LAW OF THE REPUBLIC OF INDONESIA
NUMBER 15 YEAR 2006

CONCERNING AUDIT BOARD

THE AUDIT BOARD
OF THE REPUBLIC OF INDONESIA
2006

LAW OF THE REPUBLIC OF INDONESIA
NUMBER 15 YEAR 2006
CONCERNING
AUDIT BOARD

WITH THE BLESSINGS OF THE ONE ALMIGHTY GOD

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

Considering:

a. whereas state finance is one of the principal elements in the state administration and is very important to achieve the state's objective, namely to create a fair and prosperous society as mandated in the Preamble of the 1945 Constitution of the Republic of Indonesia;

b. whereas to reach the state's objective as referred to in letter a, state financial management and accountability requires a free, independent, and professional audit board in order to establish a state administration that is clean and free from corruption, collusion, and nepotism;

c. whereas Law Number 5 Year 1973 concerning Audit Board is no longer suitable with the development of the state administration system, both at the central and the regional levels;

d. whereas based on the considerations in letter a, letter b, and letter c, it is necessary to make a Law concerning Audit Board;

In view of: Article 20, Article 21, Article 23E, Article 23F, and Article 23G of the 1945 Constitution of the Republic of Indonesia;

Upon the Joint Approval of

THE PEOPLE'S LEGISLATIVE ASSEMBLY OF THE REPUBLIC OF INDONESIA

and

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

HAS DECIDED:

To stipulate: **LAW REGARDING AUDIT BOARD**

CHAPTER I
GENERAL PROVISIONS

Article 1

Referred to herein as:

1. Audit Board, hereafter abbreviated as BPK, shall be a state institution having the duty to audit state financial management and accountability as set forth in the 1945 Constitution of the Republic of Indonesia.

2. People's Legislative Assembly, hereafter abbreviated as DPR, shall be the People's Legislative Assembly as intended in the 1945 Constitution of the Republic of Indonesia.

3. Regional Representative Council, hereafter abbreviated as DPD, shall be the Regional Representative Council as intended in the 1945 Constitution of the Republic of Indonesia;

4. Central Government shall be the President of the Republic of Indonesia holding the administrative power of the Republic of Indonesia as intended in the 1945 Constitution of the Republic of Indonesia.

5. Regional Government shall be Governors, Regents, or Mayors, and regional instruments as the elements of regional administration.

6. Regional People's Legislative Assembly, hereafter abbreviated as DPRD, shall be the Provincial, Regental, and Municipal People's Legislative Assembly as intended in the 1945 Constitution of the Republic of Indonesia.

7. State Finance shall be all state rights and obligations that can be valued with money, all things in the form of money or properties that can be considered owned by the state in relation to the implementation of the aforementioned rights and obligations.

8. State Financial Management shall be all activities of the state financial management officials in accordance with their positions and authorities, including planning, implementation, supervision, and accountability.

9. Audit shall be the process of problem identification, analysis, and evaluation that are conducted independently, objectively, and professionally based on the auditing standards, in order to evaluate the correctness, accuracy, credibility, and reliability of information on state financial management and accountability.

10. Auditor shall be the person implementing the duty of state financial management and accountability audit for and on behalf of BPK.

11. State Financial Accountability shall be the obligation of the Government and other state institutions to implement state financial management in an orderly manner, in compliance with the laws and regulations, efficiently, economically, effectively, and transparently with due observance of the senses of justice and equity.

12. Treasurer shall be the person or entity given the duties to, for and on behalf of the state/a region, receive, keep, and pay/remit state/regional money or negotiable papers or properties.

13. Auditing Standard shall be standard to conduct state financial management and accountability audit, including general standard, audit implementation standard, and reporting standard that must be complied with by BPK and/or auditors.

14. Audit Results shall be the final results of the process of evaluation on the correctness, compliance, accuracy, credibility, and reliability of data/information on state financial management and accountability that is conducted independently, objectively, and professionally based on the Auditing Standard set forth in the audit result report as BPK's decision.

15. State/Regional Losses shall be the reduction of money, negotiable papers, and properties that are real and definite in amount as the result of deliberate tort or failure.

16. Compensation shall be an amount of money or properties that can be valued with money that must be returned to the state/a region by a person or an entity having conducted deliberate tort or failure.

