

LAW OF THE REPUBLIC OF INDONESIA
NUMBER 1 OF 2004
ON
STATE TREASURY

BY THE BLESSINGS OF ALMIGHTY GOD

PRESIDENT OF THE REPUBLIC OF INDONESIA,

- Considering :
- a. that the state government administration to realize the goal of the state determines rights and obligations of the state that need to be managed in a state financial management system;
 - b. that the state financial management as defined in the 1945 Constitution of the Republic of Indonesia should be carried out openly and responsibly for the welfare of the people as much as possible, which is embodied in the State Budget, *Anggaran Pendapatan dan Belanja Negara* (APBN) and Local Budget, *Anggaran Pendapatan dan Belanja Daerah* (APBD);
 - c. that in the context of state financial management and accountability, statutory rules of state financial administration regulating the state treasury are required;
 - d. that the Indonesian Treasury Law/*Indische Comptabiliteitswet* (State Gazette Number 448 of 1925), as amended and supplemented several times recently by Law Number 9 of 1968 (State Gazette of the Republic of Indonesia Number 53 of 1968), can no longer meet the needs of state financial management and accountability;
 - e. that based on the considerations as referred to in point a, point b, point c and point d above, it is necessary to establish a Law on State Treasury;
- Observing :
1. Article 5 section (1), Article 20, Article 23 and Article 23C of the 1945 Constitution of the Republic of Indonesia;
 2. Law Number 17 of 2003 on State Finance (State Gazette of the Republic of Indonesia Number 47 of 2003, Supplement to State Gazette Number 4286);

With the Joint Approval of
THE HOUSE OF REPRESENTATIVES
and
THE PRESIDENT OF THE REPUBLIC OF INDONESIA

HAS DECIDED:

To enact : LAW ON STATE TREASURY.

CHAPTER I
GENERAL PROVISIONS

Part One
Definition

Article 1

In this Law:

1. State Treasury means the management and accountability of state finance, including investment and restricted state Assets determined in APBN and APBD.
2. State Cash means the depository of state money determined by Minister of Finance as the State General Treasurer to accommodate all state income and pay all state expenditures.
3. State Cash Account means the depository account of state money determined by Minister of Finance as the State General Treasurer to accommodate all state income and pay all state expenditures with central bank.
4. Regional Cash means the depository of regional money determined by the governors/regents/mayors to accommodate all regional income and pay all regional expenditures.
5. Regional Cash Account means the depository account of regional income determined by the governors/regents/mayors to accommodate all regional income and pay all regional expenditures with the specified bank.
5. State Receivables mean the amount of money that are required to be paid to the Central Government and/or the right of the Central Government, which can be valued in money as a consequence of agreement or other consequences under prevailing legislation or any other legitimate consequences.
7. Local Government Receivables mean the amount of money that are required to be paid to the Local Government and/or the right of the Local Government, which can be valued in money as a consequence of agreement or other consequences under prevailing legislation or any other legitimate consequences.
8. State Debts mean the amount of money that are required to be paid by the Central Government and/or liability of the Central Government, which can be valued in money under prevailing legislation, agreement, or based on any other legitimate causes.
9. Local Debts mean the amount of money that are required to be paid by the Local Government and/or liability of the

Local Government, which can be valued in money under applicable legislations, agreements, or based on any other legitimate causes.

10. State-Owned Assets mean all assets purchased or procured at the expense of APBN or derived from any other legal acquisitions.
11. Local-Owned Assets mean all assets purchased or procured at the expense of APBD or derived from any other legal acquisitions.
12. Budget Users mean officials holding the authority to use the budget of the state ministries/institutions/Local Government work units.
13. Asset Users mean officials holding the authority to use the state/local-owned assets.
14. Treasurer means any person or entity assigned for and on behalf of the state/region to receive, keep and pay/give money or securities or state/local-owned assets.
15. State General Treasurer means an official assigned to carry out the functions of state general treasurer.
16. Local Government General Treasurer means an official assigned to carry out the functions of Local Government general treasurer.
17. Revenue Treasurers mean person appointed to receive, keep, deposit, administer and account for money of the state/local revenue in the framework of implementation of APBN/APBD in the offices/work units of the state ministries/institutions/local governments.
18. Expenditure Treasurers mean person appointed to receive, keep, pay, administer, and account for money for the state/local expenditures requirement in the framework of execution of APBN/APBD in the offices/work units of the state ministries/institutions/local governments.
19. Ministers/Heads of Institutions are officials responsible for the management of the finance of the state ministries/relevant institutions.
20. State Ministries/Institutions mean the state ministries/government institutions of non-state ministries/state institutions.
21. Regional Financial Management Officer means the head of the financial agency/ offices/bureau/financial division assigned to carry out the management of APBD and acts as the Local Government General Treasurer.
22. State/Regional Losses means the reduction of money, negotiable papers, and properties that are real and definite in amount as the result of deliberate tort or failure.
23. Public Service Agencies mean institutions within the Government, which are established to provide services to the community in the form of the supply of assets and/or services sold without seeking profits, where the performance of such activity is based on the efficiency and productivity principles.
24. Central Bank means as referred to in the 1945 Constitution of the Republic of Indonesia Article 23D.

Part Two
Scope

Article 2

State Treasury as referred to in Article 1 Point 1 includes:

- a. state revenue and expenditures execution;
- b. regional revenue and expenditures execution;
- c. state income and expenditures execution;
- d. regional income and expenditures execution;
- e. cash management;
- f. management of state/local receivables and debts;
- g. management of investment and state/local-owned assets;
- h. implementation of accounting and information system of state/regional financial management;
- i. preparation of report on accountability of implementation of APBN/APBD;
- j. settlement of state/regional loss;
- k. management of Public Service Agencies;
- l. formulation of standards, policies, as well as systems and procedures relating to the state financial management in the framework of implementation of APBN/APBD.

Part Three
General Principles

Article 3

- (1) The Law on APBN is the basis for the Central Government to conduct the state income and expenditures.
- (2) The Regional Regulation on Local Budget is the basis for the Local Governments to conduct the regional income and expenditures.
- (3) Any official is prohibited from performing actions resulting in expenditures at the expense of APBN/APBD if the budget to finance such expenditures is not available or is not sufficiently available.
- (4) All state expenditures, including subsidies and other assistances pursuant to the central government programs, is financed by APBN.
- (5) All regional expenditures, including subsidies and other assistances pursuant to the local government programs, is financed by the APBD.
- (6) Budget to finance expenditures which are immediate and/or unanticipated is provided in a separate part of the budget further set out in a government regulation.
- (7) Delay in payment for bills relating to the implementation of APBN/APBD may result in the imposition of penalties and/or interest.

CHAPTER II
STATE TREASURY OFFICIAL

Part One
Budget User

Article 4

- (1) Ministers/heads of institutions are the Budget Users/Asset Users for the state ministries/institutions they lead.
- (2) Ministers/heads of institutions as the Budget Users/Asset Users for the state ministries/institutions they lead have authority to:
 - a. prepare a budget execution document;
 - b. point a Proxy of Budget User/ Asset User;
 - c. assign an official assigned to conduct the collection of state income;
 - d. assign an official assigned to conduct the management of debts and receivables;
 - e. perform actions that result in budget expenditures;
 - f. assign an official assigned to conduct the testing and payment order;
 - g. use state-owned assets;
 - h. assign an official assigned to conduct the management of state-owned assets;
 - i. supervise the budget execution;
 - j. prepare and submit financial statements; state ministries/institutions they lead.

Article 5

- Governors/regents/mayors as the Head of Local Governments:
- a. establish a policy on the implementation of APBD;
 - b. assign Proxies of Budget User and Revenue Treasurers and/or Expenditure Treasurers;
 - c. assign an official assigned to conduct the collection of regional income;
 - d. assign an official assigned to conduct the management of debt and local government receivables;
 - e. assign an official assigned to conduct the management of local-owned assets;
 - f. assign an official assigned to conduct the verification of bills and order the payment.

Article 6

- (1) Heads of regional work units is the Budget Users/Asset Users for regional work unit they lead.
- (2) Heads of regional work units in implementing their duties as an official of Budget Users/Asset Users for regional work unit they lead have authority to:
 - a. prepare a budget execution document;
 - b. perform actions resulting in the expenditures at the expenses of budget;
 - c. perform a verification of bills and order the payment;
 - d. carry out the collection of non-tax revenues;
 - e. manage the debts and receivables;

- f. utilize the local-owned assets;
- g. supervise the budget execution;
- h. prepare and submit financial statements of regional work units they lead.

