



PRESIDEN
REPUBLIK INDONESIA

ACT OF THE REPUBLIC OF INDONESIA

NUMBER 1 OF 2004

CONCERNING

STATE TREASURY

BY THE GRACE OF GOD ALMIGHTY

THE 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 done openly and responsibly for the welfare of the people as much as possible, which is embodied in the State Budget (APBN) and Regional Budget (APBD);
 - c. that in the context of state financial management and accountability, statutory rules of state financial administration governing the state treasury are required;
 - d. that the Indonesian Treasury Act/*Indische Comptabiliteitswet* (State Gazette No. 448 of 1925), as amended and supplemented several times recently by Act Number 9 of 1968 (State Gazette of the Republic of Indonesia No. 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 points a, b, c and d above, an Act on State Treasury should be established;
- In view of :
1. Article 5 paragraph (1), Article 20, Article 23 and Article 23C of the 1945 Constitution of the Republic of Indonesia;
 2. Act No. 17 of 2003 on State Finance (State Gazette of the Republic of Indonesia No. 47 of 2003, Supplement to State Gazette No. 4286);

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

DECIDED:

To stipulate : ACT CONCERNING STATE TREASURY.

CHAPTER I
GENERAL PROVISIONS
First Section
Definition

Article 1

In this Act:

1. State Treasury is the management and accountability of state finance, including separated investment and wealth set out in National Budget (APBN) and Regional Budget (APBD).
2. State Cash is the depository of state funds determined by Minister of Finance as the State's General Treasurer to accommodate all state revenues and pay all state expenditures.
3. State's General Treasury Account is the depository account of state funds determined by Minister of Finance as the State's General Treasurer to accommodate all state revenues and pay all state expenditures with central bank.
4. Regional Treasury is the depository of regional money determined by the governor/regent/mayor to accommodate all regional revenues and pay all regional expenditures.
5. Regional Government's General Treasury Account is the depository account of regional money determined by the governor/regent/mayor to accommodate all regional revenues and pay all regional expenditures with the specified bank.
6. State Receivables is the amount of money that must 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 applicable laws and regulations or any other legitimate consequences.
7. Regional Receivables is the amount of money that must be paid to the Regional Government and/or the right of the Regional Government, which can be valued in money as a consequence of agreement or other consequences under applicable laws and regulations or any other legitimate consequences.
8. State Debt is the amount of money that must be paid by the Central Government and/or liability of the Central

- Government, which can be valued in money under applicable laws and regulations, agreement, or based on any other legitimate causes.
9. Regional Debt is the amount of money that must be paid by the Regional Government and/or liability of the Regional Government, which can be valued in money under applicable laws and regulations, agreement, or based on any other legitimate causes.
 10. State Property is all goods purchased or procured at the expense of State Budget (APBN) or derived from any other legal acquisitions.
 11. Regional Property is all goods purchased or procured at the expense of Regional Budget (APBD) or derived from any other legal acquisitions.
 12. Budget User is the official holding the authority to use the budget of the state ministries/institutions/regional government work units.
 13. Property User is the official holding the authority to use the state/regional property.
 14. Treasurer is any person or entity assigned for and on behalf of the state/region to receive, keep and pay/submit the state/regional money or securities or goods.
 15. State's General Treasurer is an official assigned to carry out the functions of state's general treasurer.
 16. Regional Government's General Treasurer is an official assigned to carry out the functions of regional government's general treasurer.
 17. Receiving Treasurer is person appointed to receive, keep, deposit, administer and account for money of the state/regional income in the framework of implementation of the State Budget/Regional Budget in the offices/work units of the state ministries/institutions/regional governments.
 18. Spending Treasurer is person appointed to receive, keep, pay, administer, and account for money for the state/regional spending requirement in the framework of implementation of the State Budget/Regional Budget in the offices/work units of the state ministries/institutions/regional governments.
 19. Minister/Head of Institution is an official responsible for the management of the finance of the state ministries/relevant institutions.
 20. State Ministries/Institutions are the state ministries/government institutions of non-state ministries/state institutions.
 21. Regional Financial Management Officer is the head of the financial agency/department/bureau/financial division assigned to carry out the management of Regional Budget and act as the Regional Government's General Treasurer.
 22. State/Regional Loss is real short of money, securities and goods, of which amount is caused by unlawful actions, either intentionally or negligently.
 23. Public Service Agency is the agency within the Government, which is established to provide services to the community in

the form of the provision of goods and/or services sold without priority of seeking profits, where the performance of such activity is based on the efficiency and productivity principles.

24. Central Bank is as referred to in the 1945 Constitution of the Republic of Indonesia Article 23D.

Second Section Scope

Article 2

State Treasury as referred to in Article 1 Point 1 shall include:

- a. implementation of state income and expense;
- b. implementation of regional income and expense;
- c. implementation of state revenues and expenditures;
- d. implementation of regional revenues and expenditures;
- e. cash management;
- f. state/regional receivables and debt management;
- g. state/regional investment and property management;
- h. implementation of accounting and information system of state/regional financial management;
- i. preparation of report on accountability of implementation of State Budget/Regional Budget;
- j. settlement of state/regional loss;
- k. management of Public Service Board;
- l. formulation of standards, policies, as well as systems and procedures relating to the state financial management in the framework of implementation of the State Budget/Regional Budget.

Third Section General Principles

Article 3

- (1) The Act of State Budget is the basis for the Central Government to conduct the state revenues and expenditures.
- (2) The Regional Regulation of Regional Budget is the basis for the Regional Governments to conduct the regional revenues and expenditures.
- (3) Any official shall be prohibited from performing actions resulting in expenditures at the expense of the State Budget/Regional Budget 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, shall be financed by the State Budget.
- (5) All regional expenditures, including subsidies and other assistances pursuant to the regional government programs, shall be financed by the Regional Budget.

- (6) Budget to finance expenditures which are immediate and/or unanticipated shall be 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 the State Budget/Regional Budget may result in the imposition of penalties and/or interest.

CHAPTER II
STATE TREASURY OFFICIAL
First Section
Budget User

Article 4

- (1) Minister/head of institution is the Budget User/Property User for the state ministry/institution he/she leads.
- (2) Minister/head of institution as the Budget User/Property User for the state ministry/institution he/she leads shall be authorized to:
 - a. prepare a budget implementation document;
 - b. point a Proxy of Budget User/Property User;
 - c. assign an official assigned to conduct the collection of state revenues;
 - d. assign an official assigned to conduct the management of debit and credit;
 - e. perform actions that result in budget expenditures;
 - f. assign an official assigned to conduct the testing and payment order;
 - g. use state property;
 - h. assign an official assigned to conduct the management of state property;
 - i. monitor the implementation of budget;
 - j. prepare and submit financial statements;state ministry/institution he/she leads.

Article 5

- Governors/regents/mayors as the Head of Regional Government:
- a. establish a policy on the implementation of State Budget;
 - b. assign a Proxy of Budget User and Receiving Treasurer and/or Spending Treasurer;
 - c. assign an official assigned to conduct the collection of regional revenues;
 - d. assign an official assigned to conduct the management of regional debit and credit;
 - e. assign an official assigned to conduct the management of regional property;
 - f. assign an official assigned to conduct the testing of bills and order the payment.