17. BPK's regulations shall be the legal regulations issued by BPK that are generally binding and contained in the State Gazette of the Republic of Indonesia

CHAPTER II
POSITION AND MEMBERSHIP

Part One
Position

Article 2

BPK shall be a state institution that is free and independent in auditing state financial management and accountability.

Article 3

(1) BPK shall be domiciled at the state's capital city.

(2) BPK shall have a representative office in every province.

(3) The establishment of representative office as intended in paragraph (2) shall be stipulated by a BPK's decision by taking the state financial capacity into consideration.

Part Two
Membership

Article 4

(1) BPK shall have 9 (nine) members, whose membership shall be ratified by a Presidential Decree.

(2) BPK's Structure shall comprise a Chairperson concurrently serving as a member, a Deputy Chairperson concurrently serving as a member, and 7 (seven) members.

(3) The Presidential Decree as intended in paragraph (1) shall be issued by no later than 30 (thirty) days as of the nomination of the elected BPK's member by the DPR.

Article 5

(1) BPK's members shall serve the office for a period of 5 (five) years and may be re-elected for 1 (one) term of office.

(2) BPK shall be notify the DPR with carbon copy to the President of the expiration of the term of office of BPK's members by no later than 6 (six) months prior to the expiration of the term of office of the members concerned.

CHAPTER III
DUTIES AND AUTHORITIES

Part One
Duties

Article 6

(1) BPK shall have the duties to audit the state financial management and accountability performed by the Central Government, Regional Government, other State Institutions, Bank Indonesia, State-owned

Enterprises, Public Service Agencies, Regional-owned Enterprises, and other institutions or agencies managing state finance.

(2) The BPK audit as intended in paragraph (1) shall be implemented based on law concerning state financial management and accountability audit.

(3) BPK audit shall include financial audit, performance audit, and special-purpose audit.

(4) If the audit is implemented by a public accountant based on the provisions of law, report on the results of such audit must be submitted to BPK and shall be subsequently published.

(5) In implementing the state financial management and accountability audit as intended in paragraph (1), BPK shall discuss audit findings with the auditee in accordance with the state financial auditing standards.

(6) Provisions on the procedures for the implementation of BPK's duties as referred in paragraph (1) shall be further regulated in BPK's regulations.

Article 7

(1) BPK shall submit the results of audits on state financial management and accountability to DPR, DPD, and DPRD in accordance with its authority.

(2) DPR, DPD, and DPRD shall follow-up the audit results as intended in paragraph (1) in accordance with the Codes of Conduct of the respective representative institutions.

(3) The submission of BPK audit results to DPRD shall be implemented by BPK's members or the appointed officials.

(4) Procedures for the submission of BPK audit results to DPR, DPD, and DPRD shall be regulated by BPK together with the respective representative institutions in accordance with their authorities.

(5) The results of audit on state financial management and accountability that have been submitted to DPR, DPD, and DPRD shall be declared open for public.

Article 8

(1) For the purpose of audit result follow-up as intended in article 7 paragraph (1), BPK shall also submit audit results in writing to the President, governors, regents, or mayors in accordance with their respective authority.

(2) BPK shall be notified in writing of the audit result follow-up as intended in paragraph (1) by the President, governors, regents, or mayors.

(3) If a criminal element is found in an audit, BPK shall report it to the competent authority in accordance with the provisions of laws and regulations by no later than 1 (one) month as of its knowledge.

(4) The BPK's report as intended in paragraph (3) shall be used as the basis of investigation by the authorized investigator in accordance with laws and regulations.

(5) BPK shall monitor the audit result follow-up implemented by the officials as intended in paragraph (1), and DPR, DPD, and DPRD, as well as the Government shall be notified in writing of the results.

Part Two
Authorities

Article 9

(1) In implementing its duties, BPK shall have the authorities to:

a. determine the audit object, plan and implement audits, determine the audit timeframe and method as well as prepare and present audit report;

b. request for information and/or documents that must be submitted by any persons, Central Government organizational units, Regional Government, other State Institutions, Bank Indonesia, State-owned Enterprises, Public Service Agencies, Regional Government-owned Enterprises, and other institutions or agencies managing state finance;

c. perform audit at the places where state money and properties are kept, at the places of the implementation of activities, book-keeping and state financial administration, as well as audits on the calculations, letters, evidences, current accounts, accountability reports and other lists related to state financial management;

d. determine the types of document, data, as well as information on state financial management and accountability that must be submitted to BPK;

e. stipulate state financial auditing standards following consultation with the Central Government/Regional Government that must be used in state financial management and accountability audit;

f. stipulate the code of ethics for state financial management and accountability audit;

g. employ experts and/or auditors outside BPK who shall work for and on behalf of BPK;

h. develop Auditors' functional positions;

i. provide considerations on the Government Accounting Standard; and

j. provide considerations on the Central Government/Regional Government's draft internal control system prior to its stipulation by the Central Government/Regional Government.