Part Two
State/Local Government's General Treasurer

Article 7

- (1) Minister of Finance is the State General Treasurer.
- (2) Minister of Finance as the State General Treasurer has authority to:
 - a. establish policies and guidelines for the state budget execution;
 - b. approve a budget execution document;
 - c. perform a control over the state budget execution;
 - d. establish a system of state cash income and expenditures;
 - e. appoint a bank and/or other financial institutions in the implementation of state budget income and expenditures;
 - f. undertake and arrange the necessary funds in the state budget execution;
 - g. keep the state money;
 - h. put the state money and manage/administer the investment;
 - i. make payments based on the request of the Budget User official at the expenses of the State Cash Account;
 - j. make loans and provide guarantee on behalf of the government;
 - k. provide loans on behalf of the government;
 - l. perform the management of the state's debts and receivables;
 - m. propose a government regulation draft on government accounting standards;
 - n. perform the collection of state's receivables;
 - o. establish a system of accounting and state financial reporting;
 - p. present a state financial information;
 - q. establish policies and guidelines for the management and write-off of state-owned assets;
 - r. determine the exchange rate of foreign currencies against rupiah in the payment of taxes;
 - s. appoint an official as the Proxy of State General Treasurer.

Article 8

- (1) Minister of Finance as the State General Treasurer appoints a Proxy of the State General Treasurer to carry out treasury tasks in the framework of the budget execution in the working area that has been set.
- (2) Treasury tasks as referred to in section (1) include receiving, keeping, paying or delivering, administering and accounting for the money and securities that are within the management.

- (3) A Proxy of the State General Treasurer implements the revenues and expenditures of the State Cash in accordance with the provisions as referred to in Article 7 section (2) point c.
- (4) A Proxy of the State General Treasurer is obligated to order the collection of state receivables to third party as budget revenues.
- (5) A Proxy of the State General Treasurer is obligated to pay the bills of third party as budget expenditures.

Article 9

- (1) Head of Working Unit Managing the Regional Finance is the Local Government's General Treasurer.
- (2) Heads of Working Unit Managing the Regional Finance as the Local Government General Treasurer have authority to:
 - a. prepare policies and guidelines for implementation of APBD;
 - b. approve the budget execution document;
 - c. conduct the control over the implementation of APBD;
 - d. provide the technical guidance on the implementation of regional cash income and expenditures;
 - e. carry out the regional tax collection;
 - f. supervise the implementation of the APBD's income and expenditures by bank and/or other financial institutions that have been designated;
 - g. undertake and arrange the funds required in the implementation of APBD;
 - h. keep the regional money;
 - i. implement the placement of regional money and manage/administer the investment;
 - j. make payments at request of the official of the Budget User for the expenses of Regional Cash Account;
 - k. prepare the implementation of loans and guarantee provision on behalf of the local government;
 - l. implement a loan provision on behalf of the local government;
 - m. perform the management of regional debts and receivables;
 - n. perform the collection of local government receivables;
 - o. implement the accounting systems and regional financial reporting;
 - p. present the regional financial information;
 - q. implement the policies and guidelines on the management and write-off of local-owned assets.

Part Three

Revenue/Expenditure Treasurers

Article 10

- (1) Ministers/head of institutions/governors/regents/mayors appoint Revenue Treasurers to carry out treasury

tasks in the framework of the revenue budget execution in the offices/work units within the state ministries/institutions/ regional work units.

- (2) Ministers/heads of institutions/governors/regents/mayors appoint Expenditure Treasurer to carry out treasury tasks in the framework of the expenditure budget execution in the offices/work units within the state ministries/institutions/regional work units.
- (3) Revenue Treasurers and Expenditure Treasurers as referred to in section (1) and section (2) are Functional Officials.
- (4) The position of the Revenue/Expenditure Treasurers may not be held concurrently by Proxies of the Budget User or Proxies of the State's General Treasurer.
- (5) The Revenue/Expenditure Treasurers are prohibited from carrying out, either directly or indirectly, trading activities, contract works and sales of services or acting as a guarantor for the activities/works/sales.

CHAPTER III STATE/LOCAL REVENUE/EXPENDITURES EXECUTION

Part One Budget Year

Article 11

The budget year includes a period of one year, from January 1 to December 31.

Article 12

- (1) APBN in one budget year includes:
 - a. the right of the central government recognized as an addition to net worth;
 - b. the liability of the central government recognized as a reduction of net worth;
 - c. the revenues needed to be repaid and/or expenses that will be received again, either in the relevant budget year or in subsequent fiscal years.
- (2) All state revenues and expenditures are made through the State Cash Account.

Article 13

- (1) The APBD in one budget year includes:
 - a. the right of the local government recognized as an addition to net worth;
 - b. the liability of the local government recognized as a reduction of net worth;
 - c. the revenue needed to be repaid and/or expenses that will be received again, either in the relevant budget year or in subsequent budget years.
- (2) All regional revenues and expenditures are made through the Regional Cash Account.

Part Two
Budget Execution Document

Article 14

- (1) After APBN has been stipulated, the Minister of Finance notifies all ministers/leaders of institutions to submit the budget execution documents for each state minister/institution.
- (2) Ministers/heads of institutions prepares the budget execution document for state ministry/institution he/she leads based on the budget allocation set by the President.
- (3) In the budget execution document as referred to in section (2), the objectives to be achieved, the functions, programs and details of activities, budget provided to achieve those objectives and fund withdrawal plan of each work unit, as well as estimated revenues are outlined.
- (4) In the budget execution document as referred to in section (2) work plan and budget of the Public Service Agencies in the related state ministry are attached.
- (5) The budget execution document that has been approved by the Minister of Finance is submitted to the minister/heads of institution, proxy of the state's general treasurer and the Audit Board.

Article 15

- (1) After APBD has been stipulated, the Official of Regional Financial Management notifies all heads of the regional work units to submit the budget execution document for each regional work unit.
- (2) The heads of regional work units prepare the budget execution document for the regional work unit he/she leads based on budget allocation set by the governor/regent/mayor.
- (3) In the budget execution document as referred to in section (2) the objectives to be achieved, functions, programs and details of activities, budget provided to achieve these objectives and fund withdrawal plan of each work unit as well as estimated revenues are outlined.
- (4) The budget execution document that has been approved by the Official of Regional Financial Management is submitted to the Head of Regional work unit and the Audit Board.

Part Two
Revenue Budget Execution

Article 16

- (1) Each state ministry/institution/regional work unit that has source of revenues is obligated to intensify the revenues gains that become its authority and responsibility.
- (2) All incomes must be deposited to the State/Regional Cash on time, which are further set in the government regulation.

- (3) The revenues of the state ministries/institutions/regional work units may not be spent directly to finance the expenditures.
- (4) The revenues in the form of commission, discount or any other forms whatsoever as a result of the sales and/or procurement of goods and/or services by the state/regions are the state's/regions' right.

Part Four
Expenditure Budget Execution

Article 17

- (1) The Budget User/Proxy of the Budget User implements the activities as stated in the budget execution document that has been approved.
- (2) For the purpose of implementation of activities as referred to in the budget execution document, the Budget Users/Proxy of the Budget User is authorized to make the commitment/agreement with other parties within the specified budget limit.

Article 18

- (1) The Budget User/Proxy of the Budget User has the right to verify, impose on the budget lines that have been provided, and order the payment of bills at the expenses of APBN/APBD.
- (2) To implement the provisions as referred to in section (1), the Budget Users/Proxies of the Budget User have authority to:
 - a. verify the correctness of material of the evidence letters regarding the rights of the collector;
 - b. examine the correctness of the documents that become the requirements/completeness with respect to the commitment/agreement of assets/services procurement;
 - c. examine the availability of the relevant funds;
 - d. impose the expenditures accordance with the relevant expenditure budget lines;
 - e. order the payments at the expenses of APBN/APBD.
- (3) The official signing and/or approving the documents related to the evidence letters that become the basis of expenditures at the expenses of APBN/APBD is responsible for the correctness of the material of and the result arising from the use of the said evidence letters.

Article 19

- (1) Payment for bills being the burden of APBN/APBD is made by the State General Treasurer/Proxy of the State's General Treasurer.
- (2) In the implementation of the payment as referred to in section (1), the State General Treasurers/Proxies of the State's General Treasurer are obligated to:
 - a. examine the completeness of payment order issued by the Budget User/Proxy of the Budget User;

- b. verify the correctness of bill calculation at the expenses of APBN as listed in the payment order;
- c. verify the availability of the relevant funds;
- d. order the disbursement of funds as the basis of the state expenditures;
- e. reject the disbursement of funds if payment order issued by the Budget User/Proxy of the Budget User does not meet the specified requirements.

Article 20

- (1) Payment for bills that become the burden of APBD is made by the Local Government General Treasurer.
- (2) In the implementation of the payment as referred to in section (1), the Local Government General Treasurer are obligated to:
 - a. examine the completeness of payment order issued by the Budget User;
 - b. verify the correctness of bill calculation at the expenses of APBD as listed in the payment order;
 - c. verify the availability of the relevant funds;
 - d. order the disbursement of funds as the basis of the regional expenditures;
 - e. reject the disbursement of funds if the payment order issued by the Budget User does not meet the specified requirements.

