REVIEW ARTICLE

STATE FINANCIAL SYSTEM IN INDONESIA: SOME RECENT DEVELOPMENTS

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The history of the development of the Indonesian financial system, the system of financial institutions underwent a very fundamental change, especially after entering the era of deregulation, the policy package October 27, 1988 which then continued with the enactment of several laws in the field of finance and banking since 1992, starting from the Banking Act, Act Insurance Act, Pension Fund Act, Capital Market Law, until the Bank Indonesia Law. The consequence of the issuance of this law is the change in the structure of the financial institutions in Indonesia. In addition, from the aspect of regulation and fostering, financial institutions are becoming increasingly clear and strong because they already have legal power, especially in the field of insurance and pension funds, which were previously legally regulated only on financial ministerial decisions. This paper analyzes the latest developments in the country's financial system in Indonesia. This paper aims to provide an overview, study, and compare about the developing financial system in Indonesia with several cases of existing financial systems both domestically and abroad. This paper also uses a comparative model of laws, where these laws relate directly or indirectly to the country's financial system.

Keywords*: State Financial System; Indonesian State Financial System; Administrative Law*

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I. INTRODUCTION

The unitary State of the Republic of Indonesia conducts state government and national development to achieve a fair, prosperous and equitable society based on Pancasila and the Constitution of the Republic of Indonesia year 1945. In order to conduct the government, the unitary State of the Republic of Indonesia divided into provinces and provincial areas comprising the districts of the city. Each of these areas has the right and obligation to manage and manage their own government affairs to improve the efficiency and effectiveness of governance and service to the community.[1]

Article 18A paragraph (2) of the Indonesia Constitution 1945 mandated that financial relations, General Service, and utilization of natural resources and other resources between the government and local governments is governed and executed fairly and in accordance under the Law.[2] Thus, the Constitution 1945 becomes a philosophical basis and the constitutional foundation of the establishment of the Law on the financial balance between the central government and local governments that become a reference for the government to organize and conduct programs In order to be executed on target namely touching the needs of the people.

With the financial reform of the State such as the issuance of Indonesia Law No. 17 of 2003 about the state finances, and other Laws such as the above and also including the arrangement of regional financial management systems that have been incorporated in the system State finances.[3]

This paper analyzes two main important point concerning, *first*, how the state's financial system in Indonesia, and *second*, how the duties and authorities of financial institutions in Indonesia? This study is intended to find out how the country's financial system in Indonesia, and to find out the duties and authorities of financial institutions in Indonesia.

II. INDONESIAN STATE FINANCIAL SYSTEM: BETWEEN THEORIES AND PRACTICES

1. State Financial Definition

The country's financial definition is all rights and obligations of the State that can be assessed with money, as well as all things either money or in

1 Ridwan HR, *Hukum Administrasi Negara, Edisi Revisi*, Jakarta, PT RajaGrafindo Persada, 2014, p. 174.

2 Article 18A verse (2) Basic Constitution of Republic of Indonesia 1945 about state finances in general.

3 Law Number 17 of 2003 concerning State Finances.

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the form of goods that can be made in relation to the implementation of such rights and obligations. In the explanation of Law No. 17 of 2003 on state finances it was stated that the approach used in formulating state finances is from the side of object, subject, process, and purpose.[4] From the object's side, the state treasury encompasses all the rights and obligations of the State that can be assessed with money, including policies and activities in the field of fiscal, monetary and property management of the separated state, as well as all things good In the form of money, or in the form of goods that can be made by the State in relation to the implementation of such rights and obligations.

In terms of the subject, the state finances include the entire subject that owns/mastered the object as mentioned above, namely: central government, local governments, state/regional enterprises, and other agencies that have relation to state finances. From the process side, state finance includes a whole series of activities related to the management of the objects as mentioned above from policy formulation and decision making up to Pertanggunggjawaban. From the destination side, the state treasury encompasses all policies, activities and legal relationships relating to the ownership and/or mastery of the object as mentioned above in the framework of the State Government administration.[5]

Based on the state's financial understanding with an object approach, it appears that the rights and obligations of the State can be assessed by the expanded cash scope, namely including policies and activities in the field of fiscal, monetary and wealth management of the state Separated. Thus, the State financial management field can be grouped in:[6]

1) Subfields of fiscal Management,
2) Sub-fields of monetary management, and
3) Subfields of country-separated wealth management.