(2) The documents, data, as well as information on state financial management and accountability requested by BPK as intended in paragraph (1) letter d shall be used only for the purpose of audit.

Article 10

(1) BPK shall evaluate and/or determine the amount of state losses due to the deliberate tort or negligence by treasurers, BUMN/BUMD management, and other institutions or agencies performing state financial management.

(2) The assessment of state financial losses and/or determination of the parties obligated to pay for compensation as intended in paragraph (1) shall be stipulated in a BPK's regulation.

(3) To guarantee the payment of such compensation, BPK shall be authorized to monitor:
   a. the settlement of compensation to the state/region stipulated by the Government on non-treasurer civil servants and other officials;
   b. the imposition of compensation for the state/region on treasurers, BUMN/BUMD management, other institutions or agencies managing state finance that has been stipulated by BPK; and
   c. the imposition of compensation to the state/region stipulated based on a court verdict having permanent legal force.

(4) DPR, DPD, and DPRD shall be notified in writing of the monitoring results as intended in paragraph (3) in accordance with their respective authorities.

Article 11

BPK shall be entitled to give:
a. opinions to DPR, DPD, DPRD, Central Government/Regional Government, Other State Institutions, Bank Indonesia, State-owned Enterprises, Regional-owned Enterprises, Public Services Agencies, Foundations, institutions, or other agencies, required due to the nature of their respective duties;
b. considerations on the settlement of state/regional losses stipulated by the Central Government/Regional Government; and/or

c. experts' affidavit in a judicial process in respect of state/regional losses.

Article 12

Provisions on the procedures for the implementation of the authorities as intended in Article 9 paragraph (1), Article 10, and Article 11 shall be further regulated under BPK's regulations.

CHAPTER IV
APPOINTMENT AND DISCHARGE

Part One
Appointment of the Members

Article 13

For be appointed as a BPK's member, candidates must meet the following requirements;
a. Indonesian citizen;
b. believing in and devoting to the One Almighty God;
c. domiciled in Indonesia;
d. having moral integrity and honesty;
e. dedicated to the Unitary State of the Republic of Indonesia that is based upon Pancasila and the 1945 Constitution of the Republic of Indonesia;
f. having minimum educational attainment of S1 level or equivalent;
g. having never been sentenced with imprisonment under a court verdict having had permanent legal force for committing any crime that is subject to imprisonment for a period of 5 (five) years or more;
h. physically and mentally healthy;

i. having reached minimum age of 35 (thirty-five) years;

j. having left the position as an official in the state financial management environment for at least 2 (two) years;

k. not being declared as bankrupt under a court verdict having had permanent legal force.

Article 14

(1) BPK's members shall be appointed by DPR with due observance of DPD's considerations.

(2) The DPD's considerations as intended in paragraph (1) shall be conveyed in writing containing all names of the candidates, and submitted to DPR within a maximum period of 1 (one) month as of the date of receipt of the request for considerations from DPR Leadership.

(3) BPK's member candidates shall be announced by DPR to public to obtain inputs from the people.

(4) DPR shall commence the process of election of BPK's members at the time of receipt of notification from BPK as intended in Article 5 paragraph (2) and shall be obligated to finish the election of new BPK's members within the maximum period of 1 (one) month prior to the expiration of the term of office of the former BPK's members.

(5) Provisions on the procedures for the appointment of BPK's members as intended in paragraph (1) shall be further regulated in the DPR's code of conduct.

Part Two

Election of Chairpersons

Article 15

(1) BPK's Chairpersons shall comprise a chairman and a deputy chairman.

(2) BPK's Chairman and Deputy Chairman shall be elected from among and by BPK's Members in the meeting of BPK's Members within a maximum period of 1 (one) month as of the date of ratification of BPK's membership by the President.

(3) The meeting of BPK's Members for the election of BPK's chairmen as intended in paragraph (2) shall be chaired by the oldest BPK's member.

(4) The election of Chairman and Deputy Chairman as intended in paragraph (2) and paragraph (3) shall be conducted in deliberation to reach a consensus, and in the event that a consensus cannot be reached, election shall be conducted by way of voting.