Article 21

- (1) Payments at the expenses of APBN/APBD may not be made before the assets and/or services are received.
- (2) For the smooth implementation of the tasks of the state ministries/ institutions/regional work units, the Budget User/Proxy of the Budget User can be given petty cash managed by the Expenditure Treasurers.
- (3) Expenditure Treasurers make payment from the petty cash managed after:
 - a. examine the completeness of payment order issued by the Budget User/Proxy of the Budget User;
 - b. verify the correctness of bill calculation as listed in the order payment;
 - c. verify the availability of the relevant funds.
- (4) Expenditure Treasurers are obligated to reject the payment order of the Budget Users/Proxies of the Budget User if the requirements in section (3) are not fulfilled.
- (5) Expenditure Treasurers are personally responsible for the payments made.
- (6) Exemption of the provisions as referred to in section (1) is regulated in a government regulation.

CHAPTER IV CASH MANAGEMENT

Part One

Management the State/Local Government's General Treasury

Article 22

- (1) The Minister of Finance as State General Treasurer has authority to arrange and implement the government's account.

- (2) With respect to the implementation of the government account as referred to in section (1), the Minister of Finance opens the State Cash Account.
- (3) The State Money is deposited in the State Cash Account with the central bank.
- (4) In the implementation of the state income and expenditure operations, the State General Treasurer may open the Receiving Account and Expenditure Account with the commercial bank.
- (5) The Receiving Account is used to accommodate the state income every day.
- (6) The Balance of the Receiving Account is entirely required to be deposited to the State Cash Account with the central bank at end of each work day.
- (7) In the event that the deposit obligation technically has not been able to be made every day, the State General Treasurer manages the deposit periodically.
- (8) The Expenditure Account at the commercial bank is filled up with funds derived from the State Cash Account with the central bank.
- (9) The amount of funds provided in the Expenditure Account as referred to in section (8) is adjusted to the expenditure plan to finance the government activities that have been set in APBN.

Article 23

- (1) The Central Government gains interest and/or current account interest on the funds deposited with the central bank.
- (2) Type of funds, interest rate and/or current account interest as referred to in section (1) as well as costs associated with services provided by the central bank is set out under the agreement between the Governor of the central bank and the Minister of Finance.

Article 24

- (1) The Central/Local Government has the right to gain interest and/or current account interest on the funds deposited with the commercial bank.
- (2) The interest and/or current account interest gained by the Central/Local Government as referred to in section (1) is based on the applicable interest and/or current account interest rate.
- (3) Costs in connection with the services provided by the commercial bank as referred to in section (1) are based on the applicable provisions in the related commercial bank.

Article 25

- (1) Interest and/or current account interest gained by the Government are the State/Local Revenue.
- (2) Costs in connection with the services provided by the commercial bank are imposed on the State/Local Expenditures.

Article 26

- (1) The Minister of Finance as the State's General Treasurer in certain cases may appoint another entity to manage the state income and/or expenditures to support the operational activities of the state ministries/institutions.
- (2) The appointment of such other entity as referred to in section (1) is arranged (3) in an employment contract.
- (3) Such other appointed entity as referred to in section (1) is obligated to submit reports periodically to the State General Treasurer regarding the management of income and/or expenditures in accordance with its duties and responsibilities.

Article 27

- (1) In the implementation of the account of the Local Government, the Official of the Regional Financial Management opens Regional Cash Account with the bank specified by the governor/regent/mayor.
- (2) In the implementation of the Regional Income and Expenditure operations, the Local Government General Treasurer may open the Receiving Account and the Expenditure Account with the bank specified by the governor/regent/mayor.
- (3) The Receiving Account as referred to in section (1) is used to accommodate the Regional Income every day.
- (4) The Balance of the Receiving Account as referred to in section (1) is required to be deposited entirely to the Regional Cash Account at end of each work day.
- (5) The Expenditure with the bank as referred to in section (1) is filled with funds derived from the Regional Cash Account.
- (6) The amount of funds provided in the Expenditure Account as referred to in section (1) is adjusted to the spending plan to finance the government activities that have specified in the APBD.

Article 28

- (1) Principles of the state/regional money management are regulated by government regulation after the consultation with the central bank.
- (2) Further guidelines on the state/regional money management in accordance with the provisions governed in the government regulation as referred to in section (1) are stipulated by the Minister of Finance as the State General Treasurer.
- (3) Implementation of the provisions as referred to in section (2) relating to the regional money management are subsequently regulated by the regional regulation.

Part Two
Management of State/Regional Income by the State
Ministries/Institutions/Regional Working Units

Article 29

- (1) The ministers/heads of the institutions as the Budget Users may open an account for the management of income within the related state ministry/institution after obtaining the approval of the State's General Treasurer.
- (2) Ministers/heads of institutions appoint a treasurer to administer the state income within the ministry/institution.
- (3) In the framework of cash management, the State General Treasurer may order the overbooking and/or closure of the account as referred to in section (1).

Article 30

- (1) The governors/regents/mayors may authorize the opening of an account for the implementation of income within the local government in accordance with the provisions of prevailing legislation.
- (2) The governors/regents/mayors appoint a treasurer to administer the income of the work units within the local government he/she leads.

Part Three
Petty Cash Management for the Needs of the State
Ministries/Institutions/Regional Work Units

Article 31

- (1) The ministers/heads of institutions may open an account for the management of expenditures within the related state ministry/institution after obtaining the approval of the Minister of Finance as the State General Treasurer.
- (2) The ministers/heads of institutions appoint a treasurer to administer money that must be accounted for within the framework of the implementation of the expenditures of the state ministry/institution.
- (3) In the framework of cash management, the State General Treasurer may order the overbooking and/or closure of the account as referred to in section (1).

Article 32

- (1) The governors/regents/mayors may authorize the opening of an account for the purpose of expenditure implementation within the regional work units.
- (2) The governors/regents/mayors appoint a treasurer to administer money that must be accounted for within the framework of the implementation of the expenditures of the regional work units.

CHAPTER V
RECEIVABLES AND DEBT MANAGEMENT

Part One
Receivables Management

Article 33

- (1) The Central Government may provide loans or grants to the Local governments/State-Owned Enterprises/Local-Owned Enterprises in accordance with as included/stipulated in the Law on APBN.
- (2) The Central Government may provide loans or grants to the foreign institutions in accordance with as included/stipulated in the Law on APBN.
- (3) The procedures for granting loans or grants as referred to in section (1) and section (2) are regulated by government regulation.

Article 34

- (1) Each official authorized to administer the state/local revenues, expenditures and assets is obligated to attempt to settle every state/local government receivable punctually and entirely.
- (2) The state/local government receivables that cannot be settled entirely and punctually are settled in accordance with the prevailing legislation.

Article 35

State/local government receivables of specific type has the preemptive right in accordance with the prevailing legislation.

Article 36

- (1) Settlement of state/local government receivables arising from the civil relationship may be made through reconciliation, except for state/regional receivables of which settlement manners are regulated separately in the law.
- (2) Settlement of receivables as referred to in section (1) relating to the state receivables is stipulated by:
 - a. The Minister of Finance, if the portion of the state receivables that is not agreed upon is not more than Rp10,000,000,000.00 (ten billion rupiah);
 - b. The President, if the portion of the state receivable that is not agreed upon is more than Rp10,000,000,000.00 (ten billion rupiah) up to Rp100,000,000,000.00 (one hundred billion rupiah);
 - c. The President after being considered by the House of Representatives, if the portion of the state receivable that is not agreed upon is more than Rp100,000,000,000.00 (one hundred billion rupiah).
- (3) Implementation of the provisions as referred to in section (1) relating to the Local government' receivables is stipulated by:
 - a. The governor/regent/mayor, if the portion of the local government receivable that is not agreed upon

- is not more than Rp5,000,000,000.00 (five billion rupiah);
- b. The governors/regents/mayors after being considered by the Regional House of Representatives, if the portion of the local government receivable that is not agreed upon is more than Rp5,000,000,000.00 (five billion rupiah).
- (4) Change to the amount of money as referred to in section (2) and section (3) is stipulated by the law.

Article 37

- (1) The state/local government receivables may be write-off absolutely or conditionally from the bookkeeping, except for the state/regional receivables of which settlement manners are regulated particularly in the law.
- (2) Elimination as referred to in section (1), insofar relating to the Central Government's receivables, is stipulated by:
 - a. The Minister of Finance for the amount of up to Rp10,000,000,000.00 (ten billion rupiah);
 - b. The President for the amount of more than Rp10,000,000,000.00 (ten billion rupiah) up to Rp100,000,000,000.00 (one hundred billion rupiah);
 - c. The President with the approval of the House of Representatives for the amount of more than Rp100,000,000,000.00 (one hundred billion rupiah).
- (3) Elimination as referred to in section (1), insofar relating to the Local government's receivables, is stipulated by:
 - a. The governors/regents/mayors for the amount of up to Rp5,000,000,000.00 (five billion rupiah);
 - b. The governors/regents/mayors with the approval of Regional House of Representatives for the amount of more than Rp5,000,000,000.00 (five billion rupiah).
- (4) Change to the amount of money as referred to in section (2) and section (3) is stipulated by the law.
- (5) The procedures for settlement and write-off of state/local government receivables as referred to in section (2) and section (3) and in Article 36 section (2) and section (3) are regulated by government regulation.