The financial management of subfields of fiscal management includes policies and activities relating to the management of the State budget and expenditure (APBN) starting from the determination of the direction and general policy (AKU), determination of strategy and priorities of the management of the budget, the preparation of budgets by the Government, the certification of budgets by the DPR, the implementation of budgets, budget supervision, the preparation of The state financial management of subfields of monetary management relates to the policy and implementation of activities of the banking sector and monetary traffic both in and outside the country. The financial management of subfields of the country's wealth is separated in relation

4 *Ibid.*

5 Muhammad Djafar Saidi, *Hukum Keuagan Negara*, Jakarta, Rajawali Pers, 2008, p. 8. *See also* David Cole, David C. Cole, and Betty F. Slade. *Building a modern financial system: The Indonesian experience*, Cambridge, Cambridge University Press, 1999, pp. 132-135.

6 Adrian Sutedi, *Hukum Keuangan Negara*, Jakarta, Sinar Grafika, 2010, p. 10.

to the policy and implementation of activities in the sector of state-owned enterprises (BUMN/BUMD) whose orientation seeks profit (profit motive).[7]

Based on the explanation above, the country's financial sense can be distinguished between: State's financial sense in the broad sense, and the state's financial sense in a narrow sense. The country's financial sense in the broad sense of its approach is that of its broad range of objects, where the state finances include policies and activities in the field of fiscal, monetary and state-separated wealth management. While the financial sense of the state in the narrow sense only covers the state financial management of subfields of fiscal management only.

2. State Financial Regulation

The legal basis of the state's financial processing law include:[8]

a. General Foundations
   1) 1945 Constitution.
   2) MPR decree on the outline of the state (GBHN).

b. Specific Foundations
   1) Act No. 17 year 2003 on State finances
   2) Indonesian Treasury Law Stbl. 1925 number 448, then renewed by law No. 9 year 1969, and was last updated with Act No. 1 year 2004 on State Treasury
   3) Law number 5 Year 1973 on the Financial Audit Board, then updated with the law of the Republic of Indonesia number 15 year 2006
   4) The latest law on the APBN is Law No. 20 of 2019
   5) Legislation regarding taxes, customs and Excise is the Law No. 36 year 2008 on the Fourth Amendment of Law number 7 year 1983
   6) Law Number 15 year 2004 concerning the management and responsibility of State financial

3. Objectives and Scope of State Financial Management

The objectives of the state finance are:[9]

1) Affecting economic growth.
2) Maintain economic stability.
3) Reallocate economic resources.
4) Encouraging income retribution.

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7 Moh. Mahfud. MD, *Politik Hukum di Indonesia*, Jakarta, Rajawali Pers, 2011, p. 28.

8 W. Riawan Tjandra, *Hukum Administrasi Negara*, Yogyakarta, Universitas Atma Jaya Yogyakarta Press, 2008, pp. 180 – 182.

9 *Ibid*.

The state's financial scope will determine the substance contained in the state's finances. Law No. 17 year 2003 on state finances in article 2 governs the scope of the state's finances. The state finances referred to in article 1 paragraph 1 include:[10]

1) State rights to collect taxes, issue and distribute money and make loans.
2) State obligations to conduct public service tasks of state Government and pay third party bills.
3) State acceptance and expenditure.
4) Regional reception and regional expenditure.
5) The wealth of the country or property of self-managed areas or by other parties in the form of money, securities, receivables, goods, as well as other rights that can be assessed with money, including wealth that is separated in the company of state/local companies.
6) The wealth of other parties ruled by the government in order to conduct governmental duties and/or public interest.
7) The wealth of other parties acquired using the facilities provided by the Government.

4. Approach of State Financial Administration

Explained in the Law No. 17 of 2003 article 1 paragraph 1, state finances have the definition as all rights and obligations of the State that can be assessed with money, as well as all things either in the form of money and the form of goods that can be made by the state In connection with the exercise of such rights and obligations.