(5) Provisions on the procedures for the election of the Chairman and Deputy Chairman as well as the distribution of duties and authorities of BPK's Chairman, Deputy Chairman, and Members shall be regulated under BPK's regulations.

Article 16

(1) Before assuming their positions, BPK's members shall be obligated to read out an oath or promise in accordance with their respective religions guided by the Head of the Supreme Court.

(2) The elected BPK's Chairman and Deputy Chairman shall be obligated to state oath or promises in accordance with their respective religions guided by the Head of the Supreme Court.

(3) In the event of absence of the Head of the Supreme Court, the oath and promises as intended in paragraph (1) and paragraph (2) shall be guided by the Deputy Head of the Supreme Court.

(4) The oath and promises as intended in paragraph (1) and paragraph (2) shall be as follows:

"For the sake of God, I solemnly swear/promise that I has not given or promised anything directly or indirectly in the form of material or excuse to anyone to become BPK's Member.

I solemnly swear/promise that I shall not receive any promise or granting directly or indirectly from anyone to do or not to do something in this position.

I solemnly swear/promise that I shall comply with the obligations of BPK's Member (Chairman/Deputy Chairman) with best endeavors and with full responsibility based on the 1945 Constitution of the Republic of Indonesia and other laws and regulations related to the aforementioned duties and obligations.

I solemnly swear/promise that I shall be devoted to the Unitary State of the Republic of Indonesia and the 1945 Constitution of the Republic of Indonesia".

Part Three

Discharge

Article 17

BPK's Chairman, Deputy Chairman, and/or Members can be honorably or dishonorably discharged from BPK's membership.

Article 18

BPK's Chairman, Deputy Chairman, and/or Members shall be honorably discharged from their positions based on a Presidential decree upon the recommendation of BPK in the event of the following:

a. demise;
b. resignation at own request filed to BPK's Chairman or Deputy Chairman;
c. having reached 67 (sixty-seven) years of age;
d. expiration of their term of office; or
e. continuous physical or psychological illness or permanent absence proven with doctor's statement.

Article 19

BPK's Chairman, Deputy Chairman, and/or Members shall be dishonorably discharged from their membership upon the recommendation of BPK or DPR in the event of the following:

a. having never been sentenced with imprisonment under a court verdict having had permanent legal force for conducting crime that is subject to imprisonment for a period of 5 (five) years or more;
b. violating BPK's code of ethics;

c. having not implemented their duties and obligations for a period of 1 (one) consecutive month without valid reasons;
d. breaking the oath or promise of office;
e. breaking the prohibitions as intended in Article 28, or
f. no longer complying with the requirements as BPK's member as intended in Article 13 letters a, c, and e.

Article 20

(1) BPK's Chairman, Deputy Chairman, or Members shall be temporarily discharged from their positions by BPK through a Plenary Meeting when named as suspects in crime that is subject to imprisonment for a period of 5 (five) years or more.

(2) The BPK's Chairman, Deputy Chairman, or Members proven not committing the crime as intended in paragraph (1) shall be entitled to obtain rehabilitation and reappointed as BPK's Chairman, Deputy Chairman, or Members.

Article 21

(1) The dishonorable discharge as intended in Article 19 letter b, letter c, letter d, letter e, and/or letter f shall be conducted following the granting of opportunity to the relevant party to present a defense before a BPK's Honorary Board of Code of Ethics.

(2) The discharge of BPK's Chairman, Deputy Chairman, and/or Members as intended in paragraph (1) shall be ratified by a Presidential Decree upon the recommendation of BPK or DPR.

Article 22

(1) For the resigning or discharged BPK's Members as intended in Article 18 or Article 19, the appointment of temporary replacement BPK's Members shall be conducted in accordance with the procedures as intended in Article 13 and Article 14 and ratified by a Presidential Decree.

(2) The appointment of BPK's Members as intended in paragraph (1) shall be conducted within a maximum period of 6 (six) months incepted as from the date of discharge of the BPK's Members as intended in Article 18 or Article 19.

(3) Before assuming their positions, the appointed BPK's Members as intended in paragraph (1) shall state an oath/promises guided by BPK's Chairman/Deputy Chairman with the procedures as intended in Article 16 paragraph (4).

(4) The replacement BPK's Members shall continue the remainder of the term of office of the replaced BPK's Members.