Part Two Debt Management

Article 38

- (1) The Finance Minister may appoint an authorized official on behalf of the Minister of Finance to make state debt or receive grants derived from the country or abroad in accordance with the provisions that have been stipulated in the Law on APBN/APBD.
- (2) Debt/grant as referred to in section (1) may be forwarded to the Local Governments/State-Owned Enterprises/Regional-Owned Enterprises.
- (3) Costs related to the process of procurement of debt or grant as referred to in section (2) are imposed on the State Budget.

- (4) The procedures for the procurement of debt and/or grant, either from the country or abroad as well as continuation of foreign debt or grant to the local governments/State Owned Enterprises/Local-Owned Enterprises are regulated by a government regulation.

Article 39

- (1) The governors/regents/mayors may make the regional debt in accordance with the provisions stipulated in the Regional Regulation on APBD.
- (2) Head of Work Unit Managing the Regional Finance prepares the implementation of loan in accordance with the decision of the governor/regent/mayor.
- (3) Costs related to the regional loans and grants are imposed on the Regional Budget.
- (4) The procedures for the implementation and administration of the state/regional debt are further regulated by a government regulation.

Article 40

- (1) The right to collect the state/regional debt burden is expired after 5 (five) years from the mature of the debt, except stipulated otherwise by the law.
- (2) The expiration as referred to in section (1) is delayed if the creditor submits the bills to the state/region before the end of the expiration period.
- (3) The provisions as referred to in section (1) are not applicable to the payment of interest liabilities and state/regional loan principals

CHAPTER VI INVESTMENT MANAGEMENT

Article 41

- (1) The government may make long-term investments to obtain the economic and social benefits and/or any other benefits.
- (2) Investments as referred to in section (1) are made in the form of stocks, bonds and direct investments.
- (3) Investments as referred to in section (1) are regulated by a government regulation.
- (4) The capital participation of the central government in the state/regional/private companies is stipulated by a government regulation.
- (5) The capital participation of the local government in the state/regional/private companies is stipulated by a regional regulation.

CHAPTER VII MANAGEMENT OF STATE/LOCAL-OWNED ASSETS

Article 42

- (1) Minister of Finance regulate the management of state-owned assets.

- (2) Ministers/heads of institutions are the Asset User for the ministry/institution they lead.
- (3) The heads of offices within the state ministries/institutions are Proxy of the Asset User within the related office.

Article 43

- (1) The governors/regents/mayors stipulate the policy on the management of local-owned assets.
- (2) Head of Work Unit Managing the Regional Finance supervises the management of local-owned assets in accordance with the policy established by the governor/regent/mayor.
- (3) Head of Regional Work Unit is the Asset User for the regional work unit he/she leads.

Article 44

The Asset User and/or Proxy of the Asset User is obligated to properly manage and administer the state/local-owned assets that is in his/her control.

Article 45

- (1) The state/local-owned assets required for implementing the state/local government duties can be non-transferable.
- (2) The transfer of state/local-owned assets is made by means of being sold, exchanged, granted or invested as the Government capital after obtaining the approval of DPR/DPRD.

Article 46

- (1) Approval of the DPR as referred to in Article 45 section (2) is made for:
 - a. the transfer of land and/or buildings.
 - b. the land and/or buildings as referred to in point a of this section does not include the land and/or buildings which:
 - 1) have not been pursuant to the regional spatial or city planning;
 - 2) must be written-off because the budget for a replacement building has been provided in the budget execution document;
 - 3) are reserved for civil servants;
 - 4) are reserved for the public interest;
 - 5) are controlled by the state under a decision of the court which has had the permanent legal force and/or under the provisions of legislation, of which ownership status is not economically feasible if maintained.
 - c. the transfer of state-owned assets excluding land and/or buildings, which is in value of more than Rp100,000,000,000.00 (one hundred billion rupiah).

- (2) The transfer of state-owned assets excluding land and/or buildings, which is in value of more than Rp10,000,000,000.00 (ten billion rupiah) up to one Rp100,000,000,000.00 (hundred billion rupiah) is conducted after obtaining the approval of the President.
- (3) The transfer of state-owned assets excluding land and/or buildings, which is in value of up to Rp10,000,000,000.00 (ten billion rupiah) is conducted after obtaining the approval of the Minister of Finance.

Article 47

- (1) The approval of DPRD as referred to in Article 45 section (2) is made for:
 - a. the transfer of land and/or buildings.
 - b. the land and/or buildings as referred to in point a of this section does not include the land and/or buildings which:
 - 1) have not been pursuant to the regional spatial or city planning;
 - 2) must be written-off because the budget for a replacement building has been provided in the budget execution document;
 - 3) are reserved for civil servants;
 - 4) are reserved for the public interest;
 - 5) are controlled by the state under a decision of the court which has had the permanent legal force and/or under the provisions of legislation, of which ownership status is not economically feasible if maintained.
 - c. the transfer of local-owned assets excluding land and/or buildings, which is in value of more than Rp5,000,000,000.00 (five billion rupiah).
- (2) The transfer of local-owned assets excluding land and/or buildings, which is in value of up to Rp5,000,000,000.00 (five billion rupiah) is conducted after obtaining the approval of the governor/regent/mayor.

Article 48

- (1) The sales of state/local-owned assets are conducted by auction, except in certain cases.
- (2) The condition as referred to in section (1) is regulated by a government regulation.

Article 49

- (1) The state/local-owned assets in the form of land controlled by the Central/Local Government must be certified on behalf of the Government of the Republic of Indonesia/the related local government.
- (2) The buildings belonging to the state/region must be equipped with proof of ownership status and maintained in an orderly manner.
- (3) The lands and buildings owned by the state/region, which are not utilized for the purpose of the implementation of main duties and functions of the related institution is obligated to be submitted to the Minister of

- Finance/governors/regents/mayors for the purpose of the implementation of the state/local government's duties.
- (4) The state/local-owned assets is prohibited from being shifted to any other parties as payment of bills to the Central/Local Government.
 - (5) The state/local-owned assets is prohibited from being mortgaged or pledged as collateral to obtain a loan.
 - (6) The provisions on technical and administrative guidelines for the management of state/local-owned assets are regulated by a government regulation.

CHAPTER VIII
PROHIBITIONS OF CONFISCATION OF STATE/LOCAL
MONEY AND STATE/LOCAL-OWNED ASSETS AND/OR
CONTROLLED BY THE STATE/LOCAL

Article 50

- Any parties are prohibited from conducting the confiscation of:
- a. money or securities owned by the state/region, either in the Government institutions or third parties;
 - b. money that must be deposited by third parties to the state/region;
 - c. movable assets owned by the state/region, either in the Government institutions or third parties;
 - d. immovable assets and other property rights owned by the state/region;
 - e. assets of the third parties controlled by the state/region required for the implementation of governmental duties.

CHAPTER IX
ADMINISTRATION AND ACCOUNTABILITY OF APBN/APBD

Part One
Financial Accounting

Article 51

- (1) The Minister of Finance/the Official Managing the Regional Finance as the State/Local Government General Treasurer implements the accounting of financial, asset, debt and fund equity transactions, including the financing and calculation transactions thereof.
- (2) The minister/head of institution/head of regional work unit as the Budget User implements the accounting of financial, asset, debt and fund equity transactions, including revenue and expenditure transactions, which are in his/her responsibility.
- (3) The accounting as referred to in section (1) and section (2) is used to prepare the financial statements of the Central/Local Government in accordance with the government accounting standards.

Part Two
Administration of Documents

Article 52

Every person and/or entity controlling the documents relating to the state treasury is obligated to properly administer and maintain the documents in accordance with the prevailing legislation.

Part Three
Financial Accountability

Article 53

- (1) Revenue Treasurers/Expenditure Treasurers are functionally responsible for the money management that becomes their responsibility to the Proxy of the State General Treasurer/Local General Treasurers.
- (2) The Proxy of the State General Treasurer is responsible to the Minister of Finance as the State General Treasurer in terms of rights and compliance with the regulations for the implementation of income and expenditures conducted.
- (3) The State General Treasurer is responsible to the President in terms of rights and compliance with the regulations for the management of income and expenditures conducted.
- (4) The Local Government General Treasurer is responsible to the governors/regents/mayors in terms of rights and compliance with the regulations for the implementation of income and expenditures conducted.

