DRAFT GOVERNMENT REGULATION

NUMBER 105 YEAR 2000

CONCERNING

THE REGION'S FINANCIAL MANAGEMENT AND ACCOUNTABILITY
OUTLINE OF DRAFT GOVERNMENT REGULATION
NUMBER 105 YEAR 2000
CONCERNING THE REGION'S FINANCIAL MANAGEMENT AND ACCOUNTABILITY

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**BODY EXPLANATION**

DRAFT

**GOVERNMENT REGULATION OF THE REPUBLIC OF INDONESIA NUMBER 105...... YEAR 2000**

**CONCERNING**

**THE REGION'S FINANCIAL MANAGEMENT AND ACCOUNTABILITY**

The President of the Republic of Indonesia,

Considering:

That in order to carry out the provision of Section 86 of Law Number 22 Year 1999 concerning Local Government and Section 26 of Law Number 25 Year 1999 concerning Finance Balance between the Central and Local Governments, it is necessary to stipulate a Government Regulation concerning the Region's Financial Management and Accountability.

Recalling:

1. Section 5 sub-section (2) of 1945 Constitution as already amended with the second amendment in year 2000;
2. Law Number 22 Year 1999 concerning Local Government (Republic of Indonesia's Government Official Gazette Year 1999 Number 60, Annex to Government Official Gazette Number 3839);
3. Law Number 25 Year 1999 concerning Financial Balance between the Central and

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**EXPLANATION**

**OF**

**DRAFT GOVERNMENT REGULATION NUMBER 105... YEAR 2000**

**CONCERNING**

**THE REGION'S FINANCIAL MANAGEMENT AND ACCOUNTABILITY**

1. **GENERAL**

By virtue of Law Number 22 Year 1999 Local Government and Law Number 25 Year 1999 concerning Finance Balance between the Central and Local Governments, the central and local governments constitute an inseparable unit in the effort to arrange a governance and public services. The chief mission of the two laws is not merely to fulfill the desire to delegate authority and finance from the central to the local government, but more important is the desire to enhance the efficiency and effectiveness of the Region's Financial resource management in the scheme of enhancing the welfare of and services to the public. Therefore, the spirit of decentralization, democratization, transparency and accountability are very dominantly coloring the process of governance arrangement in general and the process of Region's Financial...
In the framework of governance arrangement system, it is evident that the financial management system is basically a sub-system of the governance system itself. As with the state's financial system mandated in Section 23 (5 sub-sections) of the 1945 Constitution, the aspect of Region's Financial management is also a sub-system provided for in Law Number 22 Year 1999 concerning the Local Government particularly Section 78 to Section 86. It is stipulated in Section 80 that the financial balance between the Central and Local Government is regulated with a law. With such regulation, the balance is expected to be more transparent and accountable in the distribution of authority, funding and a better financial management system in order to realize an optimal regional autonomy in accordance with the dynamics and demand of a developing society.

Accordingly, the implementation of regional autonomy should be seen certainly not only in terms of the amount of balancing fund the region will receive, but it has to be balanced with the extent to which the current instrument or system of Region's Financial management is capable of giving a fairer, rational, transparent, participative and responsible nuance of financial management as mandated by the two laws. The Region's
Financial management system known so far tended to be centralized and uniform due to the many principles of regulation stipulated and controlled by the central government. Specifically Law Number 25 Year 1999 concerning Finance Balance between the Central and Local Governments has laid out a clear foundation in the reform of Region's Financial management and accountability, such as giving a freedom of stipulating the regulation products, as follows:

a. Stipulation on the fundamentals of Region's Financial management provided for with a Regional Regulation;
b. Region's Financial management procedure and system provided for with a Decree of the head of region in accordance with the Regional Regulation;
c. The head of region presents an accountability report to the Regional House of People's Representatives on the Region's Financial management and the Regional Financial performance from the aspect of financial efficiency and effectiveness;
d. The Head of Region's accountability report constitutes a region's document so that it is accessible to the community.

Therefore, based on the spirit of the two laws, the guidelines on the Region's Financial management and accountability provided for in this Government Regulation is of a general nature and gives more emphasis on matters of
general principle, norm, standard and basis in the management of Regional Finance. Each region stipulates the detailed system and procedure for financial management. Diversity in the budget structure, format and document as well as the mechanism for the preparation, implementation and supervision of budget is made possible as long as they are still in line with or do not contradict this Government Regulation. With such an effort, it is expected that the region will be motivated to be more responsive, creative and capable of taking initiative in improving and updating the system and procedure and reviewing the system continually, with the purpose of maximizing the efficiency and effectiveness based on the local situation, demand and capability.