Article 6

- (1) Head of regional work unit is the Budget User/Property User for regional work unit he/she leads.
- (2) Head of regional work unit in implementing his/her duties as an official of Budget User/Property User for regional work unit he/she leads shall be authorized to:
 - a. prepare a budget implementation document;
 - b. perform actions resulting in the expenditures at the expenses of budget;
 - c. perform a testing of bills and order the payment;
 - d. implement the collection of non-tax revenues;
 - e. manage the debit and credit;
 - f. use the regional property;
 - g. monitor the implementation of budget;
 - h. prepare and submit financial statements;regional work unit he/she leads.

Second Section

State's/Regional Government's General Treasurer

Article 7

- (1) Minister of Finance is the State's General Treasurer.
- (2) Minister of Finance as the State's General Treasurer shall be authorized to:
 - a. establish policies and guidelines for the implementation of state budget;
 - b. approve a budget implementation document;
 - c. perform a control over the implementation of state budget;
 - d. establish a system of state cash revenues and expenditures;
 - e. appoint a bank and/or other financial institutions in the implementation of state budget revenues and expenditures;
 - f. try and arrange the necessary funds in the implementation of state budget;
 - g. save 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's general treasury 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. submit a government regulation draft concerning 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 removal of state property;
- r. determine the exchange rate of foreign currencies against rupiah in the payment of taxes;
- s. appoint an official as the Proxy of State's General Treasurer.

Article 8

- (1) Minister of Finance as the State's General Treasurer shall appoint a Proxy of the State's General Treasurer to carry out treasury tasks in the framework of the implementation of budget in the working area that has been set.
- (2) Treasury tasks as referred to in paragraph (1) shall 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's General Treasurer shall implement the revenues and expenditures of the State Cash in accordance with the provisions as referred to in Article 7 paragraph (2) point c.
- (4) A Proxy of the State's General Treasurer shall be obliged to order the collection of state receivables to third party as budget revenues.
- (5) A Proxy of the State's General Treasurer shall be obliged to pay the bills of third party as budget expenditures.

Article 9

- (1) Head of Working Unit Managing the Regional Finance is the Regional Government's General Treasurer.
- (2) Head of Working Unit Managing the Regional Finance as the Regional Government's General Treasurer shall be authorized to:
 - a. prepare policies and guidelines for implementation of the Regional Budget;
 - b. approve the budget implementation document;
 - c. conduct the control over the implementation of the Regional Budget;
 - d. provide the technical guidance on the implementation of regional treasury's revenues and expenditures;
 - e. implement the regional tax collection;
 - f. monitor the implementation of the Regional Budget's revenues and expenditures by bank and/or other financial institutions that have been designated;
 - g. undertake and arrange the funds required in the implementation of the Regional Budget;
 - 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 government's general cash account;
- k. prepare the implementation of loans and guarantee provision on behalf of the regional government;
- l. implement a loan provision on behalf of the regional government;
- m. perform the management of regional debt and receivables;
- n. perform the collection of regional 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 elimination of regional property.

Third Section
Receiving/Spending Treasurer

Article 10

- (1) Minister/head of institution/governor/regent/mayor shall appoint a Receiving Treasurer to carry out treasury tasks in the framework of the implementation of income budget in the offices/work units within the state ministries/institutions/regional work units.
- (2) Minister/ head of institution/governor/regent/mayor shall appoint a Spending Treasurer to carry out treasury tasks in the framework of the implementation of spending budget in the offices/work units within the state ministries/institutions/regional work units.
- (3) Receiving Treasurer and Spending Treasurer as referred to in paragraphs (1) and (2) shall be Functional Official.
- (4) The position of the Receiving/Spending Treasurer may not be held concurrently by a Proxy of the Budget User or a Proxy of the State's General Treasurer.
- (5) The Receiving/Spending Treasurer shall be 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

IMPLEMENTATION OF THE STATE/REGIONAL REVENUES
AND EXPENDITURES

First Section

Fiscal Year

Article 11

The fiscal year shall include a period of one year, from January 1 through December 31.

Article 12

- (1) State Budget in one fiscal year shall include:
 - 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 fiscal year or in subsequent fiscal years.
- (2) All state revenues and expenditures shall be made through the State's General Treasury Account.

Article 13

- (1) The Regional Budget in one fiscal year shall include:
 - a. the right of the regional government recognized as an addition to net worth;
 - b. the liability of the regional 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 fiscal year or in subsequent fiscal years.
- (2) All regional revenues and expenditures shall be made through the Regional Government's General Treasury Account.

Second Section Budget Implementation Document

Article 14

- (1) After the State Budget has been stipulated, the Minister of Finance shall tell all ministers/leaders of institutions to submit the budget implementation documents for each state minister/institution.
- (2) Minister/head of institution shall prepare the budget implementation document for state ministry/institution he/she leads based on the budget allocation set by the President.
- (3) In the budget implementation document as referred to in paragraph (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 income are outlined.

- (4) In the budget implementation document as referred to in paragraph (2) work plan and budget of the Public Service Board in the related state ministry are attached.
- (5) The budget implementation document that has been approved by the Ministry of Finance shall be submitted to the minister/head of institution, proxy of the state's general treasurer and the State Audit Board.

Article 15

- (1) After the Regional Budget has been stipulated, the Official of Regional Financial Management shall tell all heads of the regional work units to submit the budget implementation document for each regional work unit.
- (2) The head of regional work unit shall prepare the budget implementation document for the regional work unit he/she leads based on budget allocation set by the governor/regent/mayor.
- (3) In the budget implementation document as referred to in paragraph (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 implementation document that has been approved by the Official of Regional Financial Management shall be submitted to the Head of Regional work unit and the State Audit Board.

Third Section Income Budget Implementation

Article 16

- (1) Each state ministry/institution/regional work unit that has source of income shall intensify the income gains that become its authority and responsibility.
- (2) All revenues shall be paid 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 used 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 shall be the state's/regions' right.

Fourth Section Spending Budget Implementation

Article 17

- (1) The Budget User/Proxy of the Budget User shall implement the activities as mentioned in the budget implementation document that has been approved.
- (2) For the purpose of implementation of activities as referred to in the budget implementation document, the Budget User/Proxy of the Budget User shall be authorized to execute the commitment/agreement with other parties within the specified budget limit.