Article 54

- (1) The Budget User is responsible formally and materially to the President/governors/regents/mayors for the implementation of budget policies, which are in his/her control.
- (2) The Proxy of the Budget User is responsible formally and materially to the Budget User for the implementation of activities, which are in his/her control.

Part Four
Financial Statements

Article 55

- (1) The Minister of Finance as the fiscal administrator prepares the financial statements of the Central Government to be submitted to the President in order to meet the accountability of the APBN implementation.
- (2) In preparing the Financial Statements of the Central Government as referred to in section (1):
 - a. Ministers/Heads of Institutions as the Budget User/Asset User prepare and submit the financial statements which include the Budget Realization Statement, Balance Sheet, Notes to the Financial Statements enclosed with the financial statements of

- the Public Service Agencies in each state ministry/institution.
- b. The Financial Statements as referred to in point a is submitted to the Minister of Finance at the latest two (2) months after the end of budget year.
 - c. The Minister of Finance as the State's General Treasurer prepares the Cash Flow Statement of the Central Government;
 - d. The Minister of Finance as representative of the Central Government in the ownership of restricted state assets prepares the financial statement overview of the state-owned enterprises.
- (3) The Financial Statements as referred to in section (1) are submitted by the President to the Audit Board at the latest three (3) months after the end of budget year.
 - (4) Ministers/Heads of Institutions as the Budget User/Asset User provide a statement that the management of APBN has been implemented based on the adequate internal control systems and financial accounting has been implemented in accordance with the government accounting standards.
 - (5) Further provisions on the financial statements and the performance of government institutions are regulated by a government regulation.

Article 56

- (1) Head of Work Unit Managing the Regional Finance as the Official Managing the Regional Finance prepares the financial statements of the local government to be submitted to the governors/regents/mayors in order to meet the accountability of the APBD implementation.
- (2) In preparing the financial statements of the Local Government as referred to in section (1):
 - a. Head of regional work unit as the Budget User/Asset User prepares and submits financial statements, which include budget realization statement, balance sheet and notes to the financial statements.
 - b. The Financial Statements as referred to in point a are submitted to the head of work unit managing the regional finance at the latest two (2) months after the end of budget year.
 - c. Head of Work Unit Managing the Regional Finance as the Local Government General Treasurer prepares the Cash Flow Statement of the Local Government;
 - d. The governors/regents/mayors as representative of the local government in the ownership of separated regional assets prepare the financial statement overview of the state enterprises.
- (3) The Financial Statements as referred to in section (1) are submitted by the governors/regents/mayors to the Audit Board at least three (3) months after the end of budget year.
- (4) The head of regional work unit as the Budget User/Asset User provides a statement that the management of the APBD has been performed based on the adequate internal

control systems and financial accounting has been implemented in accordance with the governmental accounting standards.

Part Five
Government Accounting Standard Committee

Article 57

- (1) In the framework of transparency and accountability, the implementation of the governmental accounting is formed by the Government Accounting Standard Committee.
- (2) The Government Accounting Standard Committee is in charge of developing the applicable governmental accounting standards for both the Central Government and Local Government in accordance with the generally applicable accounting principles.
- (3) The formation, composition, position, membership and working period of the Government Accounting Standard Committee as referred to in section (1) is stipulated by the Presidential Decree.

CHAPTER X
GOVERNMENT INTERNAL CONTROL

Article 58

- (1) In order to improve the performance, transparency and accountability of the state finance management, the President as the Head of Government governs and implements the internal control systems within the government as a whole.
- (2) The internal control systems as referred to in section (1) is stipulated by a government regulation.

CHAPTER XI
SETTLEMENT OF STATE/REGIONAL LOSSES

Article 59

- (1) Every state/regional loss caused by the unlawful action or negligence of a person is resolved in accordance with the provisions of the prevailing legislation.
- (2) The treasurer, non-treasurer civil servant or another official whose actions violate the law or who neglect the obligations assigned to him/her so that such actions directly harm the state finance is obligated to pay for compensation.
- (3) Each head of state ministry/institution/head of regional work unit may promptly conduct the claim for compensation after determining that in the related state ministry/institution/regional work unit losses have occurred due to actions of any parties.

Article 60

- (1) Each state loss is required to be reported by direct supervisor or the head of office to ministers/heads of institutions and notified to the Audit Board at the latest

seven (7) work days after the state loss has been discovered.

- (2) Immediately after the state loss has been discovered, such treasurer, public servant of non-treasurer or such other official clearly violating the law or neglecting his/her obligations as referred to in Article 59 section (2) is obligated to immediately provide statement of commitment and/or acknowledgement that the loss becomes his/her responsibility, and is hereby willing to indemnify the said state loss.
- (3) If statement of responsibility cannot be obtained or cannot guarantee the recovery of the state loss, the related minister/head of institution immediately issues the provisional decision letter on claim for compensation.

Article 61

- (1) Each regional loss is required to be reported by direct supervisor or head of regional work unit to the governors/regents/mayors and notified to the Audit Board at the latest seven (7) work days after the regional loss has been discovered.
- (2) Immediately after the regional loss has been discovered, such treasurer, non-treasurer civil servant or such other official clearly violating the laws or neglecting his/her obligations as referred to in Article 59 section (2) is obligated to immediately provide statement of willingness and/or recognition that the loss becomes his/her responsibility, and is hereby willing to indemnify the said regional loss.
- (3) If Statement of Responsibility cannot be obtained or cannot guarantee the recovery of the regional loss, the related governors/regents/mayors immediately issue the provisional decision letter on claim for compensation.

Article 62

- (1) The imposition of state/regional loss indemnity on the treasurer is stipulated by the Audit Board.
- (2) If the criminal activities elements are found in the audit of state/regional loss as referred to in section (1), the Audit Board follows up these elements in accordance with the prevailing legislation.
- (3) Further provisions regarding the imposition of the state loss indemnity on the treasurer are set out in the act regarding the audit of the state finance management and accountability.

Article 63

- (1) The imposition of state/regional loss indemnity on civil servants of non-treasurer are stipulated by the minister/head of institution/ governor/regent/mayor.
- (2) The procedures of claim for compensation of state/regional loss are stipulated by a government regulation.

Article 64

- (1) The treasurers, civil servants of non-treasurer and other officials who have been assigned to indemnify the state/regional loss may be subject to administrative sanctions and/or criminal sanctions.
- (2) Criminal verdict does not exempt from claim for compensation.

Article 65

The obligation of the treasurer, non-treasurer civil servant or other official to pay the compensation is expired if, within five (5) years after discovering the loss or within eight (8) years after the occurrence of the loss, the claim for compensation is not conducted.

Article 66

- (1) In the event that the treasurer, civil servant of non-treasure or other official subject to the state/regional loss indemnity are in custodianship, on the run or died, claim and collection shift to the custodian/assignee of rights/heir, limited to the wealth managed or acquired, derived from the related treasurer, non-treasurer civil servant or other official.
- (2) The responsibility of the custodian/assignee of rights/heir to pay the state/regional loss indemnity as referred to in section (1) is written-off if, within three (3) years after the court decision has determined a custodianship to the related treasurer, non-treasurer civil servant or other official, or after the treasurer, non-treasurer civil servant or other official has been discovered to be on the run or die, the custodian/assignee of rights/heir is not informed by the authorized official concerning the state/regional losses.

Article 67

- (1) Provisions on settlement of the state/regional losses as stipulated in this Law are also applicable to money and/or goods not belonging to the state/region, which are in the control of the treasurer, non-treasurer civil servant or other official, used in administering governmental duties.
- (2) Provisions on settlement of the state/regional losses in this Law are also applicable to the administrators of the state/regional owned enterprises and other institutions conducting the management of state finance, to the extent not regulated in a separate law.

CHAPTER XII

FINANCIAL MANAGEMENT OF PUBLIC SERVICE AGENCIES

Article 68

- (1) Public Service Agencies are formed to improve services to the public in order to promote the public welfare and enhance the national life.

- (2) The wealth of the Public Service Agencies are non-restricted state/local assets and managed and fully utilized for conducting the activities of the related Public Service Agencies.
- (3) Financial Guidance for Public Service Agencies in the central government is carried out by the Minister of Finance and technical guidance is carried out by the minister responsible for the relevant governmental sector.
- (4) Financial Guidance for Public Service Agencies in the local government is carried out by the official managing the regional finance and technical guidance is carried out by the head of work unit responsible for the relevant governmental sector.

Article 69

- (1) Each Public Service Agency is obligated to prepare an annual work plan and budget.
- (2) The work plan and budget as well as the financial statements and the performance of the Public Service Agency are prepared and presented as an integral part of the work plan and budget as well as the financial statements and the performance of the State Ministries/Institutions/local governments.
- (3) The revenues and expenditures of the Public Service Agencies in the annual work plan and budget as referred to in section (1) and section (2) are consolidated in the work plan and budget of the related State Ministry/Institution/local government.
- (4) The revenues gained by the Public Service Agencies in connection with the services provided are the State/Local Revenue.
- (5) The Public Service Agencies may obtain grants or donations from the public or other institutions.
- (6) The revenues as referred to in section (4) and section (5) can be used directly to finance the expenditures of the related Public Service Agencies.
- (7) Further provisions regarding the financial management of the Public Service Agencies are regulated in the government regulation.