**CHAPTER I**

**GENERAL PROVISION**

**Definition**

**Article 1**

In this Government Regulation:

1. Region's Finance shall mean any rights and obligations of the Region in the scheme of local governance arrangement that can be valued with money including any forms of assets relating to the rights and obligations of the region in the framework of Regional Budget.

2. Regional Budget, hereinafter abbreviated
to APBD shall mean the region's annual financial plan based on the Regional Regulation on the APBD.

3. Region's Financial Managing Official shall mean the official and or employee of the region given a certain authority based on the prevailing legislation in the scheme of the Region's Financial management.

4. Holder of General Power of Region's Financial Management shall mean the region's official with authority to organize the entire Region's Financial management and obligation to give accountability for the implementation of the authority to the Regional House of People’s Representatives.

5. General Treasurer shall mean the official authorized by the Holder of General Power of Region's Financial Management to manage the revenues and expenditure of the Regional Treasury as well as any other forms of assets of the region.

6. Regional Budget User shall mean the official holding the power of using the Regional Budget.

7. Regional Treasury shall mean the place for keeping the region's money determined by the Region's General Treasurer.

8. Treasury Holder shall mean any person appointed and assigned to carry out the activities of treasury in the scheme of implementing the APBD in each work unit of
9. Reserve Fund shall mean the fund set aside for accommodating the needs for quite a relatively large fund that cannot be imposed in one fiscal year.
10. Surplus of APBD Calculation shall mean the difference of excess between the region's income and spending.
11. Region's Revenue shall mean any revenue of the Regional Treasury in a certain period of fiscal year.
12. Region's Expenditure shall mean any expenditure of the Regional Treasury in a certain period of fiscal year.
13. Region's Income shall mean any revenue of the Regional Treasury in a certain period of fiscal year that shall become the region's right.
14. Region's Spending shall mean any expenditure of the Regional Treasury in a certain period of fiscal year that shall become the region's burden.
15. Financing shall mean the Region's Financial transaction intended to cover the difference between the Region's Income and Spending.
16. Region's Goods shall mean any goods owned by the region purchased with the fund originating whole or part from the APBD and or from other lawful earnings.
17. Region's Debt shall mean the amount of money to be paid by the region as a result
of delivery of money, goods and or services to the region or for another reason according to the prevailing legislation.

18. Region's Receivable shall mean the amount of money that becomes the right of the region or the obligation of another party to the region as a result of delivery of money, goods and or services by the region or for another reason according to the prevailing legislation.

19. Region's Loan shall mean any transaction that causes the region to receive from another party a sum of money or benefit that can be valued with money so that the region is burdened with an obligation to repay it, excluding short-term credits that normally occur in trade.

20. Region's Apparatus shall mean the person/institution in the local government that is responsible to the head of region and assists the head of region in the governance arrangement. This comprises the regional secretariat, regional service and regional technical institution, kecamatan and kelurahan in accordance with the region's needs.

Chapter II
Regional Financial Management
Part One
Region's Financial Management Official
Article 2

Section 2
Sub-section (1)
The general power of Region's Financial
(1) The Head of Region is the Holder of General Power of Region's Financial Management

management includes the functions of general planning, budgeting, income collection, region's general treasury, budget use and supervision as well as accountability.

Sub-section (2)
In the scheme of efficiency and effectiveness of Region's Financial management, the Head of Region shall delegate part or whole of the authority to the region's financial managing apparatus. The delegated authority shall at least be related to the task as the Region's General Treasurer. The Regional Secretary or head of the Region's Financial managing apparatus shall be responsible to the Holder of General Power of Region's Financial Management.

Article 3

(1) The Head of Region shall firstly appoint Region's Financial Managing Officials with a decree to carry out the budget.

(2) Further regulation of the tasks and functions of each Region's Financial Managing Official shall be stipulated in a Regional Regulation.

(3) The Treasury Holder shall not concurrently hold the position of another Region's Financial Managing Official

Section 3

Sub-section (1)
The Region's Financial Managing Officials include the General Treasurer, Budget User and Treasury Holder.

Sub-section (2)
Self-explanatory

Sub-section (3)
Self-explanatory

Part Two

General Principle of Region's Financial Management
Article 4
The Region's Financial management shall be carried out orderly, with adherence to the prevailing legislation, in an efficient, effective, transparent and responsible manner taking note of the principles of justice and propriety.

Section 4
Self-explanatory

Article 5
The APBD shall be the basis for the Region's Financial management in a certain fiscal year.