(5) Temporary replacement of BPK's Members does not need to be conducted if the remainder of the term of office of the replaced members is less than 6 (six) months from the term of office as intended in Article 5 paragraph (1).

CHAPTER V
FINANCIAL/ADMINISTRATIVE AND PROTOCOL RIGHTS, POLICE ACTS IMMUNITY AND PROHIBITIONS,

Part One
Financial/Administrative and Protocol Rights

Article 23

The financial/administrative and protocol position rights of BPK's Chairman, Deputy Chairman, and Members shall be regulated in accordance with laws and regulations.

Part Two
Police Actions

Article 24

Police actions on BPK's Members for the investigation of a case shall be performed by virtue of the Attorney General's instruction after obtaining a written approval of the President.

Article 25

(1) BPK's Members may be subject to a police action without any Attorney General's instruction or the President's the written approval in the following events:
   a. caught red-handed committing a criminal act; or
   b. alleged of committing a criminal act subject to capital punishment.

(2) The police action as intended in paragraph (1) must be reported within 24 (twenty-four) hours to the Attorney General who shall be responsible to notify the arrest to the President, DPR, and BPK.

Part Three
Immunity

Article 26

(1) BPK Members cannot be prosecuted before a court for implementing their duties, obligations, and authorities based on this law.

(2) In implementing their duties and authorities, BPK Members, Auditors, and other parties working for and on behalf of BPK shall be granted legal protection and security assurance by the competent authorities.

Article 27

In the event of claims by other parties with respect to the implementation of its duties and authorities, BPK shall be entitled to legal aid on the state's account in accordance with laws and regulations.

Part Four
Prohibitions

Article 28

BPK members shall be prohibited from:
a. impeding or not reporting the results of audit containing criminal elements to the competent authorities;

b. using beyond their authorities materials, data, information, or other documents obtained while implementing their duties, except for the purpose of investigations related to alleged crimes.
c. directly or indirectly owning the entire, a part of, or acting as a guarantor of a business entity having the purpose of gaining profits from state financial expenses;
d. simultaneously holding a position in other state institutions and boards managing state finance, national/foreign entities; and/or
e. becoming members of political parties.

CHAPTER VI
CODE OF ETHICS, FREEDOM, INDEPENDENCE, AND ACCOUNTABILITY

Part One
Code of Ethics

Article 29

(1) BPK shall be required to prepare a code of ethics containing the norms to be complied with by every BPK member and Auditor in implementing their duties to preserve the dignity, honor, image, and credibility of BPK.

(2) The code of ethic as intended in paragraph (1) shall set forth the mechanism for the enforcement of the code of ethics and types of sanction.

Article 30

(1) To enforce the code of ethics as intended in Article 29 paragraph (1), BPK's Honorary Board of Code of Ethics shall be formed, the members of which consist of BPK members as well as professionals and academicians.

(2) The provisions on the membership, duties, authorities, and meeting procedure of BPK's Honorary Board of Code of Ethics shall be set forth further in a BPK Regulation.

(3) BPK's Honorary Board of Code of Ethics shall be formed by no later than 6 (six) months as of the enactment of this law.

Part Two
Freedom and Independence

Article 31

(1) BPK and/or Auditors shall perform their audit duties in a free and independent manner.

(2) BPK shall be required to prepare state financial auditing standards.

(3) In the context of preserving the freedom and independence as intended in paragraph (1), BPK and or Auditors shall have the following obligations:
a. conduct audits in accordance with the State Financial Auditing Standards;
b. comply with the auditors' code of ethics; and
c. apply a quality control system.

(4) The state financial auditing standards as intended in paragraph (2) shall contain at least the following matters:

a. Auditors shall not have a family relationship by blood to the upper level, lower level, and by marriage up to the second degree with the management of the audit objects.

b. Auditors shall not have any financial interest both directly and indirectly with the audit objects;

c. Auditors shall have never worked or provided services to audit objects within the last 2 years;

d. Auditors shall not have a cooperative relation with audit objects; or

e. Auditors shall not be involved both directly and indirectly in the activities of the audit objects, such as providing assistance, consultation services, system development, preparing and/or reviewing audit objects' financial statements.

Part Three

Accountability

Article 32

(1) Annual audits on BPK's financial management and responsibilities shall be performed by a public accountant.

(2) The public accountant as intended in paragraph (1) shall be appointed by DPR based on the proposal of BPK and the Minister of Finance, each proposing 3 (three) public accountants.