Article 18

- (1) The Budget User/Proxy of the Budget User shall have the right to test, impose on the budget lines that have been provided, and order the payment of bills at the expenses of the State Budget/Regional Budget.
- (2) To implement the provisions as referred to in paragraph (1), the Budget User/Proxy of the Budget User shall be authorized to:
 - a. test 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 goods/services procurement;
 - c. examine the availability of the relevant funds;
 - d. impose the expenditures accordance with the relevant spending budget lines;
 - e. order the payments at the expenses of the State Budget/Regional Budget.
- (3) The official signing and/or approving the documents related to the evidence letters that become the basis of expenditures at the expenses of the State Budget/Regional Budget shall be 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 the State Budget shall be made by the State's General Treasurer/Proxy of the State's General Treasurer.
- (2) In the implementation of the payment as referred to in paragraph (1), the State's General Treasurer/Proxy of the State's General Treasurer shall be obliged to:
 - a. examine the completeness of payment order issued by the Budget User/Proxy of the Budget User;
 - b. test the correctness of bill calculation at the expenses of the State Budget as listed in the payment order;
 - c. test 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 the Regional Budget shall be made by the Regional Government's General Treasurer.
- (2) In the implementation of the payment as referred to in paragraph (1), the Regional Government's General Treasurer shall be obliged to:
 - a. examine the completeness of payment order issued by the Budget User;
 - b. test the correctness of bill calculation at the expenses of the Regional Budget as listed in the payment order;
 - c. test 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 the State Budget/Regional Budget may not be made before the goods 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 money supply managed by the Spending Treasurer.
- (3) The Spending Treasurer shall make payment from the money supply managed after:
 - a. examine the completeness of payment order issued by the Budget User/Proxy of the Budget User;
 - b. test the correctness of bill calculation as listed in the order payment;
 - c. test the availability of the relevant funds.
- (4) The Spending Treasurer shall reject the payment order of the Budget User/Proxy of the Budget User if the requirements in paragraph (3) are not fulfilled.
- (5) The Spending Treasurer shall be personally responsible for the payments implemented.
- (6) Exemption of the provisions as referred to in paragraph (1) shall be governed in the government regulation.

CHAPTER IV

MONEY MANAGEMENT

First Section

Management the State's/Regional Government's General
Treasury

Article 22

- (1) The Minister of Finance as State's General Treasurer shall be authorized to arrange and implement the government's account.
- (2) With respect to the implementation of the government account as referred to in paragraph (1), the Minister of Finance shall open the State's General Treasury Account.
- (3) The State Money shall be deposited in the State's General Treasury Account with the central bank.
- (4) In the implementation of the state revenue and expenditure operations, the State's General Treasurer may open the Receiving Account and Spending Account with the commercial bank.
- (5) The Receiving Account shall be used to accommodate the state revenues every day.
- (6) The Balance of the Receiving Account shall be entirely deposited to the State's General Treasury Account with the central bank at end of each working day.
- (7) In the event that the deposit obligation technically has not been able to be made every day, the State's General Treasurer shall manage the deposit periodically.
- (8) The Spending Account with the commercial bank shall be filled with funds derived from the State's General Treasury with the central bank.
- (9) The amount of funds provided in the spending account as referred to in paragraph (8) shall be adjusted to the spending plan to finance the government activities that have been set in the State Budget.

Article 23

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

Article 24

- (1) The Central/Regional Government shall have the right to gain interest and/or current accounts on the funds deposited with the commercial bank.
- (2) The interest and/or current accounts gained by the Central/Regional Government as referred to in paragraph (1) shall be based on the applicable interest rate and/or current accounts.
- (3) Costs in connection with the services provided by the commercial bank as referred to in paragraph (1) shall be

based on the applicable provisions in the related commercial bank.

Article 25

- (1) Interest and/or current accounts gained by the Government shall be the State/Regional Revenues.
- (2) Costs in connection with the services provided by the commercial bank shall be imposed on the State/Regional Expenditures.

Article 26

- (1) The Minister of Finance as the State's General Treasurer in certain cases may appoint another entity to implement the state revenues and/or expenditures to support the operational activities of the state ministries/institutions.
- (2) The appointment of such other entity as referred to in paragraph (1) shall be done (3) in an employment contract.
- (3) Such other appointed entity as referred to in paragraph (1) shall be obliged to submit reports periodically to the State's General Treasurer regarding the implementation of revenues and/or expenditures in accordance with its duties and responsibilities.

Article 27

- (1) With respect to the implementation of the account of the Regional Government, the Official of the Regional Financial Management shall open the Regional Government's General Treasury Account with the bank specified by the governor/regent/mayor.
- (2) In the implementation of the Regional Revenue and Expenditure operations, the Regional Government's General Treasurer may open the Receiving Account and the Spending Account with the bank specified by the governor/regent/mayor.
- (3) The Receiving Account as referred to in paragraph (1) shall be used to accommodate the Regional Revenues every day.
- (4) The Balance of the Receiving Account as referred to in paragraph (1) shall be deposited entirely to the Regional Government's General Treasury Account at end of each working day.
- (5) The Spending Account with the bank as referred to in paragraph (1) shall be filled with funds derived from the Regional Government's General Treasury Account.
- (6) The amount of funds provided in the Spending Account as referred to in paragraph (1) shall be adjusted to the spending plan to finance the government activities that have specified in the Regional Budget.

Article 28

- (1) Principles of the state/regional money management shall be governed 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 paragraph (1) shall be stipulated by the Minister of Finance as the State's General Treasurer.
- (3) Implementation of the provisions as referred to in paragraph (2) relating to the regional money management shall be subsequently governed by the regional regulation.

Second Section

Implementation of State/Regional Revenues by the State Ministries/Institutions/Regional Working Units

Article 29

- (1) The minister/head of the institution as the Budget User may open an account for the implementation of revenues within the related state ministry/institution after obtaining the approval of the State's General Treasurer.
- (2) The minister/head of institution shall appoint a treasurer to administer the state revenues within the ministry/institution.
- (3) In the framework of cash management, the State's General Treasurer may order the overbooking and/or closure of the account as referred to in paragraph (1).

Article 30

- (1) The governor/regent/mayor may authorize the opening of an account for the implementation of revenues within the regional government in accordance with the provisions of applicable laws and regulations.
- (2) The governor/regent/mayor shall appoint a treasurer to administer the revenues of the work units within the regional government he/she leads.

Third Section

Inventory Money Management for the Needs of the State Ministries/Institutions/Regional Work Units

Article 31

- (1) The minister/head of institution may open an account for the implementation of expenditures within the related state ministry/institution after obtaining the approval of the Minister of Finance as the State's General Treasurer.

- (2) The minister/head of institution shall 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's General Treasurer may order the overbooking and/or closure of the account as referred to in paragraph (1).

Article 32

- (1) The governor/regent/mayor may authorize the opening of an account for the purpose of expenditure implementation within the regional work units.
- (2) The governor/regent/mayor shall 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

First Section

Receivables Management

Article 33

- (1) The Central Government may provide loans or grants to the Regional Governments/State Owned Enterprises/Regional Owned Enterprises in accordance with as included/stipulated in the Act on the State Budget.
- (2) The Central Government may provide loans or grants to the foreign institutions in accordance with as included/stipulated in the Act on the State Budget.
- (3) The procedures for granting loans or grants as referred to in paragraph (1) and paragraph (2) shall be governed by government regulation.

Article 34

- (1) Each official authorized to administer the state/regional revenues, expenditures and assets shall attempt to settle every state/regional receivable punctually and entirely.
- (2) The state/regional receivables that cannot be settled entirely and punctually shall be settled according to the applicable laws and regulations.