Section 5
This stipulation shall mean that the APBD is the plan for implementing all the Region's Income and all the Region's Spending in the scheme of implementing the decentralization in a certain fiscal year. Thus, the collection of all Region's Revenues in the scheme of implementing the decentralization has the purpose of fulfilling the target stipulated in the APBD. All the Region's Expenditures and burdens in the scheme of implementing the decentralization shall be dealt with in accordance with the amount and target stipulated in the APBD, so that the APBD shall become the basis for the control, examination and supervision of the Region's Finance.

Article 6
The APBD fiscal year shall be the same as that of the National Budget.

Section 6
Self-explanatory.

Article 7
(1) All the Region's Revenues and Expenditures in the scheme of decentralization shall be recorded and

Section 7
Sub-section (1)
Any Revenue and Expenditure of the Region not related to the implementation
(2) The APBD, Amendment to APBD, and APBD Calculation shall be stipulated with a regional regulation and constitute a document of the region.

### Article 8

The APBD shall be prepared with a performance approach.

### Article 9

In preparing the APBD, the budgeting of expenditures shall be supported with a certain availability of revenues in a sufficient amount.

### Article 10

(1) The amount of income budgeted in the APBD shall be a rationally measured estimate achievable for each source of income.

(2) The amount of spending budgeted in the APBD shall be the highest limit on each type of spending.

(3) Any official is prohibited from taking an action that would result in expenditure at the APBD expense if there were lack of budget to finance such expenditure.

(4) Any projected Surplus of the Past Year ABPD Calculation shall be recorded as a

Section 8

The budget with a performance approach is a budget system that gives priority to the effort to achieve a work result or output of a cost allocation plan or a determined input.

Section 9

The stipulation of this section shall mean that the region must not budget expenditure without a prior certainty of the availability of financing source and shall motivate the region to enhance the efficiency of the expenditure.

Section 10

Self-explanatory
beginning balance in the next year's APBD, while the realized Surplus of the Past Year ABPD Calculation shall be recorded as a beginning balance in the APBD amendment.

**Article 11**

Any transactions of the Region's Finance, both of revenues and expenditures, shall be dealt with through the Region's Treasury.

**Article 12**

(1) The budget for financing contingent expenditures shall be provided in a separate part of the budget.

(2) Expenditures charged to the contingent expenditures shall be for dealing with natural disaster, social adversity, and other contingent expenditures badly needed in the scheme of exercising the authority of local government.

**Article 13**

(1) The region may set up a Reserve Fund to finance a need for fund that cannot be charged in a fiscal year.

(2) The Reserve Fund shall be set up with yearly contributions from the APBD revenues, with the exception of Special Allocation Fund, Regional Loan, and Emergency Fund.

**Part Three**

Arrangement for Region's Financial Management
### Article 14

**(1)** The principles of Regional Government Financial management shall be provided for with a regional regulation in accordance with the prevailing legislation.

**(2)** The regional regulation as referred to in sub-section (1) shall provide for:

- a. framework and broad outline of procedure for preparation of APBD;
- b. financial authority of head of region and the Regional House of People’s Representatives;
- c. principles of treasury management;
- d. principles of managing the budgeted expenditures;
- e. procedure for procurement of goods and services;
- f. procedure for making a Loan of the Region;
- g. procedure for financial accountability;
- h. and other things relating to the Region's Financial management.

**(3)** The Region's Financial management system and procedure shall be provided for with a decree of the head of region in accordance with the regional regulation as referred to in sub-section (1).

**(4)** The guidelines for the Local Government

### Section 14

**Sub-section (1)**
Self-explanatory

**Sub-section (2)**

The other things as referred to in letter h include:

- a. preparation of multi-years' budget plan
- b. procedure for budget shift;
- c. Region's Financial administration and process of preparing the APBD calculation;
- d. procedure for using the budget for contingent expenditures;
- e. process of appointing the Region's Financial Managing Officials;
- f. schedule and broad outline of the content of report on APBD implementation to the Regional House of People’s Representatives;
- g. approval for Region's Financial investment;
- h. procedure for the use of budget for contingent expenditures;
- i. process of APBD amendment; and
- j. process of writing off the region's assets.

**Sub-section (3)**
Self-explanatory
CHAPTER III
PREPARATION AND STIPULATION OF REGIONAL BUDGET

Part One
Structure of Regional Budget

Article 15
(1) The structure of APBD constitutes a unit comprising:
   a. Region's Income
   b. Region's Spending
   c. Financing.