Referring to the explanation in the law in the understanding and scope of the state's finances, the state financial formulation uses several approaches, namely:[11]

1) Object-side approach
   From the side of the object, the state finances include all rights and obligations of the State that can be assessed by money, therein including various policies and activities that are held in the field of fiscal, monetary and or the wealth management of the separated state.
2) Approach from the subject
   State finances include the country, and/or the central government, local governments, country/region companies, and other agencies that have to do with the country's statement.
3) Approach of the process

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[10] Article 1 paragraph 1 of Law Number 17 of 2003 concerning State Finance.

[11] Kemenkeu, "Simposium Nasional Keuangan Negara, Upaya Kemenkeu Tingkatkan Kualitas Keuangan Negara Berbasis Data", *Online News*, November 14, 2018. Retrieved from https://www.kemenkeu.go.id/publikasi/berita/simposium-nasional-keuangan-negara-upaya-kemenkeu-tingkatkan-kualitas-keuangan-negara-berbasis-data/

State finances include a whole series of activities related to the management of State financial objects ranging from policy formulation process and decision making to accountability.

4) Approach to the destination side
State finances include all policies, activities and legal relationships relating to the ownership and/or mastery of objects as mentioned above in the framework of the State Government.

5. General Principle of State Financial Management

There are some principles in state financial management that applied in Indonesia, as follows:

1) Annual Principle[12]
The annual principle limits the budget period for a given year. (Article 11 (1) Law 17 of 2003 & Article 4 Law 17 of 2003)
2) The principle of universality
The principle of universality requires that every financial transaction be displayed as a whole in a budget document. (Article 14 Law 1of 2004)
3) Principle of Unity
The Unity principle wants all income and expenditure of the country/region presented in one budget document.
4) Principle of Speciality
The specialty principle requires that the budget credits provided are clearly detailed.
5) Principle of Accountability
Principle of Accountability is the principle that determines that every activity and end result of the state organizer's activities should be accountable to the community or people as holders of the highest sovereignty of the country in accordance with the provisions of the prevailing laws and regulations. (Article 14 Law 17 of 2003)
6) The Principle of Professionality
It is the principle that prioritizes the expertise based on the code of Ethics and the provisions of prevailing laws and regulations.
7) Principle of Proposionality
It is the principle that prioritizes the balance between the rights and obligations of State organizers.
8) Principle of Openness
It is the principle that opens itself to the right of society to obtain true, honest and non-discriminatory information about the implementation of the State while paying attention to the protection of the country's personal rights, groups and secrets.

[12] Nurmala Ahmar, “Model Kebijakan Ekonomi Berbasis Insentif Pajak Revaluasi Aset Sebagai Potensi Penerimaan Pajak” *Simposium Nasional Keuangan Negara* 1(1), 2018, pp. 4-5.

9) Principle of Financial Description
The BPK is authorised to obtain data, documents, and information from the vetted party, the opportunity to physically check each asset that is in the office management of a inspected agency, including conducting a sealing to secure the money, goods, and/or documents of the state's financial management at the time of the inspection.

There are four purposes of the establishment of the Indonesian state listed in the opening of the fourth Constitution 1945. The goal is to protect all Indonesians and all the blood in Indonesia; Advancing the general welfare; Educate the life of the nation; and to conduct world order based on independence, everlasting peace, and social justice. The fourth achievement of the country's objectives is certainly tied to the state finances as a form of financing to the governance of state governments conducted by state organizers. Without state finances, the country's goals cannot be maintained. Therefore, state finances are the lifeblood of a country's development and determine the sustainability of the economy both in the present and future. To obtain state finances as a form of financing of state objectives, must remain in the country of law permitted by the Constitution of the Republic of Indonesia 1945.[13]

The state financial definistion under Law No. 17 of 2003 concerning state finances is as follows:[14]

> "All rights and obligations of the State that can be assessed with money, as well as all things, whether in the form of money or in the form of goods that can be made by the State relating to the implementation of such rights and obligations".