Article 35

State/regional receivables of specific type shall have the preemptive right in accordance with the applicable laws and regulations.

Article 36

- (1) Settlement of state/regional 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 paragraph (1) relating to the state receivables shall be stipulated by:
 - a. The Minister of Finance, if the portion of the state receivable that is not agreed upon is not more than ten billion rupiahs (Rp10,000,000,000.00);
 - b. The President, if the portion of the state receivable that is not agreed upon is more than ten billion rupiahs (Rp10,000,000,000.00) up to one hundred billion rupiahs (Rp100,000,000,000.00);
 - 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 one hundred billion rupiahs (100,000,000,000.00).
- (3) Implementation of the provisions as referred to in paragraph (1) relating to the Regional Government' receivables shall be stipulated by:
 - a. The governor/regent/mayor, if the portion of the regional receivable that is not agreed upon is not more than five billion rupiahs (Rp5,000,000,000.00);
 - b. The governor/regent/mayor after being considered by the Regional House of Representatives, if the portion of the regional receivable that is not agreed upon is more than five billion rupiahs (Rp5,000,000,000.00).
- (4) Change to the amount of money as referred to in paragraph (2) and paragraph (3) shall be stipulated by the law.

Article 37

- (1) The state/regional receivables may be eliminated absolutely or conditionally from the bookkeeping, except for the state/regional receivables of which settlement manners are regulated separately in the law.
- (2) Elimination as referred to in paragraph (1), insofar relating to the Central Government's receivables, shall be stipulated by:
 - a. The Minister of Finance for the amount of up to ten billion rupiahs (Rp10,000,000,000.00);
 - b. The President for the amount of more than ten billion rupiahs (Rp10,000,000,000.00) up to one hundred billion rupiahs (Rp100,000,000,000.00);
 - c. The President with the approval of the House of Representatives for the amount of more than one hundred billion rupiahs (Rp100,000,000,000.00).

- (3) Elimination as referred to in paragraph (1), insofar relating to the Regional Government's receivables, shall be stipulated by:
 - a. The governor/regent/mayor for the amount of up to five billion rupiahs (Rp5,000,000,000.00);
 - b. The governor/regent/mayor with the approval of Regional House of Representatives for the amount of more than five billion rupiahs (Rp5,000,000,000.00).
- (4) Change to the amount of money as referred to in paragraph (2) and paragraph (3) shall be stipulated by the law.
- (5) The procedures for settlement and elimination of state/regional receivables as referred to in paragraph (2) and paragraph (3) and in Article 36 paragraph (2) and paragraph (3) shall be governed by government regulation.

Second Section

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 Act on State Budget.
- (2) Debt/grant as referred to in paragraph (1) may be forwarded to the Regional Governments/State Owned Enterprises/Regional Owned Enterprises.
- (3) Costs related to the process of procurement of debt or grant as referred to in paragraph (2) shall be 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 regional governments/State Owned Enterprises/Regional Owned Enterprises shall be governed by the government regulation.

Article 39

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

Article 40

- (1) The right to collect the state/regional debt burden shall be expired after five (5) years from the mature of the debt, except stipulated otherwise by the law.
- (2) The expiration as referred to in paragraph (1) shall be 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 paragraph (1) shall not be 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 paragraph (1) shall be made in the form of stocks, bonds and direct investments.
- (3) Investments as referred to in paragraph (1) shall be governed by the government regulation.
- (4) The capital participation of the central government in the state/regional/private companies shall be stipulated by the government regulation.
- (5) The capital participation of the regional government in the state/regional/private companies shall be stipulated by the regional regulation.

CHAPTER VII

MANAGEMENT OF STATE/REGIONAL PROPERTY

Article 42

- (1) The Minister of Finance shall set out the management of state property.
- (2) The minister/head of institution shall be the Property User for the ministry/institution he/she leads.
- (3) The head of office within the state ministry/institution shall be the Proxy of the Property User within the related office.

Article 43

- (1) The governor/regent/mayor shall stipulate the policy on the management of regional property.
- (2) Head of Work Unit Managing the Regional Finance shall supervise the management of regional property in accordance with the policy established by the governor/regent/mayor.

- (3) Head of Regional Work Unit shall be the Property User for the regional work unit he/she leads.

Article 44

The Property User and/or Proxy of the Property User shall properly manage and administer the state/regional property that is in his/her control.

Article 45

- (1) The state/regional property required for implementing the state/regional government duties shall be non-transferable.
- (2) The transfer of state/regional property shall be made by means of being sold, exchanged, granted or included as the Government capital after obtaining the approval of the House of Representatives/the Regional House of Representatives.

Article 46

- (1) Approval of the House of Representatives as referred to in Article 45 paragraph (2) shall be made for:
 - a. the transfer of land and/or buildings.
 - b. the land and/or buildings as referred to in point a of this paragraph shall not include the land and/or buildings which:
 - (1) have not been pursuant to the regional spatial or city planning;
 - (2) should be eliminated because the budget for a replacement building has been provided in the budget implementation 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 laws and regulations, of which ownership status is not economically feasible if maintained.
 - c. the transfer of state property excluding land and/or buildings, which is in value of more than one hundred billion rupiahs (Rp100,000,000,000.00).
- (2) The transfer of state property excluding land and/or buildings, which is in value of more than ten billion rupiahs (Rp10,000,000,000.00) up to one hundred billion rupiahs (Rp100,000,000,000.00) shall be conducted after obtaining the approval of the President.
- (3) The transfer of state property excluding land and/or buildings, which is in value of up to ten billion rupiahs (Rp10,000,000,000.00) shall be conducted after obtaining the approval of the Minister of Finance.

Article 47

- (1) The approval of the Regional House of Representatives as referred to in Article 45 paragraph (2) shall be made for:
 - a. the transfer of land and/or buildings.
 - b. the land and/or buildings as referred to in point a of this paragraph shall not include the land and/or buildings which:
 - 1) have not been pursuant to the regional spatial or city planning;
 - 2) should be eliminated because the budget for a replacement building has been provided in the budget implementation 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 laws and regulations, of which ownership status is not economically feasible if maintained.
 - c. the transfer of state property excluding land and/or buildings, which is in value of more than five billion rupiahs (Rp5,000,000,000.00).
- (2) The transfer of state property excluding land and/or buildings, which is in value of up to five billion rupiahs (Rp5,000,000,000.00) shall be conducted after obtaining the approval of the governor/regent/mayor.

Article 48

- (1) The sales of state/regional property shall be made by auction, except in certain cases.
- (2) The condition as referred to in paragraph (1) shall be governed by the government regulation.

Article 49

- (1) The state/regional property in the form of land controlled by the Central/Regional Government shall be certified on behalf of the Government of the Republic of Indonesia/the related regional government.
- (2) The buildings belonging to the state/region shall be equipped with proof of ownership status and maintained in an orderly manner.
- (3) The land 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 shall be submitted to the Minister of Finance/governor/regent/mayor for the purpose of the implementation of the state/regional government's duties.
- (4) The state/regional property is prohibited from being submitted to any other parties as payment of bills to the Central/Regional Government.