CHAPTER XIII TRANSITIONAL PROVISIONS

Article 70

- (1) Treasurer functional position as referred to in Article 10 is formed at the latest 1 (one) year as of its promulgation of this Law.
- (2) The provisions on the recognition and measurement of accrual-based revenues and expenditures as referred to in Article 12 and Article 13 of this Law are implemented at the latest in the budget year 2008 and as long as the recognition and measurement of the accrual-based revenues and expenditures have not been implemented, used for cash-based recognition and measurement.

- (3) Depositing the state money in the State Cash Account with the Central Bank as referred to in Article 22 is implemented gradually, so it is implemented fully at the latest 2006.
- (4) Depositing the regional money in the Regional Cash Account with the designated bank as referred to in Article 27 is implemented gradually, so it is implemented fully at the latest 2006.

Article 71

- (1) Granting of interest and/or current account interest as referred to in Article 23 section (1) begins to be implemented at the time of the replacement of Bank Indonesia Certificate with the Government Bonds as a monetary instrument.
- (2) The replacement of the Bank Indonesia Certificate with the Government Bonds as referred to in section (1) is started to be conducted from 2005.
- (3) As long as the Government Securities do not fully replace the Bank Indonesia Certificate as a monetary instrument, the interest rate given equals to the interest rate of the Government Securities derived from settlement of Bank Indonesia Liquidity Assistance.

CHAPTER XIV
CLOSING PROVISIONS

Article 72

At the time this Law comes into force, the Law on Indonesian Treasury/*Indische Comptabiliteitswet* (ICW), State Gazette Number 448 of 1925 as recently amended several times, last by Law Number 9 of 1968 (State Gazette of the Republic of Indonesia Number 53 of 1968, Supplement to the State Gazette Number 2860) is declared ineffective.

Article 73

The implementing provisions as a follow up of this Law have been completed at the latest 1 (one) year from the promulgation of this Law.

Article 74

This Law comes into force on the date of its promulgation.

In order that every person may know hereof, it is ordered to promulgate this Law by its placement in the State Gazette of the Republic of Indonesia.

Enacted in Jakarta
on 14 January 2004

PRESIDENT OF THE REPUBLIC OF INDONESIA,

signed

MEGAWATI SOEKARNO PUTRI

Promulgated in Jakarta
on 14 January 2004

STATE SECRETARY OF THE REPUBLIC OF INDONESIA,

signed

BAMBANG KESOWO

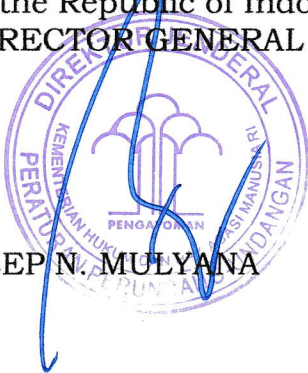
STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 5 OF 2004

Jakarta, 15 February 2024

Has been translated as an Official Translation
on behalf of Minister of Law and Human Rights
of the Republic of Indonesia

DIRECTOR GENERAL OF LEGISLATION,

ASEP N. MULYANA



ELUCIDATION OF
LAW OF THE REPUBLIC OF INDONESIA
NUMBER 1 OF 2004
ON
STATE TREASURY

I. GENERAL

1. Premise

The implementation of a state administration in realizing the state goals generates state rights and obligations which require to be managed in a state financial management system. The state financial management as referred to in the 1945 Constitution of the Republic of Indonesia requires to be implemented professionally, openly, and accountably to people's prosperity, which is realized in State Budget (APBN) and Local Budget (APBD).

As the legal basis of state financial management, on 5 April 2003, an Law Number 17 of 2003 on State Finance has been promulgated. Law Number 17 of 2003 further explains the principle rules that have been set forth in the 1945 Constitution of the Republic of Indonesia into the general principles of state financial management. In accordance with the provision in Article 29 Law Number 17 of 2003 on State Finance, in the context of state financial management and accountability set out in APBN and APBD, there is a need to stipulate the statutory rules of state financial administration.

Until recently, such rules are still based on the provisions in the Indonesian Treasury Law/*Indische Comptabiliteitswet* (ICW) State Gazette Number 448 of 1925 as amended several times, last by Law Number 9 of 1968 (State Gazette of the Republic of Indonesia Number 53 of 1968, Supplement to the State Gazette Number 2860). Those Indonesian Treasury Law can no longer meet the needs of the state financial management in accordance with the demand of the development of democracy, economy and technology. Therefore, the Law needs to be replaced with a new law that re-set the provision in State Treasury sector, in accordance with the demand of the development of democracy, economy and modern technology.

2. Definition, Scope, and General Principle of State Treasury

This State Treasury Law is intended to provide a legal basis in state financial management sector. This State Treasury Law sets out that State Treasury is the management and accountability of state finance, including restricted state assets set out in APBN and APBD.

In accordance with the definition, this State Treasury Law sets forth the scope and general principle of state treasury, the authority of state treasury officer, state/local budget management, management of state/local money, the management of investment and state/local-owned assets, administration and accountability of APBN/APBD, government's internal control, settlement of state/regional loss, and the financial management of public service agencies.

In accordance with good rules of state financial management, this State Treasury Law follows unity principle, universality principle, annual principle, and specialty principle. Unity principle requires that all State/Local Budget to be presented in one budget document. Universality requires that any financial transaction to be presented intact in a budget document. Annual principle limits the period of budget for certain year. Specialty principle requires that budget credit to be presented in detail, clearly for its allocation. Similarly, this State Treasury Law includes the provision that encourages professionalism, and ensures the closure and accountability in budget execution.

The provisions that are set forth in this State Treasury Law are also intended to strengthen the implementation basis of decentralization and regional autonomy. In the context of implementation of decentralization and regional autonomy, the head of region has been given a wide range of authority and the necessary fund to administer the authority. For the best use of the authority and fund in the implementation of administration in region, the rules as guideline for regional financial management are required. Therefore, this State Treasury Law, in addition to being the legal basis in the implementation of State Financial management reformation at central level, serve to strengthen the basis of implementation of decentralization and regional autonomy in the framework of the Unitary State of Republic of Indonesia.

3. State Treasury Official

In accordance with the provision sets forth in Law Number 17 of 2003 on State Finance, the Minister of Finance as the President's assistant in financial sector in essence is the Chief Financial Officer (CFO) of the Government of the republic of Indonesia, while each minister/head of institution is in essence the Chief Operational Officer (COO) for certain administration sectors.

In line with the principle, the Ministry of Finance reserves the rights and responsibility for state management asset and obligation in national level, while state ministries/institutions have authority and responsibility for government administration in accordance with their respective duties and functions.

The consequence of duties division between the Minister of Finance and other ministries is reflected in budget execution. In order to improve the accountability and ensure the check and balance in the process of budget execution, there is a need to divide clearly between the holder of administrative authority and the holder of treasury authority.

The management of administration authority is given to state ministry/institution, while the management of treasury authority is given to the Ministry of Finance. The administrative authority includes making commitment or other measures that results in state income or expenditure, conducting examination and charges of invoice submitted to state ministry/institution in connection with the

commitment realization, and instructing payment or collecting the income incurring as the consequence of budget implementation.

On the other hand, the Minister of Finance as the State General Treasurer and other officers assigned as State General Treasurer Authority is not merely a cashier that is only authorized in state income and expenditure implementation without right to assess the validity of the income and expenditure. The Minister of Finance as the State General Treasurer is the financial manager in complete sense that serves as cashier, financial supervisor, and financial manager. The function of this financial supervision is limited to *rechmatigheid* and *wetmatigheid* aspects and only be made at the time income or expenditure occurs, thus it is different with pre-audit function that is carried out by technical ministry or post-audit that is made by functional supervisory apparatus. Accordingly, it may apply one of the internal control principles, which is quite important in the process of budget implementation, namely clear separation between the holder of administrative authority (*ordonnateur*) and the holder of payment function (*comptable*). The application of separation on authority pattern, that is one of the good rules of state financial management, has experienced “deformation”, thus it becomes less effective to prevent and/or minimize deviation in the management of state income and expenditure. Therefore, the application of separation pattern must be performed consistently.

4. Application of rules of good financial management within the government

In line with the development of the need for state financial management, it is perceived that function of Treasury becomes more important in the framework of effective government’s limited financial resource management. The function of Treasury includes, primarily, good cash management planning, prevention to leaks and deviation, search for the cheapest financing source and utilization of idle cash to increase the added value of financial resource.