Finance in a government implementation has a central role, because it is a vein in the development of a country and strongly determines the sustainability of the economy both in the present time and in the future. Following the thought of Rene Stours as quoted by Adrian Sutedi stating that the state's financial essence or philosophy in this case the country's acceptance and spending budget is "The Constitutional Right which a nation possesses to authorize Public revenue and expenditure does not originates from the fact that the members of nation contribute the payments. This right is based in a loftier idea. The idea of sovereignty." So, it can be understood that in the essence of public

[13] Kemenkumham. "Media Publikasi Peraturan Perundang-undangan dan Informasi Hukum". http://ditjenpp.kemenkumham.go.id/hukum-adm-negara/2970-keuangan-negara-dan-keuangan-publik.html (accessed on 27 November, 2019).

[14] Law Number 17 of 2003 concerning State Finance.

revenue and expenditure budget acceptance and expenditure of State is sovereignty.[15]

6. State Financial Resources

In accordance with Law Number 25 of 1999 about the Financial Balance between the Central Government and Local Governments, the local revenue sources are as follows:[16]

1) Regional original Revenue (PAD) is sourced from:
    a. Local tax
    b. Retribution area
    c. Results of the wealth management of the Territory separated, and
    d. other legitimate PADS
2) The balance fund consists of:
    a. Proceeds share Fund
    b. General Allocation Fund
    c. Special Allocation Fund
3) Other revenues consist of:
    a. Grant income
    b. Emergency funds income

From some of the local indigenous Revenue (PAD) itself, taxation is one of the most important regional sources of income because each year the local tax is able to make a substantial contribution to regional acceptance. However, up to now, the average tax receipts throughout the region in Indonesia is still relatively small. Therefore, tax reform, need to be done to increase the acceptance of government tax and the occurrence of excess excitation that harms the interest of the principal.[17]

Tax collection with a letter of forced Law No. 19 of 1997, is a government way to request the people's responsibility due to the arrears of tax payments. Tax arrears can impede the Government to implement development aimed at the welfare of the people through economic enhancement. The way that the government takes in the framework of the billing tax arrears through this forced letter is a force of law that forces, as stipulated in article 1 Figure 10 of LAW No. 19/1997 concerning tax collection by forced letter, L. N-RI, year 1997 No. 42.[18]

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[15] Endang Paradigma Baru Keuangan Negara dan Ruang Lingkupnya. In *Modul Universitas Terbuka*, p. 24. retrieved from http://www.pustaka.ut.ac.id/lib/wp-content/uploads/pdfmk/IPEM4440-M1.pdf

[16] Law Number 25 of 1999 concerning Financial Balance.

[17] Bank Indonesia, *Kajian Stabilitas Keuangan Nomor 1*, Jakarta, Biro Stabilitas Sistem Keuangan-Direktorat Penelitian dan Pengaturan Perbankan, Bank Indonesia, 2003, p. 6.

[18] Law Number 19 of 1997 concerning Tax Collection.

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The purpose of Law No. 19/1997 is to capture Community funds for the implementation of development that aims to welfare of society when the three elements of structure, substance, and cultural law can run well according to their function. Culture of officials and taxpayers who are less loyal to the obligation as an officer in the implementation of its duties that result in stupid times and lack of knowledge on taxation problems will be an element that inhibits the income of the country. It is therefore necessary to provide legal counseling to increase the awareness of the obligations of community members in participating in the development aimed at its prosperity as well. Qualitative action in Law No. 19 of 1997 is an act that restricts taxpayer independence.[19]

7. The Difference Between Private Finance and State Finances

The visible difference is that the first one is the private finance sector or commonly called the private economic sector to live by their own means. It could be a deficit, if the spending is bigger than revenue, but this does not last forever because it can make a loan of the wealth it has. On the other hand, if the country is in deficit then it can take the policy to set a budget deficit.

The next difference is that without repayment of previous loans, the private economic unit will lose credit confidence in the market, but it does not happen to the country. The country can plan an increase in its debts within each of its shopping budgets, it can be executed. Some countries successfully run this. Consequently, state debt in many countries is a major proportion in state acceptance.

Countries can borrow both inside and outside the country, but a unit of private economics, for example the company cannot increase its internal lending (inbetween). All loans originating from outside the company.