(2) The plus difference of the Region's Income from the Region's Spending is called the budget surplus.

(3) The minus difference of the Region's Income from the Region's Spending is called the budget deficit.

(4) The amount of Financing shall be the same as the amount of budget surplus/deficit.

Section 15
Sub-section (1)
   The one unit referred to in this sub-section shall mean that the APBD document constitutes the summary of all types of income, types of spending and the sources of financing.

Sub-section (2)
   Self-explanatory

Sub-section (3)
   Self-explanatory

Sub-section (4)
   Self-explanatory

Article 16
(1) The Region's Income as referred to in Section 15 sub-section (1) letter a shall be specified according to the group of income and type of income.

Section 16
Sub-section (1)
   The groups of income include the Region's Original Income, Balancing Fund, and Other Lawful Incomes.
   The types of income include the regional
(2) The Region's Spending as referred to in Section 15 sub-section (1) letter b shall be specified according to the organization, function and type of spending.

<table>
<thead>
<tr>
<th>Sub-section (2)</th>
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<tbody>
<tr>
<td>The spending according to the organization shall mean the spending by a unit of budget user such as the Regional House of People’s Representatives and the secretariat of Regional House of People’s Representatives, Head of Region and Deputy Head of Region, regional secretariat as well as the regional service and the other region's technical agencies. The functions of spending include education, health, and others. The types of spending comprise the employee's spending, spending on goods, spending on maintenance, spending on official travels and spending on capital/development.</td>
</tr>
</tbody>
</table>

(3) The financing as referred to in Section 15 sub-section (1) letter c shall be specified according to the source of financing.

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<tr>
<th>Sub-section (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The sources of financing in the forms of revenue include the surplus of past year's budget, revenue from loan and bond as well as revenue from the separated sales of region's assets.</td>
</tr>
</tbody>
</table>

**Article 17**
The budget for financing the contingent expenditures as referred to in Section 12 sub-section (2) shall be provided in the section of contingent expenditures in the budget.

**Section 17**
Self-explanatory
### Article 18

(1) The Budgeting of Reserve Fund as referred to in Section 13 shall be allocated from the APBD sources of revenues.

(2) All the sources of Reserve Fund revenues as referred to in sub-section (1) and all the expenditures at the expense of Reserve Fund shall be recorded and manage in the APBD.

(3) The expenditures for covering the needs as stipulated in the regional regulation on the setting up of Reserve Fund shall be charged to the Reserve Fund account.

(4) The position of Reserve Fund shall be reported as part inseparable from the APBD accountability report.

### Section 18

Sub-section (1)
Exempted from the APBD sources of revenues in this sub-section are the Specific Allocation Fund, Emergency Fund and the Region's Loan. The expenditures to be set aside for the setting up of Reserve Fund shall be set forth in the budget.

Sub-section (2)
Being recorded and managed in the APBD shall mean being entered in a separate account that shows the beginning balance, each transaction of revenues and expenditures as well as the ending balance in the fiscal year.

Sub-section (3)
Self-explanatory

Sub-section (4)
The ending balance of Reserve Fund in aforesaid year shall be recorded as beginning balance in the next fiscal year being added to the Reserve Fund to the next fiscal year at the same time.

### Article 19

(1) If the Region's Income is estimated to be less than the spending plan, the region may make a loan.

### Section 19

Sub-section (1)
The region's loan shall be set forth in the budget of Financing. The use of fund originating in this Region's Loan shall be used for financing the
| (2) | The local government may seek other financing sources in the forms of cooperation with other parties on the principle of mutual benefit. | Sub-section (2)  
If the local government in the scheme of developing the public service facilities does not have fund or the available fund is not sufficient, the region may seek alternative sources of long-term financing through cooperation with other parties including the community.  
The cooperation shall mean to be cooperation between the local government and a private party or the community in various forms of cooperation in accordance with agreement between the parties involved.  
The cooperation having a financial impact on the APBD shall be provided for with a regional regulation. |
| (3) | The local government may make investment in the forms of capital participation, deposit or other forms of investment as long as it would provide benefit for the enhancement of services to the community and not disturb the local government's liquidity. | Sub-section (3)  
The investment in the form of capital participation shall mean to be the local government's capital participation through a region-owned business concern. |
| (4) | The other financing sources and the local government's investment as referred to in sub-sections (2) and (3) shall be provided for with a regional regulation. | Sub-section (4)  
Self-explanatory. |
| (5) | The local government shall be responsible activities as provided for in the prevailing legislation on the Region's Loan. |  |
for the management of other financing and investment sources as referred to in sub-section (4), and at the end of each fiscal year shall report the result of implementation to the Regional House of People’s Representatives.