(3) The public accountant as intended in paragraph (2) shall have not performed any duty for and on behalf BPK or provided any service to BPK in the last 2 (two) years.

(4) The results of the audits as intended in paragraph (1) shall be submitted to DPR with a copy to the Government for the preparation of the Central Government's financial statements.

Article 33

(1) To ensure that the quality of the audits on state financial management and accountability by BPK corresponds to the standards, BPK's quality control system shall be reviewed by the audit board of a country which is a member of an international financial auditor organization.

(2) The audit boards of other countries as intended in paragraph (1) shall be appointed by BPK after obtaining DPR's considerations.

CHAPTER VII

BPK'S OPERATIONAL UNITS

Article 34

(1) In implementing its duties and authorities, BPK shall be assisted by BPK's operational units consisting of a Secretariat General, audit implementing units, units performing supporting duties, representative offices, Auditors, and other officials stipulated by BPK based on needs.

(2) The Auditors as intended in paragraph (1) shall hold functional positions.

(3) Provisions on the organization and operational procedures of BPK's Operational Units and functional positions as intended in paragraphs (1) and (2) shall be stipulated by BPK after consulting the Government.

(4) In performing audit duties, BPK shall employ Auditors having the status of Civil Servant or non-Civil Servant.

CHAPTER VIII
BUDGET

Article 35

(1) BPK's budget shall be allocated to a separate budget allocation in the State Budget.

(2) The budget as intended in paragraph (1) shall be submitted by BPK to DPR to be discussed in the preliminary discussion on draft State Budget.

(3) The results of the aforementioned discussion as intended in paragraph (2) shall be conveyed to the Minister of Finance as materials for the preparation of Draft Law on State Budget.

CHAPTER IX
CRIMINAL PROVISIONS

Article 36

(1) BPK Members slowing down or not reporting audit results that contain criminal elements to the competent authorities as intended in Article 28 letter (a) shall be subject to a minimum imprisonment of 3 (three) years and maximum of 10 (ten) years and/or minimum fine of Rp.3,000,000,000 (three billion rupiah) and maximum of Rp.10,000,000,000 (ten billion rupiah).

(2) BPK Members who use beyond their authorities the materials, data, information, and or other documents obtained while implementing BPK's duties as intended in Article 28 letter b, shall be subject to a minimum imprisonment of 1 (one) year and maximum of 5 (five) years and/or minimum fine of Rp.1,000,000,000 (one billion rupiah) and maximum of Rp.5,000,000,000 (five billion rupiah).

CHAPTER X
TRANSITIONAL PROVISIONS

Article 37

(1) The Chairman, deputy Chairman, and or Members of BPK existing at the time of the enactment of this law shall continue to perform their duties and authorities until their tenure expires.

(2) To address the shortage of BPK members as intended in Article 4, BPK Member selection shall be conducted within 6 (six) months following the enactment of this Law.

(3) The formation of BPK's Representative as intended in Article 3 paragraph (2) shall be conducted gradually within 2 (two) years following the enactment of this Law.

CHAPTER XI
CLOSING PROVISIONS

Article 38

At the time this Law comes into effect, Law Number 5 Year 1973 regarding Audit Board (State Gazette of the Republic of Indonesia Year 1973 Number 39, Supplement to the State Gazette of the Republic of Indonesia Number 3010) shall be revoked and declared as no longer valid.

Article 39

All laws and regulations constituting the implementing regulations of Law Number 5 Year 1973 regarding Audit Board shall be declared as applicable insofar as they are not contradictory to the provisions hereof.

Article 40

This law shall come into effect as of the date of its enactment.

For public cognizance, ordering the enactment of this Law by announcing it in the state Gazette of the Republic of Indonesia.

Ratified in Jakarta
On 30 October 2006
PRESIDENT OF THE REPUBLIC OF INDONESIA,
SUSILO BAMBANG YUDHOYONO

Enacted in Jakarta
On 30 October 2006

MINISTER OF LAW AND HUMAN RIGHTS
HAMID AWALUDIN

STATE GAZETTE OF THE REPUBLIC OF INDONESIA
YEAR 2006 NUMBER 85

ELUCIDATION
ON
LAW OF THE REPUBLIC OF INDONESIA
NUMBER 15 YEAR 2006
REGARDING
AUDIT BOARD

I. GENERAL

The 1945 Constitution of the Republic Indonesia has undergone fundamental changes, among other things on Article 23 paragraph (5) regarding the position and duties of the Audit Board.