Further interest exists on loans by countries much lower than loans by private economic units. Generally countries get assistance from the central Bank of the country concerned as agents and insurers. The country can also get facilities from banks and also from other institutions as free. All these things are not in the private economic unit and if any, it is likely heavier than the state sector.

The most important difference between private finance and state finances i.e. Government or state sector has the ability to print or create money, Tetapias must be limited. The ability to create or print money is not owned by private economic units. Although in the creation and printing of this money can be done by the economic sector of the country,

[19] *Ibid*.

but this must be done very carefully so that the unwanted, for example inflation does not occur.

Furthermore, the private finance sector follows the market principle and the general economic principles, whereas the financial sector of the country follows the budget principles. The private economic Unit plans its activities in consideration of its procurement, then its spending, while the state's financial sector in general is the reverse which sets its spending first newly search or establishes Its acceptance including his sources. Thus, it can be noted that in addition to the similarities between private finance and state finances, there are also basic differences between the two.[20]

III. DUTIES AND AUTHORITIES OF FINANCIAL INSTITUTIONS IN INDONESIA

1. Bank of Indonesia

In the economy of a country. The financial system has a very important role because the function of financial system is very strategic in facilitating the fundraising of the community and its allocation to support the economic activity of the country. One of its roles and functions is maintaining financial system stability. It becomes something that is absolutely done by the relevant authorities and responsible in maintaining the smooth economic activity of the country. It needs to be done remembering:[21]

1) A stable financial system will create a high level of community confidence and supportive environment for investor's storage to embed funds in financial institutions, including ensuring the interests of the community, especially Small client.
2) The stable financial system will promote efficient financial intermediation and can eventually encourage investment and economic growth.
3) The stability of the financial system will encourage the operation of the market and improve the allocation of resources in the economy.

In Indonesia itself, legally formal, the attention to the stability of the financial system reaches its peak in 2008 when the Government of the Republic of Indonesia issued a government regulation of the substitute Law No. 4 of 2008 concerning Financial system Safety net on

[20] Sukarela Batunanggar. "Jaring Pengaman Keuangan: Kajian Literatur dan Praktiknya di Indonesia". *Buletin Hukum Perbankan dan Kebank Sentralan* 4(3), 2016, pp. 1-24.

[21] Philipus M. Hadjon, *Pengantar Hukum Administrasi Indonesia*, Yogyakarta: Gadjah Mada University Press, 2015, p. 77.

15 October 2008 (Perpu JPSK). Perpu JPSK issued in order to complement the issuance of government regulation of the substitute Law No. 2 of 2008 on the Second amendment of Law No. 23 of 1999 concerning Bank Indonesia ("Perpu BI") and government regulation of surrogate Law No. 3 of 2008 on amendment to Law No. 24 of 2004 on deposit Guarantee Board ("Perpu LPS"). It is the response of the Government of the Republic of Indonesia in preventing the escalation of global financial crisis that could bring adverse impact to financial system stability nationwide, through the prevention and management of crisis.

The focus on financial system stability became the central point of the PERPU's third publication, given the important role of financial system stability to the overall economy and the impact that could result from the instability of the system Financial. The impact of financial system instability was ever faced by the Government of the Republic of Indonesia during the banking crisis in 1998 which raises a huge fiscal burden, which is to restructuring the banking system that has experienced the crisis At that time, the Government of the Republic of Indonesia had issued a restructuring fee of up to Rp654 trillion or amounted to 51% (fifty one percent) of the annual GDP. Restructuring costs were to occupy the highest position among Asian countries and occupy the second-highest position in the world in the last quarter of the century after Argentina with a fiscal fee of up to 55.1% (fifty five commas one percent) Of the annual GDP when Argentina suffered a crisis in the years 1980 – 1982.[22]

In order to overcome the effects of the instability of the financial system, Bank Indonesia ("BI ") as the central Bank together with the government seeks to perform integral steps of saving Indonesian banking system among others by doing Revocation of Business Licenses 16 (sixteen) of the commercial Bank, the implementation of the government assurance Program, the establishment of the National Banking Restructuring agency, and conducting a restructured program of the problematic banks including taking over banks by the government.