**Part Two**

**Preparation Process of Regional Budget**

**Article 20**

(1) An APBD prepared with a performance approach as referred to in Section 8 shall contain:
   a. the target expected according to the function of spending;
   b. the service standard expected and the estimated cost of component unit of the activity concerned;
   c. part of the APBD income that finances the general administration spending, operation and maintenance spending, and capital/development spending.

(2) To measure the local government's financial performance, there has been developed a spending analysis standard, performance standard and cost standard.

**Section 20**

Sub-section (1)

The description is an indicator and/or the local government's performance target as the reference for Accountability Report.

   Letter a.
   Self-explanatory

   Letter b.
   The development of service standard can be carried out gradually and must be done continually.

   Letter c.
   Self-explanatory

Sub-section (2)

The spending analysis standard shall mean to be an evaluation of the reasonableness of the work load and cost of an activity. The performance standard shall mean to be the measurement of success achieved by each organizational unit of the Region's apparatus.

**Article 21**

**Section 21**
(1) To prepare the APBD draft, the local government shall lay out the APBD's direction and general policy.

(2) On the basis of the APBD direction and general policy as referred to in sub-section (1), the local government shall lay out the APBD strategy and priority.

(3) Based on the APBD strategy and priority as referred to in sub-section (2) and by considering the Region's economic and financial conditions, the local government shall prepare the APBD draft.

**Part Three**

**Stipulation Process of Regional Budget**

**Article 22**

(1) The Head of Region shall present the APBD draft to the Regional House of People's Representatives for approval.

(2) If the APBD draft is not approved by the Regional House of People's Representatives, the local government is under an obligation to improve the APBD draft.

(3) The improvement of APBD draft as referred to in sub-section (2) shall be presented back to the Regional House of People's Representatives.

(4) If the APBD draft as referred to in sub-section (3) is not approved by the Regional House of People's Representatives, the local government shall use the previous year's APBD as the

**Section 22**

**Sub-section (1)**

Self-explanatory

**Sub-section (2)**

Self-explanatory

**Sub-section (3)**

Self-explanatory

**Sub-section (4)**

The local government's expenditures referred to in this sub-section is only limited to the financing of the region's routine activities,
basis for managing the Region's Finance. completion of the previous fiscal year's activities, rehabilitation of facilities/ infrastructure that touches the urgent interests and needs for the public service.

<table>
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<tr>
<th>Part Four</th>
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<tr>
<td>Amendment to Regional Budget</td>
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<tr>
<td>Article 23</td>
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<tr>
<td>(1) Amendment to the APBD shall be made in connection with:</td>
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<tr>
<td>a. The central and or local government's strategic policy;</td>
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<td>b. Adjustment due to the failure to achieve the set revenue target;</td>
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<tr>
<td>c. The emergence of urgent needs.</td>
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<td>(2) Amendment to the APBD shall be stipulated at the latest 3 (three) months prior to the end of a certain fiscal year.</td>
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<tr>
<th>Section 23</th>
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<tbody>
<tr>
<td>Sub-section (1)</td>
</tr>
<tr>
<td>The urgent need in this stipulation is to address the damaged facilities and infrastructure caused by natural disaster and social adversity whose budget has not been or is not sufficiently provided in the contingent expenditures.</td>
</tr>
<tr>
<td>Sub-section (2)</td>
</tr>
<tr>
<td>The period of 3 (three) months is referred to by considering that the implementation may be completed at the end of a certain fiscal year.</td>
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<th>CHAPTER IV</th>
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<tr>
<td>IMPLEMENTATION OF REGIONAL BUDGET</td>
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<tr>
<td>Part One</td>
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<tr>
<td>Revenues and Expenditures of Regional Budget</td>
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<tr>
<td>Article 24</td>
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<tr>
<td>(1) Each of the Regional Apparatuses that has a task of collecting or receiving the Region's Income shall carry out intensification of the income collection.</td>
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<td>(2) Any benefit that can be valued with money such as commission, rebate, discount,</td>
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<th>Section 24</th>
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<tr>
<td>Sub-section (1)</td>
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<tr>
<td>Self-explanatory</td>
</tr>
<tr>
<td>Sub-section (2)</td>
</tr>
<tr>
<td>Any benefit that can be valued with</td>
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</table>
interest or others as a result of the sales and or procurement of goods and or services and the keeping and or placement of the Region's money is the Region's Income.