The effort to apply financial management principles that so far is implemented more in business sector in government financial management is not intended to equalize government financial management to private financial management. In essence, the state is a political institution. In such position, the state complies with public rule. Through the activities of various government institutions, the state attempts to ensure welfare to the people (welfare state).

However, public sector financial management that is made so far using state superiority approach has resulted in government apparatus that operates in public sector financial management is no longer considered in management profession group by the professionals. Therefore, reconfirmation of government financial management by applying good governance principles appropriately to governance environment is required.

This State Treasury Law also regulates the principles related to the implementation of functions of cash management, income and expenditure planning, management of debts and investment and state/local-owned assets that have insufficient attention. In the context of state/regional money management, this State Treasury Law confirms the authority of the Minister of Finance to regulate and organize government’s account, to keep state money into state general treasury account in the central bank, and requires the optimized

utilization of government fund. In order to improve the transparency and accountability of state/regional receivable management, the authority of state/local government receivable settlement is set forth. Meanwhile, in the context of financing implementation, it assigned the officer that is authorized in the procurement of state/regional debt. Likewise, in the context of the improvement of efficiency and effectiveness of investment and state/local-owned assets management, this State Treasury management also regulates the provision in relation to investment implementation and the authority to manage and utilize state/local-owned assets.

5. Administration and Accountability of Budget Execution

In order to realize the transparency and accountability in state financial management, the report of government financial accountability needs to be submitted in time and arranged following the government accounting standards. In connection with it, there is a need to stipulate the provisions governing the matters so that:

- The financial statements of the government are produced through accounting process;
- The financial statements of the government are presented in accordance with the standards of government financial accounting, consisting of Budget Realization Report (LRA), Balance Sheet and Cash Flow Statement enclosed with note to financial statements;
- Financial statements are presented as a form of accountability of each reporting entity, including financial statements of the central government, financial statements of state ministry/institution, and financial statements of local government;
- Financial statements of the central/local government are submitted to the House of Representatives/ Regional House of Representatives at the latest six (6) months after the end of relevant fiscal year;
- Financial statements of the government are audited by an independent and professional external auditing agency, prior to submission to the House of Representatives;
- Financial statements of the government may result in financial statistics referring to the manual of Government Finance Statistics (GFS) thus it may be able to meet the need for analysis on policy and fiscal condition, cross-country management and analysis, governance activity, and presentation of government finance statistics.

Recently, government financial statement is perceived less transparent and accountable because it is not entirely arranged according to government accounting standard that is in line with public sector accounting standard that is internationally acceptable. The government accounting standards are in accordance with the provisions of Article 32 of Law Number 17 of 2003 on State Finance to be a reference to the Central Government and all Local governments to arrange and present Financial Statements.

Government accounting standards are stipulated in a government regulation and are arranged by an independent Government Accounting Standard Committee consisting of professionals. For ensured independence, the committee must be formed with a Presidential decree and must work based on due

process. In addition, the standard proposal arranged by the committee needs to be considered by Audit Board. The consideration by the Audit Board is used as the basis for improvement. The result of improvement is informed to the Audit Board, and hereinafter, the standard proposal that has been improved is submitted by the Minister of Finance to be stipulated in a government regulation.

In order to meet the transparency and accountability principle for information submitted in the government financial statement, it needs to hold Central Government Accounting System (SAPP) consisting of Central Accounting System (SAP) that is implemented by the Ministry of Finance and Agency Accounting System (SAI) that is implemented by state ministry/institution.

In addition, there is also a need that government financial accountability statements may be submitted in time to DPR/DPRD. Considering that the government financial statement must be audited first by Audit Board, *Badan Pemeriksa Keuangan* (BPK) prior to submission to DPR/DPRD, BPK takes a very important role in the effort to accelerate the submission of government financial statement to DPR/DPRD. This is in line with the explanation of Article 30 and Article 31 Law Number 17 of 2003 on State Finance that set out that audit on Government Financial Statements must be completed at the latest two (2) months after the Financial Statements are received by BPK from the Government. So far, according to Article 70 ICW, BPK is given four (4) months to complete it.

6. Settlement on State Loss

In order to prevent loss in state/regional finance for violation of law or individual negligence, this State Treasury Law regulates the provision regarding settlement on state/regional loss. Therefore, this State Treasury Law sets out that any state/regional loss that is resulted by an individual violation of law or negligence must be compensated by the wrongdoer. With the settlement, the state/regional loss can be recovered from existing loss.

With respect to it, any head of state ministry/institution/head of work unit of regional apparatus is obligated to make a claim for compensation after discovering that there is a loss in the concerned state ministry/institution/head of work unit of regional apparatus. The imposition of compensation on state/regional loss to the treasurer is stipulated by the Audit Board, while the imposition of compensation on state/regional loss to non-treasurer is stipulated by the minister/head of agency/governor/regent/mayor.

Treasurer, non-treasurer civil servant, and other official that have been stipulated to compensate the state/regional loss may be imposed with administrative sanction and/or criminal sanction when it has been proven to having committed administrative and/or criminal violation.

7. Financial Management of Public Service Agencies

In the context of service improvement to the people, it may form Public Service Agencies that provides service to the people in providing goods and/or services necessary in improving public welfare and educate the nation. The property of Public Service Agencies is the unrestricted state assets and managed and utilized fully to administer the activity of the related Public Service Agencies. With regard to this, the work and budget plan and financial and performance report are arranged and presented as an integral part of the work and budget

plan and financial statement of the state ministry/ institution/local government.

Financial Guidance of Public Service Agencies are made by the Minister of Finance, while technical development is made by the Minister in charge of the related governmental sector.

II. ARTICLE BY ARTICLE

Article 1

Sufficiently clear

Article 2

Sufficiently clear

Article 3

Section (1)

Sufficiently clear

Section (2)

Sufficiently clear

Section (3)

Sufficiently clear

Section (4)

The related Central Government Program is proposed in the Draft Law on APBN and arranged in accordance with the needs for state administration and ability in compiling state revenue by relying on the Government work plan in achieving national goal.

Section (5)

The related Local Government Programs are proposed in the Draft Regional Regulation on APBD and arranged in accordance with the needs for regional administration and ability in compiling state revenue by relying on the Government work plan in achieving national goal.

Section (6)

Sufficiently clear

Section (7)

The related penalties and/or interests may be charged to both of the parties.

Article 4

Sufficiently clear

Article 5

Governors/Regents/Mayors defines the Proxies of the Budget Users, Revenue Treasurers and/or Expenditure Treasurers based on the proposal of the related Budget Users.

Article 6

Sufficiently clear

Article 7

Section (1)

Sufficiently clear

Section (2)

Point a

Sufficiently clear

- Point b
 - Sufficiently clear
- Point c
 - Sufficiently clear
- Point d
 - Sufficiently clear
- Point e
 - Sufficiently clear
- Point f
 - Sufficiently clear
- Point g
 - Sufficiently clear
- Point h
 - In the context of cash management, the related investment is the purchase of Government Bond.
- Point i
 - Sufficiently clear
- Point j
 - Sufficiently clear
- Point k
 - Sufficiently clear
- Point l
 - Sufficiently clear
- Point m
 - Sufficiently clear
- Point n
 - Sufficiently clear
- Point o
 - Sufficiently clear
- Point p
 - Sufficiently clear
- Point q
 - Sufficiently clear
- Point r
 - Sufficiently clear
- Point s
 - Sufficiently clear

Article 8
Sufficiently clear

Article 9
Section (1)
Sufficiently clear
Section (2)
Point a
Sufficiently clear
Point b
Sufficiently clear
Point c
Sufficiently clear
Point d
Sufficiently clear
Point e
Sufficiently clear

- Point f
Sufficiently clear
- Point g
Sufficiently clear
- Point h
Sufficiently clear
- Point i
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- Point j
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- Point m
Sufficiently clear
- Point n
Sufficiently clear
- Point o
Sufficiently clear
- Point p
Sufficiently clear
- Point q
Sufficiently clear

Article 10

Section (1), section (2) and section (3)

The Treasury duties as referred to in section (1) and section (2) include the activity of receiving, keeping, depositing/paying/transferring, administering and account for income/expenditure of money and securities in his/her management. The requirements for assignment and development of treasurer's carrier is regulated by the State General Treasurer as the National Supervisory of Treasurer Functional Position.

Section (4)

Sufficiently clear

Section (5)

Sufficiently clear

Article 11

Sufficiently clear

Article 12

Sufficiently clear

Article 13

Sufficiently clear

Article 14

Sufficiently clear

Article 15

Sufficiently clear

Article 16
Sufficiently clear

Article 17
Sufficiently clear

Article 18
Sufficiently clear

Article 19
Sufficiently clear

Article 20
Sufficiently clear

Article 21
Sufficiently clear

Article 22
Section (1)
Sufficiently clear

Section (2)
Sufficiently clear

Section (3)
The related state money in this section is cash owned by the state including rupiah and foreign exchange.