Although the approval of the House of Representatives against the Perpu JPSK to be passed into law is not obtained with various considerations, efforts to repair in building a tougher financial system and ready in the face of The crisis threat of financial system remains the priority of the legislator. Such efforts are carried out through an institutional arrangement related to the authorities responsible for maintaining the SSK, in addition to the Ministry of Finance, BI, and the Deposit guarantor Institution ("LPS"), by establishing the Financial Services Authority ("OJK") Through Law No. 21 of 2011 concerning the Financial Services Authority imposed on 22 November 2011 ("OJK Act"). Referring to the general explanation of the OJK Act, it is revealed that the establishment of OJK is backed by a number of cross-sectoral

[22] *Ibid*.

problems in the financial services sector that can disrupt the SSK, thus encouraging the establishment of supervisory institutions in the service sector Integrated finance, which includes supervision over the banking sector, capital markets, insurance, pension funds, financing institutions, and other financial services institutions.

2. Financial Audit Board

The Financial Audit Board (BPK) is a free and independent State agency responsible for examining the country's financial management and responsibilities, relating to the implementation or realization of the country's income and expenditure budget. Approved by the DPR.[23] In the performance of its duties, the financial Audit board is essentially a partner or a partner of DPR in carrying out supervisory functions against the performance of Government, as well as supervising the implementation of the State budget and expenditure, which then results from The financial examination is then notified or delivered to the DPR for follow up.[24]

3. Election of the Board of Financial Audit

In the case of selection of BPK members, there is no checks and balances between legislative and executive institutions. Unlike the selection of other state officials, where there are involvement of the presidential institutions and also the DPR.

According to the Constitution, the choice of BPK members is authority of Parliament. It is governed in article 23F UUD 1945 that the BPK member is elected by the DPR by paying attention to the consideration of the Regional Representative Council (DPD). These are new rules introduced in the post-Amendment constitution.

Prior to the enforcement of Law No. 15 of 2006 about BPK, enacted Law No. 17 of 1965 on the establishment of government Regulation No. 6 year 1964, on the establishment of the Financial Audit Board (State Gazette year 1964 No. 41) Become the law of the BPK pursuant to Law No. 17 of 1965 is in the form of board and is an institution of the highest state among the institutions – the other State institutions of the year. Pursuant to article 4 of the year 1965, the BPK members are comprised of 21 members representing a political party, an

[23] Mieke Rayu Raba. “Peran Badan Pemeriksaa Keuangan (BPK) Dalam Melakukan Pemeriksaan Terhadap Pengelolaan Keuangan Negara Untuk Mewujudkan Pemerintahan Yang Baik Menurut UU No.15 Tahun 2006.” *Lex Crimen* 6(3), 2017, 153-154.

[24] Rini Wulandari. “Badan Pemeriksa Keuangan dalam Kajian Ketatanegaraan Islam”. *Thesis,* Jakarta, UIN Syarif Hidayatullah, 2017, pp. 3-5.

armed forces representative, a revolutionary representative of the Organization, or the people who have an organized community support.[25]

Based on the 2006 Act, in carrying out its duties, BPK has nine members, whose membership was inaugurated with a presidential decree issued for at least 30 days since the member of BPK elected the House where the BPK arrangement consisted of a Chairman and a member, a vice chairperson and a member, and 7 (seven) members.[26] In order to maintain continuity of the task and authority of BPK, this Act governs the appointment procedure of BPK membership.

BPK members were elected by the DPR with regard to consideration of DPD. Consideration of DPD is submitted in writing that contains all the names of the candidates in full, and submitted to the DPR. Prospective BPK members will then be announced by the DPR because the DPR is organizing a fit and proper test. The involvement of DPD in giving consideration has not made the filling process of the BPK members away from political interests. Judging from the article on the filling of a BPK member by the DPR through consideration of DPD, the office of BPK member has actually been far from the influence of executive power but still not separated from the influence of DPR power which is Political institutions.