The parties preparing the 1945 Constitution of the Republic Indonesia were aware that audit on the Government's management and accountability with respect to state finance is a serious obligation requiring the establishment of an Audit Board which is independent of the Government's influence and power.

The reform demand desiring for a state administration that is clean and free from Corruption, Collusion and Nepotism (KKN) toward good governance requires changes in laws and regulations as well as state institutions.

The Third Amendment of the 1945 Institution of the Republic of Indonesia is one of the reforms on the provisions of Article 23 paragraph (5) regarding Audit Board and has confirmed the existence and status of BPK, namely as a free and independent state institution. The status of BPK as an audit board needs to be confirmed in line with the improvement of its role and performance. The independence and freedom from the dependency on the

Government in terms of institution, audit, and reporting are highly required by BPK to perform the duties mandated by the 1945 Constitution of the Republic of Indonesia.

The state administration at the central and regional levels has undergone several changes, among other things, the implementation of regional autonomy accompanied by the transfer of a large portion of the Government's affairs to Regions. In addition to that, as the implementation of Articles 23C, 23E, 2F, and 23G of the 1945 Constitution of the Republic of Indonesia, Law Number 17 Year 2003 regarding State Finance, Law Number 1 Year 2004 regarding State Treasury, and Law Number 15 Year 2004 regarding Audit on State Financial Management and Accountability have been stipulated to replace most of the provisions of the Indonesian Treasury Law (*Indische Comptabiliteitswet*/ICW Stbl.1925 No. 448) and *Instructie en Verdere Bepalingen voor de Algemene Rekenkamer (IAR Stbl.* 1933 No.320).

Due to the constitutional changes, state administration at the central and regional levels, laws and regulations and the Decree of the People's Consultative Assembly (TAP MPR), the provisions of Law Number 5 Year 1973 regarding Audit Board are no longer appropriate so that they should be revoked.

1. It is expected that the revocation of Law Number 5 Year 1973 can accommodate and support changes that cover the status, duties, obligations, and authorities of the Audit Board and replace the provisions of *Indische Comptabiliteitswet* (ICW) Stbl.1925 No. 448) and *Instructie en Verdere Bepalingen voor de Algemene Rekenkamer* (IAR) Stbl. 1933 No.320, and other laws and regulations.

2. To ensure that the quality of the audits is in line with the state financial auditing standards, BPK's quality control system shall be reviewed by the audit board of a country which is a member of an international financial auditor organization as appointed by BPK based on DPR's considerations.

3. To ensure the improvement of the role and performance of the Audit Board as a free, independent, and professional institution, in addition to the selection of BPK members by the People's Legislative Assembly by taking into account the considerations of Regional Representative Assembly and ratified by the President, BPK shall be independent in auditing and reporting.

4. In line with the changes in state administration at the central and regional levels, there has been an improvement in the state financial management and accountability. The Audit Board as a state institution that audits state finance shall have a representative in each province.
   With the increased scope of work, the number of BPK Members shall be increased to 9 (nine) persons.

II. ARTICLES BY ARTICLES

Article 1

Self-explanatory

Article 2

Self-explanatory

Article 3

Self-explanatory

Article 4

Self-explanatory

Article 5

Self-explanatory

Article 6

Paragraph (1)

Referred to as "State Finance" shall be all elements of state finance as intended in the law on state finance.
Referred to as "institution or other boards" shall be state legal entities, foundations obtaining state facilities, commissions formed by virtue of laws, and private entities receiving and/or managing state funds.

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Paragraph (4)

The submission of audit result reports as intended in this paragraph is required so that BPK can perform an evaluation on the audit performed by the public accountant. The audit results of the public accountant and the evaluation subsequently conveyed by BPK to the representative office to be followed up in accordance with its authority.

Paragraph (5)

Discussion shall be needed to confirm and clarify BPK's findings with the auditees. The results of BPK's audit on financial statements shall be used by the government to make necessary corrections and adjustments in accordance with its authority so that the audited financial statements reflect such corrections before conveyed to DPR, DPD, and DPRD.

Paragraph (6)

Laws and regulations stipulated by BPK in relation to audit on state finance management and responsibilities shall have legal force that binds parties involved in the implementation of BPK's duties and authorities.