(3) The Region's Revenues shall be fully paid punctually to the Regional Treasury in accordance with the prevailing legislation.

<table>
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<tr>
<th>Article 25</th>
<th>Section 25</th>
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<tr>
<td>Any action that gives rise to an expenditure at the expense of APBD, cannot be taken until a Regional Regulation on the APBD has been stipulated.</td>
<td>The action referred to does not include the issuance of decrees relating to the personnel whose formation has been stipulated previously and the implementation of budget if the APDBD draft is not or has not been approved by the Regional House of People’s Representatives as referred to in section 22.</td>
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<tr>
<th>Article 26</th>
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<tr>
<td>For any expenditure at the expense of APBD, there shall be issuance of Decree on Authorization or another equalized decree by the authorized official.</td>
<td>The Decree on Authorization constitutes an APBD document as the basis for any expenditure at the expense of APBD.</td>
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<tr>
<th>Article 27</th>
<th>Section 27</th>
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<tbody>
<tr>
<td>(1) Any charge to the APBD must be supported by complete and lawful evidence regarding the right acquired by the collecting party.</td>
<td>Sub-section (1) The evidence referred to includes receipt, invoice, receipt of goods, agreement on procurement of goods and services.</td>
</tr>
<tr>
<td>(2) Any person authorized to sign and or legalize the document of evidence as the basis for an expenditure at the expense of the APBD shall be responsible for the</td>
<td>Sub-section (2) Self-explanatory</td>
</tr>
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</table>

money shall be entered in the book as the Region's Income.

Sub-section (3) Self-explanatory
<table>
<thead>
<tr>
<th>Article 28</th>
<th>Section 28</th>
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<tr>
<td><strong>(1)</strong> The user of Regional Budget shall submit an Application for Payment to carry out the disbursement as referred to in Section 27 sub-section (2).</td>
<td><strong>Sub-section (1)</strong> The Payment Order Letter shall constitute an APBD document as the basis for carrying out payment at the expense of the APBD.</td>
</tr>
<tr>
<td><strong>(2)</strong> Any payment charged to the APBD shall be carried out with a Payment Order Letter.</td>
<td><strong>Sub-section (2)</strong> Self-explanatory</td>
</tr>
<tr>
<td><strong>(3)</strong> The General Local Treasurer makes a payment based on a Payment Order Letter.</td>
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<thead>
<tr>
<th>Article 29</th>
<th>Section 29</th>
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<tbody>
<tr>
<td><strong>(1)</strong> Salaries of the Regional Civil Servants shall be charged to the APBD.</td>
<td><strong>Sub-section (1)</strong> Self-explanatory</td>
</tr>
<tr>
<td><strong>(2)</strong> The Regional Civil Servants can be given additional earnings on the basis of an objective consideration, taking note of the capacity of the Region's Finance and approval of the Regional House of People’s Representatives.</td>
<td><strong>Sub-section (2)</strong> The additional earnings shall be given in the scheme of enhancing the employees' welfare based on the work performance, location of work and rarity of profession.</td>
</tr>
<tr>
<td><strong>(3)</strong> As regards a Regional Civil Servant on secondment duty with the BUMD of another business unit, his/her salary shall be charged to the BUMD or the Business unit concerned.</td>
<td><strong>Sub-section (3)</strong> Self-explanatory</td>
</tr>
<tr>
<td><strong>(4)</strong> The financing of the pension of Regional Civil Servants appointed by the local government shall be the Region's responsibility.</td>
<td><strong>Sub-section (4)</strong> The Regional Civil Servants referred to in this sub-section shall mean the Regional Civil Servants appointed by the local government since 1 January 2001.</td>
</tr>
</tbody>
</table>

| Article 30 | Section 30 |
The use contingent budget as referred to in Section 17 shall be reported to the Regional House of People’s Representatives.

<table>
<thead>
<tr>
<th>Sub-section</th>
<th>Self-explanatory</th>
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<tbody>
<tr>
<td>(1)</td>
<td>Sub-section (1)</td>
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<td>Self-explanatory</td>
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</table>

**Part Two**

**Management of the Region's Goods**

**Article 31**

(1) The Head of Region shall regulate the management of Region's Goods.
(2) The recording of the Region's Goods shall be done in accordance with the local government's accounting standard.
(3) The regional secretary, head of technical service/agency shall be the user of goods for the regional secretariat/regional service/regional technical agency in his/her charge.

**Section 31**

(1) Sub-section (1)
(2) Sub-section (2)

The recording in accordance with the government's accounting standard shall be carried out gradually according to the condition of each region.