In completing the position of the BPK member is governed in the Law on the terms to be elected as prospective BPK members who will then be denied by the DPR to occupy the office. The provisions of the Law require candidates to be:

1) Indonesian citizen;
2) Faith and fear of the one true God;
3) domiciled in Indonesia;
4) Have moral integrity and honesty;
5) As well as the unitary State of the Republic of Indonesia based on Pancasila and the Constitution of the Republic of Indonesia year 1945;
6) Have at least a bachelor degree or equivalent;
7) Never been convicted by a court ruling that has had a permanent legal force in the case of a criminal offence threatened with a sentence of five years or more;
8) Healthy physically and spiritually;
9) At least 35 years old;
10) The shortest years have left the office as an official in the state financial management environment;
11) Not being declared bankrupt based on a court ruling that has had a fixed legal force.

Then, for the election of the chairman of BPK and his deputy is governed by article 15 and article 16 of the Law on the BPK year 2006, namely that the Chairman and Vice chairperson of BPK elected from and

[25] Article 4 of the 1965 Law on the Members of the Financial Audit Board.
[26] Article 4 of Law Number 15 of 2006 concerning the Financial Audit Board.

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by the member of BPK in the Council of BPK members in a period of at least 1 month since Date of the membership of BPK by the president. And the election of the Chairman and vice chairman of the BPK itself is done by deliberation to reach the consensus and if the consensus is not reached then the election is done by voting.[27]

4. Duties and Authorities of The Financial Audit Board

Explained in the Law No. 15 of 2006 about the BPK that in chapter II article 6 paragraph (1) of the Financial Audit Board in charge of examining the management and responsibility of the state finances conducted by:[28]

1) Central government
2) Local governments
3) State institutions
4) Bank Indonesia
5) State-owned enterprises
6) General Service Agency
7) Regional Owned Enterprises
8) Agencies or other entities that manage the state's finances.

BPK checks include financial checks, performance checks, and inspections with specific objectives. Financial checkup is a review of financial statements. Then, a performance check is an examination of economic aspects and efficiency as well as examination of the effectiveness aspect. While the examination with a certain purpose aims to give a conclusion on the matter of which is examined.[29]

Furthermore, BPK is tasked with submitting inspection results for the state's financial management and responsibility to the DPR, DPD, and DPRD in accordance with its authority. Then the House of Representatives, DPD and DPRD follow up the results of the examination in accordance with the rules of the respective order-each representative institution. Therefore, the results of the examination of the management and responsibility of the state financial JAWB that has been submitted to the DPR, DPD, and DPRD are declared open to the public.[30]

It is also explained that for the purposes of follow-up results, BPK submit a written examination to the president, Governor, Regent/mayor in accordance with its authority. The follow-up of the test results is notified in writing by the president, Governor, Regent/mayor to BPK. However, in the case of a criminal offence found, BPK reported the

27 Article 15 of Law No. 15 of 2006 concerning the Financial Audit Board.

28 Article 6 paragraph (1) of Law No. 15 of 2006 concerning the Financial Audit Board.

29 Indonesian Financial Audit Board Regulation No. 1 of 2007 concerning State Financial Auditing Standards.

30 Jimly Asshidiqie, *Pokok–Pokok Hukum Tata Negara Indonesia*, Jakarta, PT. Bhuana Ilmu Populer, 2007, p. 869.

matter to the competent authorities in accordance with the provisions of the legislation – an invitation of at least 1 month since the alleged criminal element is known. Furthermore, the BPK report as intended as the basis of the investigation by the competent investigation office in accordance with the rules of abuse-the invitation and BPK Mamantauu implementation of the screening that results are then notified in writing to the DPR, DPD and Parliament and government.[31]