- (5) The state/regional property 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/regional property shall be set out by the government regulation.

CHAPTER VIII

NO CONFISCATION OF MONEY AND PROPERTY OWNED BY THE STATE/REGION AND/OR CONTROLLED BY THE STATE/REGION

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 property owned by the state/region, either in the Government institutions or third parties;
- d. immovable property and other property rights owned by the state/region;
- e. property of the third parties controlled by the state/region required for the implementation of governmental duties.

CHAPTER IX

ADMINISTRATION AND ACCOUNTABILITY OF THE STATE BUDGET/REGIONAL BUDGET

First Section

Financial Accounting

Article 51

- (1) The Minister of Finance/the Official Managing the Regional Finance as the State's/Regional Government's General Treasurer shall implement 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 shall implement 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 paragraph (1) and paragraph (2) shall be used to prepare the financial statements of the Central/Regional Government in accordance with the governmental accounting standards.

Second Section

Administration of Documents

Article 52

Every person and/or entity controlling the documents relating to the state treasury shall be obliged to properly administer and maintain the documents in accordance with the applicable laws and regulations.

Third Section

Financial Accountability

Article 53

- (1) The Receiving Treasurer/Spending Treasurer shall be functionally responsible for the money management that becomes his/her responsibility to the Proxy of the State's General Treasurer/Regional Government's General Treasurer.
- (2) The Proxy of the State's General Treasurer shall be responsible to the Minister of Finance as the State's General Treasurer in terms of rights and compliance with the regulations for the implementation of revenues and expenditures conducted.
- (3) The State's General Treasurer shall be responsible to the President in terms of rights and compliance with the regulations for the implementation of revenues and expenditures conducted.
- (4) The Regional Government's General Treasurer shall be responsible to the governor/regent/mayor in terms of rights and compliance with the regulations for the implementation of revenues and expenditures conducted.

Article 54

- (1) The Budget User shall be responsible formally and materially to the President/governor/regent/mayor for the implementation of budget policies, which are in his/her control.
- (2) The Proxy of the Budget User shall be responsible formally and materially to the Budget User for the implementation of activities, which are in his/her control.

The Fourth Section

Financial Statements

Article 55

- (1) The Minister of Finance as the fiscal administrator shall prepare the financial statements of the Central Government to be submitted to the President in order to meet the accountability of the State Budget implementation.
- (2) In preparing the Financial Statements of the Central Government as referred to in paragraph (1):
 - a. The minister/head of institution as the Budget User/Property User shall 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 Board in each state ministry/institution.
 - b. The Financial Statements as referred to in point a shall be submitted to the Minister of Finance at least two (2) months after the expiration of fiscal year.
 - c. The Minister of Finance as the State's General Treasurer shall prepare the Cash Flow Statement of the Central Government;
 - d. The Minister of Finance as representative of the Central Government in the ownership of separated state assets shall prepare the financial statement overview of the state owned enterprises.
- (3) The Financial Statements as referred to in paragraph (1) shall be submitted by the President to the State Audit Board at least three (3) months after the expiration of fiscal year.
- (4) The minister/head of institution as the Budget User/Property User shall provide a statement that the management of the State Budget 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 shall be set out by the government regulation.

Article 56

- (1) Head of Work Unit Managing the Regional Finance as the Official Managing the Regional Finance shall prepare the financial statements of the regional government to be submitted to the governor/regent/mayor in order to meet the accountability of the Regional Budget implementation.
- (2) In preparing the financial statements of the Regional Government as referred to in paragraph (1):
 - a. Head of regional work unit as the Budget User/Property User shall prepare and submit 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 shall be submitted to the head of work unit managing the

- regional finance at least two (2) months after the expiration of fiscal year.
- c. Head of Work Unit Managing the Regional Finance as the Regional Government's General Treasurer shall prepare the Cash Flow Statement of the Regional Government;
 - d. The governor/regent/mayor as representative of the regional government in the ownership of separated regional assets shall prepare the financial statement overview of the state owned enterprises.
- (3) The Financial Statements as referred to in paragraph (1) shall be submitted by the governor/regent/mayor to the State Audit Board at least three (3) months after the expiration of fiscal year.
 - (4) The head of regional work unit as the Budget User/Property User shall provide a statement that the management of the Regional Budget has been implemented based on the adequate internal control systems and financial accounting has been implemented in accordance with the governmental accounting standards.

Fifth Section

The Governmental Accounting Standard Committee

Article 57

- (1) In the framework of transparency and accountability, the implementation of the governmental accounting shall be formed by the Governmental Accounting Standard Committee.
- (2) The Governmental Accounting Standard Committee shall be in charge of developing the applicable governmental accounting standards for both the Central Government and Regional Government in accordance with the generally applicable accounting principles.
- (3) The formation, composition, position, membership and working period of the Governmental Accounting Standard Committee as referred to in paragraph (1) shall be 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 shall govern and implement the internal control systems within the government as a whole.

- (2) The internal control systems as referred to in paragraph (1) shall be stipulated by the government regulation.

CHAPTER XI

SETTLEMENT OF STATE/REGIONAL LOSSES

Article 59

- (1) Every state/regional loss caused by the unlawful action or omission of a person shall be resolved in accordance with the provisions of the applicable laws and regulations.
- (2) The treasurer, non-treasurer civil servant or another official whose actions violate the laws or who neglect the obligations assigned to him/her so that such actions directly harm the state finance shall be obliged to replace those losses.
- (3) Each head of state ministry/institution/head of regional work unit may promptly conduct the compensation claim 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 shall be reported by direct supervisor or the head of office to the minister/head of institution and notified to the State Audit Board at least seven (7) working days after the state loss has been determined.
- (2) Immediately after the state loss has been determined, such treasurer, public servant of non-treasurer or such other official clearly violating the laws or neglecting his/her obligations as referred to in Article 59 paragraph (2) shall be obliged to immediately provide statement of willingness and/or recognition that the loss becomes his/her responsibility, and is hereby willing to indemnify the said state loss.
- (3) If statement of liability absolutely cannot be obtained or cannot guarantee the return of the state loss, the related minister/head of institution shall immediately issue the decision of provisional indemnity imposition on whom it may concern.

Article 61

- (1) Each regional loss shall be reported by direct supervisor or head of regional work unit to the governor/regent/mayor and notified to the State Audit Board at least seven (7) working days after the regional loss has been determined.
- (2) Immediately after the regional loss has been determined, 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 paragraph (2) shall be

obliged 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 liability absolutely cannot be obtained or cannot guarantee the return of the regional loss, the related governor/regent/mayor shall immediately issue the decision of provisional indemnity imposition on whom it may concern.

Article 62

- (1) The imposition of state/regional loss indemnity on the treasurer shall be stipulated by the State Audit Board.
- (2) If the criminal elements are found in the examination of state/regional loss as referred to in paragraph (1), the State Audit Board shall follow up these elements in accordance with the applicable laws and regulations.
- (3) Further provisions concerning the imposition of the state loss indemnity on the treasurer shall be set out in the act regarding the examination of the state finance management and accountability.