**Article 32**

(1) Procurement of goods and or services can only be charged to the APBD as long as the goods and or services are needed to carry out activities in accordance with the main task and function of the Regional Apparatus concerned.
(2) Procedures for Procurement of goods and services financed by APBD shall be provided under a decree of the head of region.

**Section 32**

Self-explanatory

**Article 33**

The user of goods is under an obligation to manage the Region's Goods according to the prevailing legislation.

**Section 33**

Self-explanatory

**Article 34**

**Section 34**

In the event that the management of Region's Goods results in revenue, the revenue shall be fully paid direct to the Regional Treasury.

### Section 35
Self-explanatory

### Part three
**LOCAL GOVERNMENT'S FINANCIAL ACCOUNTING**

**Article 35**
The administration and accountability of regional finance shall follow the prevailing Local Government’s Financial Accounting Standard.

### Section 36
The local government's accounting standard shall mean the guidelines or principles that regulate the accounting process so as to ensure consistency in the financial reporting.

Until the local government's financial accounting standard has been laid out, the Region can use the standard being used at this time.

The change to the application of financial accounting standard shall be carried out gradually in accordance with the condition of each local government.

### Chapter VI
**THE REGION'S FINANCIAL ACCOUNTABILITY**

**Article 37**

1. The local government shall submit quarterly reports on the implementation of APBD to the Regional House of People's Representatives.
2. The quarterly reports as referred to in sub-section (1) shall be submitted not later than 1 (one) month after the end of

### Section 37
Sub-section (1)
The report referred to shall set forth the progress of APBD implementation per quarter.

Sub-section (2)
Self-explanatory
the quarter concerned.

CHAPTER V
THE CALCULATION OF APBD
Article 36
(1) At the end of each fiscal year, the local government is under an obligation to make an APBD calculation that contains the ratio of the realized APBD implementation to the APDB.
(2) The APBD calculation shall count the difference between the realized revenues and the budgeted revenues and the realized expenditures and the budgeted expenditures, explaining the reason.

Article 38
The Head of Region shall prepare a Region's Financial accountability report comprising:
   a. APBD calculation report;
   b. APBD Calculation Note;
   c. Cash Flow Report;
   d. Region's Balance Sheet.

Section 38
Sub-section (1)
Self-explanatory

Sub-section (2)
The reason must determine whether the difference is caused by factors under or beyond control.

Section 39
Letter a
Self-explanatory
Letter b
The note of APBD calculation shall contain a summary of realized Region's Income, Region's Spending and Financing as well as the Region's Performance to include:
1. The Region's performance in the scheme of carrying out the program planed in the APBD of the relevant fiscal year;
2. The performance of service achieved;
3. The APBD's part of spending on financing the general administration, operation and
maintenance activities as well as spending on capital/development for the regional apparatus and the public service;

4. The APBD's part of spending used for the budget of Regional House of People’s Representatives including the secretariat of Regional House of People’s Representatives.

5. Position of Reserve Fund.

Letter c  
Self-explanatory

Letter d  
The preparation of the region's balance sheet shall be carried out in accordance with the government's financial accounting standard gradually according to the condition of each government.

<table>
<thead>
<tr>
<th>Article 39</th>
<th>Section 40</th>
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<tbody>
<tr>
<td>(1) Every Financial Management Apparatus shall periodically prepares a financial accountability report.</td>
<td>Self-explanatory</td>
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<tr>
<td>(2) The system and procedure for the accountability shall be stipulated by the Head of Region’s Decree.</td>
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</table>

**CHAPTER VII**

**SUPERVISION OF THE REGION’S FINANCIAL MANAGEMENT**

<table>
<thead>
<tr>
<th>Article 40</th>
<th>Section 41</th>
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<tr>
<td>Supervision of the APBD implementation shall</td>
<td>The supervision as referred to in this sub-</td>
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</table>
be carried out by the Regional House of People’s Representatives.