In addition to the tasks described above, the BPK also has the authority. In article 9 paragraph (1) of Law No. 15 of BPK 2006 explains that the BPK is authorized:

a. Determine the inspection object, plan and perform the examination, determine the timing and method of inspection and compile and present the inspection report.
b. Request the information and the required documents provided by each person, the organizational unit of the central government, local governments, other State institutions, state-owned enterprises, BUMD and other agencies or other entities that manage the state's finances.
c. Conduct inspection in the place of money and state-owned goods, the place of implementation of activities, bookkeeping and financial administration of the State, as well as examination of the calculations-letter-calculations, evidence-evidence, accounts of newspapers, meeting answers, and other lists relating to the management of the state's finances.
d. Determine the type of document, data and information on the financial management and responsibility of the country that must be submitted to the BPK.
e. Set the state financial inspection standards after consultation with the central government/local government that must be used in the examination of State financial management and responsibility.
f. Establish the Code of Conduct inspection of State financial management and responsibility.
g. Using experts and/or inspectors are under the BPK working for and on behalf of BPK.
h. To construct the inspectors functional position.
i. Give consideration to the government accounting standards, and
j. To give consideration to the design of internal control system of central government/local government before stipulated by the central government/local government.

BPK assesses and or determines the amount of state losses caused by the deed against the law either intentionally or negligent by the Treasurer, the manager of BUMN/BUMD,[32] and other agencies or agencies that conduct state financial management. Assessment of the

[31] Article 8 of Law Number 15 of 2006 concerning the Financial Audit Board.
[32] Tri Wibowo. "Model Pengawasan Internal Pemerintah Terhadap Penguatan Kapasitas Fiskal." *Simposium Nasional Keuangan Negara* 1(1), 2018, pp. 918-920.

state's financial losses and/or the determination of the obligation to pay damages, authorised BPK monitors:[33]

1) Settlement of damages of the country/region stipulated by the Government against the civil servants and not the Treasurer and other officers;
2) The implementation of the indemnity of the country/region to the Treasurer, the manager of BUMN/BUMD, and other institutions or agencies that manage the state finances that have been established by the BPK; Dan
3) The implementation of the indemnity of the country/region stipulated by a court ruling that has had a fixed legal force.

5. Legal Basis

The law that is used as the legal basis and the operational foundation of BPK in carrying out its duties is [34] :

1) Constitution 1945;
2) Law No. 17 of 2003 on state finances;
3) Law No. 1 of 2004 on State treasury;
4) Law No. 15 of 2004 on the examination of State financial management and responsibility;
5) Law No. 15 of 2006 on the Board of Finance inspectors, in lieu of law No. 5 of 1973 on the Financial Audit Board.

IV. CONCLUSION

According to the applicable law, that the State treasury is covering the state Treasury is all the rights and obligations of the State that can be assessed by money, as well as all things either in the form of money or in the form of goods that can be made in relation to the implementation of such rights and obligations. The government is the central government and/or local government. The House of Representatives hereinafter referred to as DPR is the House of Representatives as referred to in the Constitution 1945. The regional House of Representatives hereinafter referred to as DPRD is the provincial House of Representatives, the People's Representative Council of the District, and the Municipal People's representative Council as referred to in the Constitution 1945.

The state Company is a business entity that is all or part of its capital owned by the central government. Regional company is a

[33] Trihadi Waluyo. "Pemeriksaan atau Pemeriksaan Bukti permulaan dalam rangka Penegakan Hukum di Bidang Perpajakan." *Simposium Nasional Keuangan Negara* 1(1), 2018, pp. 459-460.

[34] Proborini Hastuti. "Effect of Regional Political Stability on the Implementation of Fiscal Decentralization in Indonesia." *Simposium Nasional Keuangan Negara* 1(1), 2018, pp. 786-788.

business entity that is all or part of its capital owned by the local government. The State budget revenue and expenditure, hereinafter referred to as the APBN, is the annual financial plan of State Government approved by the House of Representatives. The regional revenue and expenditure budget, hereinafter referred to as APBD, is the annual financial plan of the regional government approved by the regional People's Representative Council. State acceptance is money that goes into the state treasury. State expenditure is money coming out of the state treasury. The reception area is money that goes into the Treasury area. Regional expenditure is money coming out of the area treasury. State revenue is a central government right that is recognised as a net worth value enhancer. State spending is a central government obligation recognized as a deduction of net worth value. Regional revenue is a local government right that is recognised as a net worth value enhancer. Regional expenditure is a regional government obligation recognized as a deduction of net worth value. Financing is any acceptance that needs to be paid back and/or expenses to be received again, either in the relevant fiscal year or in the next budget years.

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