Article 63

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

Article 64

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.

Criminal decision shall not exempt from claim for indemnity.

Article 65

The obligation of the treasurer, non-treasurer civil servant or other official to pay the indemnity shall be expired if, within five (5) years after knowing the loss or within eight (8) years after the occurrence of the loss, the claim for indemnity is not conducted against whom it may concern.

Article 66

- (1) In case the treasurer, civil servant of non-treasure or other official subject to the state/regional loss indemnity are in custodianship, escaping or death, claim and collection against him/her shall switch 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 paragraph (1) shall be removed 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 known to escape 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 Act shall be 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 the implementation of governmental duties.
- (2) Provisions on settlement of the state/regional losses in this Act shall be 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 THE PUBLIC SERVICE BOARD

Article 68

- (1) Public Service Board is 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 Board is state/regional wealth un-separated and managed and fully utilized for conducting the activities of the related Public Service Board.
- (3) Development of the finance of the Public Service Board in the central government shall be made by the Minister of Finance and technical development shall be made by the minister responsible for the relevant governmental sector.
- (4) Development of the finance of the Public Service Board in the regional government shall be made by the official managing the regional finance and technical development shall be made by the head of work unit responsible for the relevant governmental sector.

Article 69

- (1) Each Public Service Board shall 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 Board shall be 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/regional governments.
- (3) The revenues and expenditures of the Public Service Board in the annual work plan and budget as referred to in paragraph (1) and paragraph (2) shall be consolidated in the work plan and budget of the related State Ministry/Institution/regional government.
- (4) The revenues gained by the Public Service Board in connection with the services provided shall be the State/Regional Revenues.
- (5) The Public Service Board may obtain grants or donations from the public or other institutions.
- (6) The revenues as referred to in paragraph (4) and (5) can be used directly to finance the expenditures of the related Public Service Board.
- (7) Further provisions on the financial management of the Public Service Board shall be set out in the government regulation.

CHAPTER XIII

TRANSITIONAL PROVISIONS

Article 70

- (1) Functional position of the treasurer as referred to in Article 10 shall be formed at least one (1) year from the promulgation of this Act.
- (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 Act shall be implemented at least in the fiscal 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 funds in the State's General Treasury Account with the Central Bank as referred to in Article 22 shall be implemented gradually, so it is implemented fully at least 2006.
- (4) Depositing the regional money in the Regional Government's General Treasury Account with the designated bank as referred to in Article 27 shall be implemented gradually, so it is implemented fully at least 2006.

Article 71

- (1) Granting of interest and/or current accounts as referred to in Article 23 paragraph (1) shall begin to be implemented at the time of the replacement of Bank Indonesia Certificate with the Government Securities as a monetary instrument.
- (2) The replacement of the Bank Indonesia Certificate with the Government Securities as referred to in paragraph (1) shall 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 shall be equal to the interest rate of the Government Securities derived from settlement of Bank Indonesia Liquidity Assistance.

CHAPTER XIV

CLOSING

Article 72

Upon the entry into force of this Act, the Act on Indonesian Treasury/*Indische Comptabiliteitswet (ICW)*, State Gazette No. 448 of 1925 as recently amended several times by the Act No. 9 of 1968 (State Gazette of the Republic of Indonesia No. 53 of 1968, Supplement to State Gazette No. 2860) shall be revoked.

Article 73

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

Article 74

This Act shall come into force on the date of its promulgation.

For public cognizance, it is ordered that this Act shall be promulgated in the State Gazette of the Republic of Indonesia.

Ratified in Jakarta
on January 14, 2004
THE PRESIDENT OF THE REPUBLIC OF
INDONESIA,
signed
MEGAWATI SOEKARNO PUTRI

Promulgated in Jakarta
on January 14, 2004
THE STATE SECRETARY OF THE REPUBLIC OF INDONESIA.
signed
BAMBANG KESOWO

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NO. 5 OF 2004

Copy conforms to its original

Cabinet Secretary Deputy for
Legal and Regulatory Division,

Lambock V. Nahattands

ELUCIDATION
OF
ACT OF THE REPUBLIC OF INDONESIA
NUMBER 1 OF 2004
CONCERNING
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 Regional Budget (APBD).

As the legal basis of state financial management, on April 5, 2003, an Act Number 17 of 2003 concerning State Finance has been promulgated. The Act No. 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 Act No. 17 of 2003 concerning the State Finance, in the context of state financial management and accountability set out in State Budget and Regional Budget, 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 legislation the Indonesian Treasury Act/*Indische Comptabiliteitswet* (ICW) State Gazette No. 448 1925 as amended several times recently by Act No. 9 of 1968 (State Gazette of the Republic of Indonesia Number 53 of 1968, Supplement to State Gazette Number 2860) the Indonesia Treasury Act 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 act shall need to be replaced with a new act 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 Act is intended to give a legal basis in state financial management sector. This State Treasury Act set out that

State Treasury is the management and accountability of state finance, including separated investment and wealth set out in State Budget (APBN) and Regional Budget (APBD).

In accordance with the definition, this State Treasury Act sets forth the scope and general principle of state treasury, the authority of state treasury officer, state/regional budget implementation, the management of state/regional investment and property, administration and accountability of State budget (APBN)/ Regional Budget (APBD), government's internal control, settlement of state/regional loss, and the financial management of public service board.

In accordance with good rules of state financial management, this State Treasury Act follows unity principle, universality principle, annual principle, and specialty principle. Unity principle requires that all State/Regional 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 Act contains the provision that encourages professionalism, and ensures the closure and accountability in budget implementation.

The provisions that are set forth in this State Treasury Act 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 fund necessary 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 Act, in addition to being the legal basis in the implementation of State Financial management reformation at central level, shall 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 set forth in Act No. 17 of 2003 concerning the 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 ministry/institution is authorized and responsible for governmental 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 implementation. In order to

improve the accountability and insure the check and balance in the process of budget implementation, there is a need to divide explicitly between the holder of administrative authority and the holder of treasury authority. The organization of administration authority is given to state ministry/institution, while the organization of treasury authority is given to the Ministry of Finance. The administrative authority includes making commitment or other measures that results in state revenue or expenditure, conducting examination and collection charge proposed to state ministry/institution in connection with the commitment realization, and demanding payment or collecting the revenue incurring as the consequence of budget implementation.

On the other hand, the Minister of Finance as the State's General Treasurer and other officers assigned as State's General Treasurer Authority is not merely a cashier that is only authorized in state revenue and expenditure implementation without right to assess the validity of the revenue and expenditure. The Minister of Finance as the State's 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 shall only be made at the time revenue or expenditure occurs, thus it is different with pre-audit function that is made 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 explicit 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 is less effective to prevent and/or minimize deviation in the implementation of state revenue and expenditure. Therefore, the application of separation pattern must be performed consistently.

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

In line with the development of the need for state financial management, it is perceived that function of Treasury gets more important in the framework of effective government's limited financial resource management. The function of Treasury includes, primarily, good cash 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 the position, the state complies with public rule. Through the activities of various governmental institutions, the state tries 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 Act also regulates the principles related to the implementation of functions of cash management, income and expenditure planning, management of debts and investment and state/region owned property that have insufficient attention.

