. In addition, local governments are becoming more focused on the aspect of accountability for the various report requested by the central government.

Competition between institutions in the central government in formulating policies related to regional financial management, cannot be separated from the fact that there is an alliance between each of these institutions and international donor agencies. Any assistance provided with specific goals and objectives will partner with institutions from the central government. This is what then spreads the 'unpleasant aroma' that collaboration with donor agencies seems to be a project among government institutions (Marwata & Alam, 2006). This makes it possible that policies resulting from the 'project' will not necessarily be accepted by other institutions not involved in the project.

Therefore, it can be imagined, if agencies within the central government do not coordinate in the formulation and formulation of legislation, especially if accompanied by an atmosphere of competition and alliance and covered by conflicts of interest. One thing is certain, the various laws and regulations are very binding and must be implemented by local governments. Local governments must still implement these regulations, given the consequences and sanctions that they will receive if they do not implement them. Local governments no longer have the authority to regulate the running of regional financial management in accordance with the conditions and needs of the society in their region.

Of course, the local government will be the 'victim' of the dynamics of the regulation and will have an impact on the orientation and concentration of local governments in managing their regional finances. These conditions indicate that regulation is not merely a regulation, but has become a form of the hegemony of central government regulation over local government. Hegemony is formed when a group exercises intellectual and moral leadership over another group (Gramsci, 1999).

Third, the impact of these two problems has caused the orientation of local government financial accountability to internal (vertical) accountability rather than external (horizontal). This study confirms the results of the study of Sylvia *et al.* (2018) which states that local government accountability does not prioritize public interests and still prioritizes accountability for managerial and political interests. The accountability stated in the regulation seems to be limited to political discourse and jargon. The discourse of accountability has become an important statement that is rational and organized produced by intellectuals who are experts in their field and supported by binding regulatory power.

Accountability discourse has become a symbol of success in the discursive practices of good governance as well as good financial governance through a form of regulation and legislation. Historical reality shows that the discursive practices of good governance echoed by the elements of neoliberalism find momentum when the people also demand accountability and transparency in the reform era. However, the accountability discourse in the policy format of regulation is produced socially by an intellectual society through political persuasion rather than based on social facts that occur (Mantra, 2011). Therefore, the accountability discourse in the arena of social practice is an effort to build rational and *common sense* ways of thinking and produce active submission or approval of the power of regulatory policy (Gramsci, 1999).

In other words, hegemony in the public policy space generated by the thinking of organic intellectuals will always find a way through support both theoretically, politically, and economically in a form of symbolic discourse (Gramsci, 1999). The process of social assimilation is the brainchild of Western intellectuals who spread the ideology of neoliberalism in the realm of research, scientific studies published through the economic and business channels of capitalist entrepreneurs on a massive scale. In the political sphere, capitalist entrepreneurs use the hands of the political society of Western governments, the donor institutions that

they form. Meanwhile, in the social sphere, regulatory hegemony utilizes intellectuals from civil society, both professional associations, academics, and government financial consultants.

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