<table>
<thead>
<tr>
<th>Article 41</th>
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<tbody>
<tr>
<td>(1) The Regional Regulation on APBD, amendment and calculation of APBD by province shall be furnished to the Minister of Home Affairs and Regional Autonomy not later than 15 (fifteen) days after stipulation.</td>
</tr>
<tr>
<td>(2) The Regional Regulation on APBD, amendment and calculation of APBD by Kabupaten or City shall be furnished to the Governor not later than 15 (fifteen) days after stipulation.</td>
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<tr>
<th>Section 42</th>
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<td>Self-explanatory</td>
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<table>
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<tr>
<th>Article 42</th>
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<tbody>
<tr>
<td>(1) The head of region shall appoint an official with the task of carrying out internal supervision of the Region's Financial management.</td>
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<table>
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<tr>
<th>Section 43</th>
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<tbody>
<tr>
<td>Sub-section (1)</td>
</tr>
<tr>
<td>The internal examination of the Region's Financial management shall have the purpose of keeping the efficiency, effectiveness and economy in the Region's Financial management on behalf of the head of region. The internal audit of the Region's Financial management shall not only carry out examination of the money/treasury matters, but also give attention to the administration of program implementation, activities and management by the local government from the aspect of effectiveness and efficiency, which may affect the</td>
</tr>
</tbody>
</table>
(2) The internal supervisor of the Region's Financial management as referred to in sub-section (1) is not allowed to hold another position in the local government.

(3) The internal supervision of the Region's Financial management as referred to in sub-section (1) shall report the result of his/her audit to the head of region.

### CHAPTER VIII
**AUDITING OF REGIONAL FINANCE**

**Article 43**
The auditing of implementation, arrangement, and accountability of regional finance shall be carried in accordance with the prevailing regulations.

### CHAPTER IX
**THE REGION'S FINANCIAL LOSS**

**Article 44**

(1) The person committing the wrong and or negligence shall replace any loss of the region both direct and indirect as a result of law violation or negligence.

Sub-section (2) Self-explanatory

Sub-section (3)
If the Regional Secretary or head of the Region's Financial managing apparatus carries out the fostering and supervision in the planning and implementation of work of the financial internal auditing official, the financial internal auditing official shall consistently report the result of audit to the head of region.

Section 44
The loss of the region referred to in this sub-section shall mean the amount of a real and absolute nature. Included
(2) The Head of Region’s Apparatus is under an obligation to put in claim for compensation for loss immediately after disclosure that there has been a loss in the relevant regional apparatus caused by any party.

in the region's loss is the payment by the region to a person or organization that is not rightful. Therefore, any person or organization that receive such a payment shall be categorized into violation of the law.

Sub-section (2)
Self-explanatory

<table>
<thead>
<tr>
<th>Article 45</th>
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<tbody>
<tr>
<td>(1) The head of region is under an obligation to put in a claim for compensation for any loss as a result of law violation or negligence by Regional Financial Management Apparatus.</td>
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<tr>
<td>(2) Settlement of the loss as referred to in sub-section (1) shall be carried out in accordance with the prevailing legislation.</td>
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Section 45
Self-explanatory

<table>
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<th>Article 46</th>
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<tr>
<td>Further stipulation on the claim for compensation shall be provided for in a regional regulation.</td>
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</tbody>
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Section 46
Self-explanatory

| CHAPTER X |
| CLOSING PROVISION |
| Article 47 |
| At the time that this Government Regulation begins to take effect: |
| 1. Government Regulation Number 5 Year 1975 on the Handling, Accountability and Supervision of the Region's Finance (Republic of Indonesia's Government |

Section 47
Self-explanatory

is declared null and void.

<table>
<thead>
<tr>
<th>Article 48</th>
<th>Section 48</th>
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<tr>
<td>At the time that this Government Regulation begins to take effect, any implementing regulation of Government Regulation Number 5 Year 1975 on the Handling, Accountability and Supervision of the Region's Finance and Government Regulation Number 6 Year 1975 on the Method of Preparing the Regional Budget, Implementation of the Region's Financial Administration, and the Preparation of Regional Budget Calculation shall remain effective as long as it is not in violation of the stipulation in this Government Regulation and or has not been replaced with a regulation based on a regulation based on this Government Regulation.</td>
<td>Self-explanatory</td>
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<table>
<thead>
<tr>
<th>Article 49</th>
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<tr>
<td>This Government Regulation shall begin to take effect as from 1 January 2001. For every body's information, to have ordered the enactment of this Government Regulation by placing it in the Republic of Indonesia's Government Official Gazette.</td>
<td>Self-explanatory</td>
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<td>Stipulated in Jakarta</td>
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<td>On</td>
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<tr>
<td>THE PRESIDENT OF THE REPUBLIC OF INDONESIA</td>
<td></td>
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<tr>
<td>ABDURRAHMAN WAHID</td>
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</table>

Enacted in Jakarta  
On  
THE STATE SECRETARY  
DJOHAN EFENDI  
(REPUBLIC OF INDONESIA'S GOVERNMENT  
OFFICIAL GAZETTE YEAR 2000 NUMBER  
...)

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