In the context of state/regional money management, this State Treasury Act confirms the authority of the Minister of Finance to regulate and organize government's account, to store 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 and regional 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 improvement of efficiency and effectiveness of investment and state's/region's property management, this State Treasury management also regulates the provision in relation to investment implementation and the authority to manage and utilize state/regional property.

5. Administration and Accountability of Budget Implementation

In order to realize the transparency and accountability in state financial management, the report of government financial accountability shall need to be submitted in time and arranged following the governmental 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 governmental financial accounting, consisting of Budget Realization Report (LRA), Balance Sheet and Cash Flow Statement accompanied by 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 regional government;
- Financial statements of the central/regional government are submitted to House of Representative/ Regional House of Representative within six (6) months after the expiration 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 Representative;
- Financial statements of the government may result in financial statistics referring to the manual of Government Finance Statistics (GFS) thus it shall 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 governmental accounting standard that is in line with public sector accounting standard that is internationally acceptable. The governmental accounting standards are in accordance with the provisions of Article 32 Act Number 17 of 2003 concerning State Finance to be a reference to the Central Government and all Regional Governments to arrange and present Financial Statements.

Governmental accounting standards shall be stipulated in a government regulation and are arranged by an independent Governmental Accounting Standard Committee consisting of professionals. For ensured independency, 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 shall be considered by State Audit Board. The consideration by the State Audit Board shall be used as the basis for improvement. The result of improvement shall be informed to the State Audit Board, and hereinafter, the standard proposal that has been improved shall be 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 shall be submitted in time to the House of Representatives (DPR)/Regional House of Representatives. Considering that the government financial statement shall be audited first by Finance Auditor Body (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 Act Number 17 of 2003 concerning the State Finance that set out that audit on Government Financial Statements shall be completed within 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 default, this State Treasury Act regulates the provision concerning settlement on state/regional loss. Therefore, this State Treasury Act sets out that any state/regional loss that is resulted by a violation of law or individual default shall be compensated by the guilty party. With the settlement, the state/regional loss shall be recovered from existing loss.

With respect to it, any chairman of state ministry/institution/head of work unit of regional apparatus is obliged to make a claim for compensation when it is observed 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 shall be defined by the State Audit Board, while the imposition of compensation on state/regional loss to non-treasurer shall be defined by the minister/head of agency/governor/regent/mayor.

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

7. Financial Management of Public Service Board

In the context of service improvement to the community, it may form Public Service Board that provides service to the community in providing goods and/or services necessary in improving public welfare and educate the nation. The property of Public Service Board is the state's property that is inseparable and managed and utilized fully to administer the activity of the related Public Service Board. With regard to this, the work and budget plan and financial and performance report shall be arranged and presented as an integral part of the work and budget plan and financial statement of the state ministry/institution/regional government.

Financial development of Public Service Board shall be made by the Minister of Finance, while technical development shall be made by the Ministry in charge of the related governmental sector.

II. ARTICLE BY ARTICLE

Article 1

Self explanatory

Article 2

Self explanatory

Article 3 Paragraph (1)

Self explanatory

Paragraph (2)

Self explanatory

Paragraph (3)

Self explanatory

Paragraph (4)

The related Central Government Program shall be proposed in the Draft of Act concerning State Budget (APBN) and arranged in accordance with the need for state administration and ability in compiling state revenue by relying on the Government work plan in achieving national goal.

Paragraph (5)

The related Regional Government Program shall be proposed in the Draft of Regional Regulation concerning Regional Budget (APBN) and arranged in accordance with the need for regional administration and ability in compiling state revenue by relying on the Government work plan in achieving national goal.

Paragraph (6)

Self explanatory

Paragraph (7)

The related penalty and/or interest may be charged to both of the parties.

Article 4

Self explanatory

Article 5

Governor/regent/mayor shall define the Proxy of the Budget User, Receiving Treasurer and/or Spending Treasurer based on the proposal of the related Budget User.

Article 6

Self explanatory

Article 7

Paragraph (1)

Self explanatory

Paragraph (2)

Point a

Self explanatory

- Point b
Self explanatory
- Point c
Self explanatory
- Point d
Self explanatory
- Point e
Self explanatory
- Point f
Self explanatory
- Point g
Self explanatory
- Point h
In the context of cash management, the related investment is the purchase of State Debt Instrument.
- Point i
Self explanatory
- Point j
Self explanatory
- Point k
Self explanatory
- Point l
Self explanatory
- Point m
Self explanatory
- Point n
Self explanatory
- Point o
Self explanatory
- Point p
Self explanatory
- Point q
Self explanatory
- Point r
Self explanatory
- Point s

Self explanatory

Article 8

Self explanatory

Article 9

Paragraph (1)

Self explanatory

Paragraph (2)

Point a

Self explanatory

Point b

Self explanatory

Point c

Self explanatory

Point d

Self explanatory

Point e

Self explanatory

Point f

Self explanatory

Point g

Self explanatory

Point h

Self explanatory

Point i

In the context of cash management, the related investment is the purchase of State Debt Instrument.

Point j

Self explanatory

Point k

Self explanatory

Point l

Self explanatory

Point m

Self explanatory

Point n

Self explanatory

Point o

Self explanatory

Point p

Self explanatory

Point q

Self explanatory

Article 10

Paragraph (1), paragraph (2) and paragraph (3)

The Treasury duties as referred to in paragraph (1) and paragraph (2) shall include receiving, keeping, depositing/paying/transferring, administering and being responsible for revenues/spending of money and securities in his/her management.

The requirements for assignment and development of treasurer's carrier shall be set forth by the State's General Treasurer as the National Builder of Treasurer Functional Position.

Paragraph (4)

Self explanatory

Paragraph (5)

Self explanatory

Article 11

Self explanatory

Article 12

Self explanatory

Article 13

Self explanatory

Article 14

Self explanatory

Article 15

Self explanatory

Article 16

Self explanatory

Article 17

Self explanatory

Article 18

Self explanatory

Article 19

Self explanatory

Article 20

Self explanatory

Article 21

Self explanatory

Article 22

Paragraph (1)

Self explanatory

Paragraph (2)

Self explanatory

Paragraph (3)

The related state cash in this paragraph is cash owned by the state including rupiah and foreign exchange.

Paragraph (4)

In some cases, the State's General Treasurer may open an account in other financial institution.

The account opening in a public bank as referred to in this paragraph shall be carried out by taking into account the cash unity principle and the treasury unity principle, as well as the optimization of cash management.

Paragraph (5)

Self explanatory

Paragraph (6)

Self explanatory

Paragraph (7)

Self explanatory

Paragraph (8)

Self explanatory

Paragraph (9)

Self explanatory

Article 23

Self explanatory

Article 24

Self explanatory

Article 25

Self explanatory

Article 26

Paragraph (1)

The certain cases as referred to in this paragraph are the non-availability condition of banking services in one place that guarantee the smooth implementation of state's revenues and expenditures.