Section (4)
In some cases, the State General Treasurer may open an account in other financial institution.
The account opening in a public bank as referred to in this section is carried out by taking into account the cash unity principle and the treasury unity principle, as well as the optimization of cash management.

Section (5)
Sufficiently clear

Section (6)
Sufficiently clear

Section (7)
Sufficiently clear

Section (8)
Sufficiently clear

Section (9)
Sufficiently clear

Article 23
Sufficiently clear

Article 24
Sufficiently clear

Article 25
Sufficiently clear

Article 26

Section (1)

The other entity as referred to in this section is legal entity other than financial institution, which has good competence and reputation in implementing the function of state income and expenditures. The related competence includes skill, capital, network and instrument to support the required services. Reputation is assessed based on the development of the related legal entity's performance for at the latest three (3) recent months. The relevant operational activities are primarily in relation to the organization of principal duties and functions of the state ministry/institution.

Section (2)

The appointment of other entity is carried out in an orderly manner, in compliance with regulations, efficiently, economically, effectively, transparently and responsibly with regard to the sense of justice and propriety and taking into account legal entities other than financial institutions whose shares are mostly or entirely owned by the state.

Section (3)

The related other entity is obligated to submit month report upon the income and/or expenditure implementation it has made. The concerned report shall be arranged and presented in accordance with governmental accounting standards.

Article 27

Sufficiently clear

Article 28

Sufficiently clear

Article 29

Section (1)

The opening of an account may be made by the Proxy of the Budget User/other assigned official.

Section (2)

Sufficiently clear

Section (3)

Sufficiently clear

Article 30

Section (1)

The provisions of prevailing legislation as referred to in this section are government regulations regulating the state/regional financial management.

Section (2)

Sufficiently clear

Article 31

Section (1)

For smooth implementation of state's/institution's duties, the office/work unit within the state ministry/institution may be given cash for any necessary payment that may not be made directly by the State General Treasurer Authority to the party that provide the assets and/or services. In connection with this,

an account opening to store the petty cash before the payment to the authorized party is required. The procedure for the concerned account opening, and the utilization and accountability mechanism of the petty cash has been set out by the State General Treasurer in accordance with government regulation regarding state financial management.

Section (2)

Sufficiently clear

Section (3)

Sufficiently clear

Article 32

Section (1)

For smooth implementation of regional apparatus' duties, the work unit may be given cash for any necessary payment that may not be made directly by the Region General Treasurer Authority to the party that provide the assets and/or services. In connection with this, an account opening to store the petty cash before the payment to the authorized party is required. The procedure for the concerned account opening, and the utilization and accountability mechanism of the petty cash has been set out by the State's General Treasurer in accordance with government regulation on regional financial management.

Section (2)

Sufficiently clear

Article 33

Sufficiently clear

Article 34

Sufficiently clear

Article 35

Certain types of state/ local government receivables include tax receivables and receivables set forth in a separate law.

Article 36

Section (1)

Sufficiently clear

Section (2)

The term "portion of the state receivables that is not agreed upon" means the difference between the total receivable claims according to the government with total obligation that is acknowledged by the creditor.

Section (3)

Sufficiently clear

Section (4)

Sufficiently clear

Article 37

Sufficiently clear

Article 38

Sufficiently clear

Article 39

Sufficiently clear

Article 40

Section (1)

Sufficiently clear

Section (2)

Expiration as referred to in this section is as of January 1 of the following year.

Section (3)

Sufficiently clear

Article 41

Sufficiently clear

Article 42

Sufficiently clear

Article 43

Sufficiently clear

Article 44

Sufficiently clear

Article 45

Sufficiently clear

Article 46

Sufficiently clear

Article 47

Sufficiently clear

Article 48

Sufficiently clear

Article 49

Section (1)

The Minister of Finance as the State General Treasurer, in stipulating the provisions on the implementation of land certification owned by the central/local government coordinates with the institution responsible for the national land affairs.

Section (2)

Sufficiently clear

Section (3)

Sufficiently clear

Section (4)

Sufficiently clear

Section (5)

Sufficiently clear

Section (6)

The Government Regulation as referred to in this section includes the planning of needs, usage procedures, utilization, maintenance, administration, assessment, write-off, and transfer.

Article 50

Point a

Sufficiently clear

Point b

Sufficiently clear

Point c

Sufficiently clear

Point d

Sufficiently clear

Point e

The third party's property controlled is any property physically controlled or used or utilized by the government under legal relationship made between the government and the third party.

Article 51

Section (1)

The assets as referred to in this section are resources which include money, collection, investment and assets that may be measured in currency and controlled and/or owned by the government, and they are supposed to benefit economically/socially in the future. Fund equity as referred to in this section is government's net property that is the difference between the value of all government's assets and the value of all government's obligations or debt.

Section (2) and Section (3)

Every state ministry/institution is a reporting entity that is not only obligated to administer accounting, but also obligated to submit accountability report in the form of financial statements.

Article 52

The prevailing legislation are Law on archiving.

Article 53

Sufficiently clear

Article 54

Sufficiently clear

Article 55

Sufficiently clear

Article 56

Sufficiently clear

Article 57

Section (1)

Sufficiently clear

Section (2)

In composing the government accounting standards as referred to in this section, The Government Accounting Standard Committee stipulates the standard preparation process and request for consideration related to standard to the Audit Board. The standard preparation process includes the measures necessarily taken thoroughly (due process) in order to produce objective and qualified standard. Upon the consideration received

from the Audit Board, the Government Accounting Standard Committee gives response, explanation and/or make adjustment before the government accounting standards are stipulated as government regulation.

Section (3)

The membership of the Government Accounting Standard Committee as referred to in this section consists of nine (9) accounting experts in which the chairperson and vice chairperson are selected among the members.

Article 58

Section (1)

The Minister of Finance as the State General Treasurer administers internal controlling system in treasury sector. Ministers/heads of institutions as the Budget User/Asset User administers internal controlling system in the respective governmental sector. The governors/regents/mayors further regulate and administer internal controlling system in the respective regional governance.

Section (2)

The relevant internal controlling system to be stipulated in government regulation is consulted to the Audit Board.

Article 59

Section (1)

State loss may be resulted by violation of law or negligence by state official or non-treasurer civil servant in the context of implementation of administrative authority or by the treasurer in the context of implementation of treasury authority. The compensation as referred to in this section is based on the provision of Article 35 Law Number 17 of 2003 on State Finance. The settlement on state loss should be made immediately in order to recover the state's loss or decreasing asset and to improve the discipline and responsibility of civil servant/state official in general, and financial management administrator in specific.

Section (2)

The other official as referred to in this section includes state official and governance administrative officer that is non-state official, not classified as treasurer and non-treasurer civil servant.

Section (3)

Sufficiently clear

Article 60

Section (1)

Sufficiently clear

Section (2)

Sufficiently clear

Section (3)

The decision letter as referred to in this section has the legal force to collateral confiscation (*conservatoir beslag*) implementation. In the event the official that caused state loss is a minister/head of institution, the provisional decision letter on claim for compensation is issued by the Minister of Finance as

the State's General Treasurer. In the event the official that caused state loss is the Minister of Finance, the provisional decision letter on claim for compensation is issued by the President. In the event the official that caused state loss is a head of state institution, the provisional decision letter on claim for compensation is issued by the President.

Article 61

Section (1)

Sufficiently clear

Section (2)

Sufficiently clear

Section (3)

The decision letter as referred to in this section has the legal force to collateral confiscation (*conservatoir beslaag*) implementation. In the event the official that caused state loss is a Head of Regional Work Unit, the provisional decision letter on claim for compensation is issued by the Head of Work Unit Managing the Regional Finance as the Local Government's General Treasurer. In the event the official that caused state loss is a Head of Work Unit Managing the Regional Finance, the provisional decision letter on claim for compensation is issued by the governor/regent/mayor. In the event the official that caused state loss is a head local governmental institution, provisional decision letter on claim for compensation is issued by the President.

Article 62

Section (1)

Sufficiently clear

Section (2)

The term "follow-up in accordance with prevailing legislation" means submitting the result of audit along with evidences to the authorities.

Section (3)

Sufficiently clear

Article 63

Sufficiently clear

Article 64

Sufficiently clear

Article 65

Sufficiently clear

Article 66

Sufficiently clear

Article 67

Section (1)

Sufficiently clear

Section (2)

The imposition of state loss indemnity to the public company administrators and corporation of which shares in a whole or at least fifty-one percent (51%) are owned by the State of the Republic of Indonesia is stipulated by the Audit Board, to the extent not set forth in a separate law.

Article 68

Sufficiently clear

Article 69

Sufficiently clear

Article 70

The related gradual implementation is adjusted to banking condition and readiness of supporting means and infrastructures.

Article 71

Sufficiently clear

Article 72

Sufficiently clear

Article 73

Sufficiently clear

Article 74

Sufficiently clear