Article 7

Paragraph (1)

BPK's audit results shall include the results of audit on financial statements, performance audit, special-purpose audit, and biannual audit summary.

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory

Paragraph (5)

Self-explanatory

Article 8

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory

Paragraph (5)

The results of the follow up monitoring on the audit results shall be included in the biannual audit result summary

Article 9

Paragraph (1)

Letter a

The aforementioned authority shall be the realization of a free and independent state institution in conducting audit on state finance management and responsibilities.

Letter b

The aforementioned requests for information and/or documents shall cover all fields related to state finance management and responsibilities.

Letter c

Self-explanatory

Letter d

Self-explanatory

Letter e

Self-explanatory

Letter f

The code of ethics shall provide for the attitude, behavior, and conducts in implementing the

duties and obligations as state financial auditors in order to maintain BPK's audit quality, image, and dignity.

This code pf ethics shall be applicable for BPK Members, state auditors, and other parties working for and on behalf of BPK.

Letter g

Self-explanatory

Letter h

Self-explanatory

Letter i

Referred to as Accounting Standard shall be guidelines and measurement on recording and reporting in relation to financial transactions prepared by a committee authorized law.

Letter j

Self-explanatory

Paragraph (2)

Self-explanatory .

Article 10

Paragraph (1)

Referred to as "State/Regional Government-Owned Enterprises (BUMN/BUMD)" shall be state/regional government-owned companies most of or the entire capital of which is owned by state/region.

Referred to as "management" shall include the employees of state/regional companies and institutions, or other boards.

Paragraph (2)

Self-explanatory

Paragraph (3)

Letter a

Referred to as other officials shall be state officials and officials who administer governance but does not have the status of state officials.

Letter b

Self-explanatory

Letter c

The settlement of state losses due to a tort committed by a third party shall be conducted by means of a judicial process.

Paragraph (4)

Self-explanatory

Article 11

Letter a

Opinions provided by BPK, including corrections in the field of revenues, expenditures, loan, privatization, liquidation, merger, acquisition, government capital participation, government guarantee, and other fields related to state finance management and responsibilities.

Letter b

Self-explanatory

Letter c

Self-explanatory

Article 12

Self-explanatory

Article 13

Self-explanatory

Article 14

Paragraph (1)

In selecting BPK members, DPR shall consider the appropriateness and balance between expertise and the composition of BPK's field of duties.

Paragraph (2)

Self-explanatory

Paragraph (3)

Announced in national mass media within a period sufficient to obtain input from the public.

Paragraph (4)

Self-explanatory

Paragraph (5)

Self-explanatory

Article 15

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

The eldest shall be determined based on age.

Paragraph (4)

Self-explanatory

Paragraph (5)

Self-explanatory

Article 16

Self-explanatory

Article 17

Self-explanatory

Article 18

Self-explanatory

Article 19

Letter b

Violations to the code of ethics by BPK Members shall be settled and reported to DPR within 3 (three) months.

Article 20

Self-explanatory

Article 21

Paragraph (1)

Referred to as BPK's Honorary Board of Code of Ethics shall be BPK's Honorary Board of Code of Ethics as intended in Article 30 paragraph (1).

Paragraph (2)

Self-explanatory

Article 22

Self-explanatory

Article 23

Self-explanatory

Article 24

Referred to as police action shall be summoning in relation to criminal acts, enquiry on criminal acts, arrest, detainment, search, and seizure.

Article 25

Self-explanatory

Article 26

Self-explanatory

Article 27

Self-explanatory

Article 28

Self-explanatory

Article 29

Self-explanatory

Article 30

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Article 31

Self-explanatory

Article 32

Self-explanatory

Article 33

Self-explanatory

Article 34

Paragraph (1)

To support the principle of freedom and independence as well as the effective implementation of its duties and authorities, the organization and operation of BPK's Operational Units and functional positions shall be stipulated by BPK after consulting the Government.

Paragraph (2)

The functional positions of auditor shall consist of several hierarchies and ranks with different retirement age limits.

Paragraph (3)

The recruitment of Auditors shall be set forth by BPK.

Paragraph (4)

Self-explanatory

Article 35

Paragraph (1)

To support effective implementation of BPK's duties and authorities, sufficient budget shall be provided in accordance with the state's financial capacity.

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Article 36

Self-explanatory

Article 37

Self-explanatory

Article 38

Self-explanatory

Article 39

Self-explanatory

Article 40

Self-explanatory

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2006 NUMBER 4654