The other entity as referred to in this paragraph is legal entity other than financial institution, which has good competence and reputation in implementing the function of state revenues and expenditures. The related competence includes skill, capital, network and instrument to support the required services.

Reputation shall be assessed based on the development of the related legal entity's performance for at least 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.

Paragraph (2)

The appointment of the other entity shall be made orderly, complying with regulation of law, efficiently, economically, effectively, transparently, and accountably in consideration of justice and compliance sense and prioritizing any legal entity of other than financial agency whose most of or entire shares are owned by the state.

Paragraph (3)

The related other entity is obliged 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

Self explanatory

Article 28

Self explanatory

Article 29

Paragraph (1)

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

Paragraph (2)

Self explanatory

Paragraph (3)

Self explanatory

Article 30

Paragraph (1)

The applicable laws and regulations as referred to in this paragraph are government regulations regulating the state/regional financial management.

Paragraph (2)

Self explanatory

Article 31

Paragraph (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's General Treasurer Authority to the party that provide the goods and/or services. In connection with this, an account opening to store the provided money before the payment to the authorized party is required. The procedure for the concerned account opening, and the utilization and accountability mechanism of the provided money has been set out by the State's General Treasurer in accordance with government regulation concerning state financial management.

Paragraph (2)

Self explanatory

Paragraph (3)

Self explanatory

Article 32

Paragraph (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's General Treasurer Authority to the party that provide the goods and/or services. In connection with this, an account opening to store the provided money before the payment to the authorized party is required. The procedure for the concerned account opening, and the utilization and accountability mechanism of the provided money has been set out by the State's General Treasurer in accordance with government regulation concerning regional financial management.

Paragraph (2)

Self explanatory

Article 33

Self explanatory

Article 34

Self explanatory

Article 35

Certain types of state/regional receivables include tax receivables and receivables set forth in a separate act.

Article 36

Paragraph (1)

Self explanatory

Paragraph (2)

Non-agreed receivable portion is the difference between the total receivable claims according to the government with total obligation that is acknowledged by the creditor.

Paragraph (3)

Self explanatory

Paragraph (4)

Self explanatory

Article 37

Self explanatory

Article 38

Self explanatory

Article 39

Self explanatory

Article 40

Paragraph (1)

Self explanatory

Paragraph (2)

Expiration as referred o in this paragraph is as of January 1 of the following year.

Paragraph (3)

Self explanatory

Article 41

Self explanatory

Article 42

Self explanatory

Article 43

Self explanatory

Article 44

Self explanatory

Article 45

Self explanatory

Article 46

Self explanatory

Article 47

Self explanatory

Article 48

Self explanatory

Article 49

Paragraph (1)

The Minister of Finance as the State's General Treasurer, in stipulating the provisions concerning the implementation of land certification owned by the central/regional government, shall coordinate with the agency responsible for the national land affairs.

Paragraph (2)

Self explanatory

Paragraph (3)

Self explanatory

Paragraph (4)

Self explanatory

Paragraph (5)

Self explanatory

Paragraph (6)

The Government Regulation as referred to in this paragraph shall include the planning of needs, usage procedures, utilization, maintenance, administration, assessment, removal and transfer.

Article 50

Point a

Self explanatory

Point b

Self explanatory

Point c

Self explanatory

Point d

Self explanatory

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

Paragraph (1)

The assets as referred to in this paragraph are resources which

include money, claim, investment and goods 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 paragraph 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.

Paragraph (2) dan Paragraph (3)

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

Article 52

The prevailing laws and regulations are Acts on Archiving.

Article 53

Self explanatory

Article 54

Self explanatory

Article 55

Self explanatory

Article 56

Self explanatory

Article 57

Paragraph (1)

Self explanatory

Paragraph (2)

In composing the governmental accounting standards as referred to in this paragraph, The Governmental Accounting Standard Committee shall stipulate the standard preparation process and request for consideration concerning standard substance to the State Audit Board. The standard preparation process includes the measures necessarily taken thoroughly (due process) in order to produce objective and quality standard.

Upon the consideration received from the State Audit Board, the Governmental Accounting Standard Committee shall give response, explanation and/or make adjustment before the governmental accounting standards are stipulated as government regulation.

Paragraph (3)

The membership of the Governmental Accounting Standard Committee as referred to in this paragraph is derived from nine (9) accounting experts in which the chairman and vice chairman are selected among the members.

Article 58

Paragraph (1)

The Minister of Finance as the State's General Treasurer shall administer internal controlling system in treasury sector.

The Minister/head of institution as the Budget User/Property User shall administer internal controlling system in the respective governmental sector.

The governor/regent/mayor shall regulate further and administer internal controlling system in the respective regional governance.

Paragraph (2)

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

Article 59

Paragraph (1)

State loss may be resulted by violation of law or default 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 indemnity as referred to in this paragraph is based on the provision of Article 35 Act Number 17 of 2003 concerning the State Finance. The settlement on state loss should be made immediately in order to recover the state's lost or decreasing asset and to improve the discipline and responsibility of civil servant/state official in general, and financial management administrator in specific.

Paragraph (2)

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

Paragraph (3)

Self explanatory

Article 60

Paragraph (1)

Self explanatory

Paragraph (2)

Self explanatory

Paragraph (3)

The decision as referred to in this paragraph has the legal force to collateral confiscation (*conservatoirbeslaag*) implementation.

In the event the official that makes loss to the state is a minister/head of institution, the related decision to impose temporary compensation shall be issued by the Minister of Finance as the State's General Treasurer.

In the event the official that makes loss to the state is the Minister of Finance, the related decision to impose temporary compensation shall be issued by the President.

In the event the official that makes loss to the state is a head of state institution, the related decision to impose temporary compensation shall be issued by the President.

Article 61

Paragraph (1)

Self explanatory

Paragraph (2)

Self explanatory

Paragraph (3)

The decision as referred to in this paragraph has the legal force to collateral confiscation (*conservatoirbeslaag*) implementation.

In the event the official that makes loss to the state is a Head of Regional Work Unit, the related decision to impose temporary compensation shall be issued by the Head of Work Unit Managing the Regional Finance as the Regional Government's General Treasurer.

In the event the official that makes loss to the state is a Head of Work Unit Managing the Regional Finance, the related decision to impose temporary compensation shall be issued by the governor/regent/mayor.

In the event the official that makes loss to the state is a head regional governmental institution, the related decision to impose temporary compensation shall be issued by the President.

Article 62

Paragraph (1)

Self explanatory

Paragraph (2)

Follow-up in accordance with prevailing regulation of law is

submitting the result of audit along with evidence to the authority.

Paragraph (3)

Self explanatory

Article 63

Self explanatory

Article 64

Self explanatory

Article 65

Self explanatory

Article 66

Self explanatory

Article 67

Paragraph (1)

Self explanatory

Paragraph (2)

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

Article 68

Self explanatory

Article 69

Self explanatory

Article 70

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

Article 71

Self explanatory

Article 72

Self explanatory

Article 73

Self explanatory

Article 74

Self explanatory

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